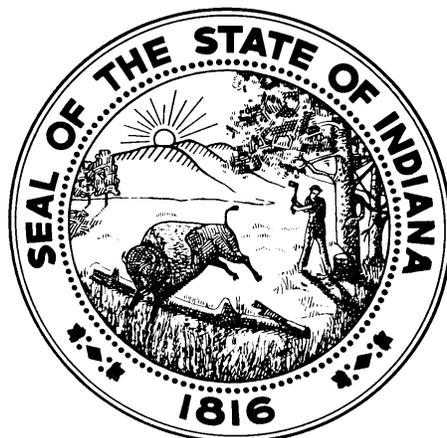


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION
MONTGOMERY COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

05/04/2009

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Karen Simpson | 07-01-06 to 06-30-09 |
| Superintendent of Schools | Dr. J. Bret Lewis | 07-01-06 to 06-30-09 |
| President of the School Board | David Vice Vacant Pamela Jeffries Larry McMullen | 07-01-06 to 01-15-08 01-16-08 to 02-10-08 02-11-08 to 03-01-09 03-02-09 to 06-30-09 |



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Montgomery Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 31, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 31, 2009



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Montgomery Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 31, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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 statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 31, 2009

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

| Functions/Programs | Disbursements | Program Receipts | | Totals | Net (Disbursement) Receipts and Changes in Net Assets |
|--|---------------|-------------------------|--|----------------|---|
| | | Charges for Services | Operating Grants and Contributions | | |
| Governmental activities: | | | | | |
| Instruction | \$ 9,119,744 | \$ - | \$ 52,951 | \$ (9,066,793) | |
| Support services | 9,303,090 | 567,397 | 201,838 | (8,533,855) | |
| Community services | 162,128 | - | - | (162,128) | |
| Nonprogrammed charges | 384,849 | - | - | (384,849) | |
| Debt service | 5,994,248 | - | - | (5,994,248) | |
| Total government | \$ 24,964,059 | \$ 567,397 | \$ 254,789 | (24,141,873) | |
| General receipts: | | | | | |
| Property taxes | | | | 6,803,397 | |
| Other local sources | | | | 726,143 | |
| State aid | | | | 5,785,407 | |
| Bonds and loans | | | | 5,065,000 | |
| Grants and contributions not restricted to specific programs | | | | 927,034 | |
| Sale of property, adjustments, and refunds | | | | 84,405 | |
| Investment earnings | | | | 123,409 | |
| Total general receipts | | | | 19,514,795 | |
| Change in net assets | | | | (4,627,078) | |
| Net assets - beginning | | | | 7,754,525 | |
| Net assets - ending | | | | \$ 3,127,447 | |
| <u>Assets</u> | | | | | |
| Cash and investments | | | | \$ 2,617,574 | |
| Restricted assets: | | | | | |
| Cash and investments | | | | 509,873 | |
| Total assets | | | | \$ 3,127,447 | |
| <u>Net Assets</u> | | | | | |
| Restricted for: | | | | | |
| Debt service | | | | \$ 475,164 | |
| Other purposes | | | | 34,709 | |
| Unrestricted | | | | 2,617,574 | |
| Total net assets | | | | \$ 3,127,447 | |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

| Functions/Programs | Disbursements | Program Receipts | | Totals |
|--|--------------------------|-------------------------|--|---|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | Net (Disbursement) Receipts and Changes in Net Assets |
| Instruction | \$ 9,012,577 | \$ - | \$ 221,265 | \$ (8,791,312) |
| Support services | 7,916,984 | 562,588 | 368,706 | (6,985,690) |
| Community services | 173,012 | - | - | (173,012) |
| Nonprogrammed charges | 458,415 | - | - | (458,415) |
| Debt service | <u>9,205,817</u> | <u>-</u> | <u>-</u> | <u>(9,205,817)</u> |
| Total government | <u>\$ 26,766,805</u> | <u>\$ 562,588</u> | <u>\$ 589,971</u> | <u>(25,614,246)</u> |
| General receipts: | | | | |
| Property taxes | | | | 12,085,212 |
| Other local sources | | | | 953,479 |
| State aid | | | | 5,953,268 |
| Bonds and loans | | | | 4,175,000 |
| Grants and contributions not restricted to specific programs | | | | 948,046 |
| Sale of property, adjustments, and refunds | | | | 144,774 |
| Investment earnings | | | | <u>102,517</u> |
| Total general receipts | | | | <u>24,362,296</u> |
| Change in net assets | | | | (1,251,950) |
| Net assets - beginning | | | | <u>3,127,447</u> |
| Net assets - ending | | | | <u>\$ 1,875,497</u> |
| <u>Assets</u> | | | | |
| Cash and investments | | | | \$ 1,057,580 |
| Restricted assets: | | | | |
| Cash and investments | | | | <u>817,917</u> |
| Total assets | | | | <u>\$ 1,875,497</u> |
| <u>Net Assets</u> | | | | |
| Restricted for: | | | | |
| Debt service | | | | \$ 782,715 |
| Other purposes | | | | 35,202 |
| Unrestricted | | | | <u>1,057,580</u> |
| Total net assets | | | | <u>\$ 1,875,497</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

| | General | Transportation Operating | School Lunch | Debt Service | Capital Projects | School Bus Replacement | Other | Totals |
|--|---------------------|-----------------------------|-------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|
| Receipts: | | | | | | | | |
| Local sources | \$ 3,572,293 | \$ 858,632 | \$ 560,841 | \$ 2,197,897 | \$ 635,758 | \$ 9,948 | \$ 384,190 | \$ 8,219,559 |
| Intermediate sources | 294 | - | - | - | - | - | - | 294 |
| State sources | 5,830,219 | - | 9,678 | - | - | - | 202,747 | 6,042,644 |
| Federal sources | 2,837 | - | 171,908 | - | - | - | 749,840 | 924,585 |
| Bonds and loans | 3,000,000 | - | - | 1,900,000 | - | - | 165,000 | 5,065,000 |
| Sale of property, adjustments and refunds | 34,661 | 6,482 | - | 709 | 3,682 | - | 38,871 | 84,405 |
| Total receipts | 12,440,304 | 865,114 | 742,427 | 4,098,606 | 639,440 | 9,948 | 1,540,648 | 20,336,487 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 8,208,366 | - | - | - | - | - | 911,378 | 9,119,744 |
| Support services | 3,521,542 | 1,214,798 | 756,891 | - | 1,147,691 | 123,082 | 2,539,086 | 9,303,090 |
| Community services | 157,643 | - | - | - | - | - | 4,485 | 162,128 |
| Nonprogrammed charges | 303,195 | - | - | - | - | - | 81,654 | 384,849 |
| Debt services | 2,020,000 | - | - | 3,663,755 | - | - | 310,493 | 5,994,248 |
| Total disbursements | 14,210,746 | 1,214,798 | 756,891 | 3,663,755 | 1,147,691 | 123,082 | 3,847,096 | 24,964,059 |
| Excess (deficiency) of receipts over disbursements | (1,770,442) | (349,684) | (14,464) | 434,851 | (508,251) | (113,134) | (2,306,448) | (4,627,572) |
| Cash and investments - beginning | 3,027,738 | 1,065,718 | 294,773 | 358 | 453,928 | 185,893 | 2,691,902 | 7,720,310 |
| Cash and investments - ending | \$ 1,257,296 | \$ 716,034 | \$ 280,309 | \$ 435,209 | \$ (54,323) | \$ 72,759 | \$ 385,454 | 3,092,738 |
| Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because: | | | | | | | | |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis. | | | | | | | | |
| | | | | | | | | 34,709 |
| Net assets of governmental activities | | | | | | | | <u>\$ 3,127,447</u> |
| Cash and Investment Assets - Ending | | | | | | | | |
| Cash and investments | \$ 1,257,296 | \$ 716,034 | \$ 280,309 | \$ - | \$ (54,323) | \$ 72,759 | \$ 345,499 | \$ 2,617,574 |
| Restricted assets: | | | | | | | | |
| Cash and investments | - | - | - | 435,209 | - | - | 39,955 | 475,164 |
| Total cash and investment assets - ending | \$ 1,257,296 | \$ 716,034 | \$ 280,309 | \$ 435,209 | \$ (54,323) | \$ 72,759 | \$ 385,454 | \$ 3,092,738 |
| Cash and Investment Fund Balance - Ending | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 435,209 | \$ - | \$ - | \$ 39,955 | \$ 475,164 |
| Unrestricted | 1,257,296 | 716,034 | 280,309 | - | (54,323) | 72,759 | 345,499 | 2,617,574 |
| Total cash and investment fund balance - ending | \$ 1,257,296 | \$ 716,034 | \$ 280,309 | \$ 435,209 | \$ (54,323) | \$ 72,759 | \$ 385,454 | \$ 3,092,738 |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

| | General | Transportation Operating | School Lunch | Debt Service | Capital Projects | School Bus Replacement | Other | Totals |
|--|--------------------|-----------------------------|-------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|
| Receipts: | | | | | | | | |
| Local sources | \$ 5,696,264 | \$ 1,466,033 | \$ 562,826 | \$ 3,986,674 | \$ 1,481,131 | \$ - | \$ 509,785 | \$ 13,702,713 |
| Intermediate sources | 589 | - | - | - | - | - | - | 589 |
| State sources | 6,138,157 | - | 20,846 | - | - | - | 224,598 | 6,383,601 |
| Federal sources | 8,337 | - | 301,254 | - | - | - | 798,094 | 1,107,685 |
| Bonds and loans | 2,000,000 | - | - | 2,000,000 | - | - | 175,000 | 4,175,000 |
| Sale of property, adjustments and refunds | 15,377 | 46,950 | - | - | 25,732 | - | 56,715 | 144,774 |
| Total receipts | <u>13,858,724</u> | <u>1,512,983</u> | <u>884,926</u> | <u>5,986,674</u> | <u>1,506,863</u> | <u>-</u> | <u>1,764,192</u> | <u>25,514,362</u> |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 8,160,599 | - | - | - | - | - | 851,978 | 9,012,577 |
| Support services | 3,485,883 | 1,536,330 | 888,002 | - | 1,666,565 | - | 340,204 | 7,916,984 |
| Community services | 169,287 | - | - | - | - | - | 3,725 | 173,012 |
| Nonprogrammed charges | 349,717 | - | - | - | - | - | 108,698 | 458,415 |
| Debt services | 3,027,838 | - | - | 5,699,957 | - | - | 478,022 | 9,205,817 |
| Total disbursements | <u>15,193,324</u> | <u>1,536,330</u> | <u>888,002</u> | <u>5,699,957</u> | <u>1,666,565</u> | <u>-</u> | <u>1,782,627</u> | <u>26,766,805</u> |
| Excess (deficiency) of receipts over disbursements | <u>(1,334,600)</u> | <u>(23,347)</u> | <u>(3,076)</u> | <u>286,717</u> | <u>(159,702)</u> | <u>-</u> | <u>(18,435)</u> | <u>(1,252,443)</u> |
| Cash and investments - beginning | <u>1,257,296</u> | <u>716,034</u> | <u>280,309</u> | <u>435,209</u> | <u>(54,323)</u> | <u>72,759</u> | <u>385,454</u> | <u>3,092,738</u> |
| Cash and investments - ending | <u>\$ (77,304)</u> | <u>\$ 692,687</u> | <u>\$ 277,233</u> | <u>\$ 721,926</u> | <u>\$ (214,025)</u> | <u>\$ 72,759</u> | <u>\$ 367,019</u> | <u>1,840,295</u> |
| Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because: | | | | | | | | |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis. | | | | | | | | <u>35,202</u> |
| Net assets of governmental activities | | | | | | | | <u>\$ 1,875,497</u> |
| Cash and Investment Assets - Ending | | | | | | | | |
| Cash and investments | \$ (77,304) | \$ 692,687 | \$ 277,233 | \$ - | \$ (214,025) | \$ 72,759 | \$ 306,230 | \$ 1,057,580 |
| Restricted assets: | | | | | | | | |
| Cash and investments | - | - | - | 721,926 | - | - | 60,789 | 782,715 |
| Total cash and investment assets - ending | <u>\$ (77,304)</u> | <u>\$ 692,687</u> | <u>\$ 277,233</u> | <u>\$ 721,926</u> | <u>\$ (214,025)</u> | <u>\$ 72,759</u> | <u>\$ 367,019</u> | <u>\$ 1,840,295</u> |
| Cash and Investment Fund Balance - Ending | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 721,926 | \$ - | \$ - | \$ 60,789 | \$ 782,715 |
| Unrestricted | <u>(77,304)</u> | <u>692,687</u> | <u>277,233</u> | <u>-</u> | <u>(214,025)</u> | <u>72,759</u> | <u>306,230</u> | <u>1,057,580</u> |
| Total cash and investment fund balance - ending | <u>\$ (77,304)</u> | <u>\$ 692,687</u> | <u>\$ 277,233</u> | <u>\$ 721,926</u> | <u>\$ (214,025)</u> | <u>\$ 72,759</u> | <u>\$ 367,019</u> | <u>\$ 1,840,295</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

| | Internal Service Fund |
|--|-----------------------------|
| Operating receipts: | |
| Miscellaneous | \$ 493 |
| Operating disbursements: | |
| Total disbursements | - |
| Change in net assets | 493 |
| Cash and investment fund balance - beginning | 34,216 |
| Cash and investment fund balance - ending | \$ 34,709 |
| <u>Cash and Investment Assets - Ending</u> | |
| Restricted assets: | |
| Cash and investments | \$ 34,709 |
| Total cash and investment assets - ending | \$ 34,709 |
| <u>Cash and Investment Fund Balance - Ending</u> | |
| Restricted for: | |
| Other purposes | \$ 34,709 |
| Total cash and investment fund balance - ending | \$ 34,709 |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

| | Internal Service Fund |
|--|-----------------------------|
| Operating receipts: | |
| Miscellaneous | \$ 493 |
| Operating disbursements: | |
| Total disbursements | - |
| Change in net assets | 493 |
| Cash and investment fund balance - beginning | 34,709 |
| Cash and investment fund balance - ending | \$ 35,202 |
| <u>Cash and Investment Assets - Ending</u> | |
| Restricted assets: | |
| Cash and investments | 35,202 |
| Total cash and investment assets - ending | \$ 35,202 |
| <u>Cash and Investment Fund Balance - Ending</u> | |
| Restricted for: | |
| Other purposes | \$ 35,202 |
| Total cash and investment fund balance - ending | \$ 35,202 |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

| | Pension Trust Funds | Private-Purpose Trust Funds | Agency Funds |
|--|------------------------|--------------------------------|-----------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 37,600 | \$ - | |
| Other | 365 | - | |
| Total contributions | 37,965 | - | |
| Investment earnings: | | | |
| Dividends | 58,084 | - | |
| Total additions | 96,049 | - | |
| Deductions: | | | |
| Benefits | 285,990 | - | |
| Administrative and general | - | 1,593 | |
| Total deductions | 285,990 | 1,593 | |
| Deficiency of total additions over total deductions | (189,941) | (1,593) | |
| Cash and investment fund balance - beginning | 2,684,271 | 1,593 | |
| Cash and investment fund balance - ending | \$ 2,494,330 | \$ - | \$ 37,968 |
| Net assets: | | | |
| Cash and investments | \$ 2,494,330 | \$ - | |
| Total net assets - cash and investment basis held in trust | \$ 2,494,330 | \$ - | |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

| | Pension Trust Funds | Private-Purpose Trust Funds | Agency Funds |
|--|------------------------|--------------------------------|-----------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 3,836 | \$ - | |
| Plan members | 1,842 | - | |
| Other | - | 713 | |
| | 5,678 | 713 | |
| Total contributions | | | |
| | 5,678 | 713 | |
| Investment earnings: | | | |
| Dividends | 56,105 | - | |
| | 56,105 | - | |
| Total additions | | | |
| | 61,783 | 713 | |
| Deductions: | | | |
| Benefits | 226,128 | - | |
| Administrative and general | - | 713 | |
| | 226,128 | 713 | |
| Total deductions | | | |
| | 226,128 | 713 | |
| Deficiency of total additions over total deductions | | | |
| | (164,345) | - | |
| Cash and investment fund balance - beginning | | | |
| | 2,494,330 | - | |
| Cash and investment fund balance - ending | | | |
| | \$ 2,329,985 | \$ - | \$ 40,326 |
| Net assets: | | | |
| Cash and investments | \$ 2,329,985 | \$ - | |
| | \$ 2,329,985 | \$ - | |
| Total net assets - cash and investment basis held in trust | | | |
| | \$ 2,329,985 | \$ - | |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. 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.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Attica Consolidated School Corporation, Covington Community School Corporation, Crawfordsville Community School Corporation, North Montgomery Community School Corporation, North Vermillion Community School Corporation, Southeast Fountain School Corporation, Metropolitan School District of Warren County, and Turkey Run Community School Corporation in a joint venture to operate the West Central Indiana Special Services Cooperative which was created to provide instruction to handicapped children. The School Corporation is obligated for its share of the debts of the West Central Indiana Special Services Cooperative. Complete financial statements for the West Central Indiana Special Services Cooperative can be obtained from the joint venture's administrative office at 808 West Pike Street, Crawfordsville, IN 47933.

The School Corporation is a participant with Attica Consolidated School Corporation, Covington Community School Corporation, Crawfordsville Community School Corporation, North Montgomery Community School Corporation, Southeast Fountain School Corporation, Metropolitan School District of Warren County, and Western Boone Community School Corporation in a joint venture to operate the West Central Indiana Vocational Cooperative which was created to teach students vocational-technical education. The School Corporation is obligated for its share of debts of the West Central Indiana Vocational Cooperative. Complete financial statements for the West Central Indiana Vocational Cooperative can be obtained from the joint venture's administrative office at One Athenian Drive, Crawfordsville, IN 47933.

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints one board member to the Ladoga/Clark Township Public Library Board and one member to the Waveland/Brown Township Public Library Board.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The school lunch fund is used to record all receipts from the sale of lunches, federal and state reimbursement, gifts, and other receipts. It includes disbursements for personal service, food, supplies, and equipment for the program.

Additionally, the School Corporation reports the following fund types:

There is one internal service fund for self-insurance. The School Corporation began utilizing commercial coverage for insurance benefits January 1, 2003. The self-insurance fund is maintained at present to cover contingent liabilities that might arise from the self-insurance period.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The pension trust funds account for the activities of the Retirement/Severance Bond Fund and the VEBA Medical Trust Fund which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students of the School Corporation.

Agency funds account for the payroll clearing accounts.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governmental and internal service funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. Due to problems with reassessment, property taxes for 2007 were payable on July 20, 2007, and November 13, 2007. Property taxes for 2008 were payable on September 9, 2008, and November 10, 2008.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

| Fund | 2007 | 2008 |
|-----------------------|-----------|------------|
| Capital Projects Fund | \$ 54,323 | \$ 214,025 |
| General Fund | - | 77,304 |

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is 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 and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with Southmont 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 totaled \$3,570,122 and \$3,671,000 respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment early retirement benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age fifty-five with at least nineteen years of service. Currently, 16 retirees meet these eligibility requirements. The School Corporation pays 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$191,267 were recognized for postemployment benefits.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

| | Special Ed Preschool | Textbook Rental | Law Enforcement | Education License Plates | Early Intervention | Gifted and Talented | Non English Speaking |
|---|-------------------------|--------------------|--------------------|--------------------------------|-----------------------|------------------------|-------------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 13,038 | \$ 180,151 | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | 69,784 | 20,251 | 24,388 | - | 50,360 | 13,966 | - |
| Federal sources | - | - | - | - | - | - | - |
| Bonds and loans | - | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Total receipts | 82,822 | 200,402 | 24,388 | - | 50,360 | 13,966 | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 52,502 | - | 25,003 | - | 45,877 | 17,514 | 88 |
| Support services | - | 213,878 | - | - | 4,483 | 1,931 | - |
| Community services | - | - | - | - | - | - | - |
| Nonprogrammed charges | 33,816 | - | - | - | 1,593 | - | - |
| Debt services | - | - | - | - | - | - | - |
| Total disbursements | 86,318 | 213,878 | 25,003 | - | 51,953 | 19,445 | 88 |
| Excess (deficiency) of receipts over disbursements | (3,496) | (13,476) | (615) | - | (1,593) | (5,479) | (88) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (3,496) | (13,476) | (615) | - | (1,593) | (5,479) | (88) |
| Cash and investments - beginning | 98,336 | 41,759 | 4,276 | 150 | 1,593 | 16,165 | 88 |
| Cash and investments - ending | <u>\$ 94,840</u> | <u>\$ 28,283</u> | <u>\$ 3,661</u> | <u>\$ 150</u> | <u>\$ -</u> | <u>\$ 10,686</u> | <u>\$ -</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | | | |
| Cash and investments | \$ 94,840 | \$ 28,283 | \$ 3,661 | \$ 150 | \$ - | \$ 10,686 | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ 94,840 | \$ 28,283 | \$ 3,661 | \$ 150 | \$ - | \$ 10,686 | \$ - |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 94,840 | 28,283 | 3,661 | 150 | - | 10,686 | - |
| Total cash and investment fund balance - ending | \$ 94,840 | \$ 28,283 | \$ 3,661 | \$ 150 | \$ - | \$ 10,686 | \$ - |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

| | Cinery Tech Grant | Child Care | Educational Reform | Waveland REMC Grant | Title I | Title V | Fund Title VI |
|---|------------------------|------------------------|------------------------|------------------------|-------------------------|----------------------|--------------------|
| Receipts: | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | 3,118 | - | 178,166 | 6,296 | - |
| Bonds and loans | - | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Total receipts | - | - | 3,118 | - | 178,166 | 6,296 | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | 1,705 | 230 | 190,852 | 2,288 | 1,844 |
| Support services | - | - | - | - | 20,382 | 5,452 | - |
| Community services | - | - | - | - | 4,485 | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Total disbursements | - | - | 1,705 | 230 | 215,719 | 7,740 | 1,844 |
| Excess (deficiency) of receipts over disbursements | - | - | 1,413 | (230) | (37,553) | (1,444) | (1,844) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | 1,413 | (230) | (37,553) | (1,444) | (1,844) |
| Cash and investments - beginning | 1,000 | 2,347 | - | 230 | 105,455 | 2,288 | 1,844 |
| Cash and investments - ending | <u>\$ 1,000</u> | <u>\$ 2,347</u> | <u>\$ 1,413</u> | <u>\$ -</u> | <u>\$ 67,902</u> | <u>\$ 844</u> | <u>\$ -</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | | | |
| Cash and investments | \$ 1,000 | \$ 2,347 | \$ 1,413 | \$ - | \$ 67,902 | \$ 844 | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 1,000</u> | <u>\$ 2,347</u> | <u>\$ 1,413</u> | <u>\$ -</u> | <u>\$ 67,902</u> | <u>\$ 844</u> | <u>\$ -</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 1,000 | 2,347 | 1,413 | - | 67,902 | 844 | - |
| Total cash and investment fund balance - ending | <u>\$ 1,000</u> | <u>\$ 2,347</u> | <u>\$ 1,413</u> | <u>\$ -</u> | <u>\$ 67,902</u> | <u>\$ 844</u> | <u>\$ -</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

| | Innovative Programs | Special Ed | Special Ed Sliver Funds | Special Ed Preschool Grant | Drug Free | New Market Elem. Grant |
|---|------------------------|----------------|----------------------------|-------------------------------|-----------------|---------------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | - | - | - | 17,909 | - | 500 |
| Federal sources | - | 507,693 | - | - | 8,183 | - |
| Bonds and loans | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - |
| Total receipts | - | 507,693 | - | 17,909 | 8,183 | 500 |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 4,875 | 507,693 | 6,091 | - | 2,241 | 2,233 |
| Support services | - | - | - | - | - | - |
| Community services | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | 46,245 | - | - |
| Debt services | - | - | - | - | - | - |
| Total disbursements | 4,875 | 507,693 | 6,091 | 46,245 | 2,241 | 2,233 |
| Excess (deficiency) of receipts over disbursements | (4,875) | - | (6,091) | (28,336) | 5,942 | (1,733) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (4,875) | - | (6,091) | (28,336) | 5,942 | (1,733) |
| Cash and investments - beginning | 4,875 | - | 6,232 | 38,363 | - | 1,750 |
| Cash and investments - ending | \$ - | \$ - | \$ 141 | \$ 10,027 | \$ 5,942 | \$ 17 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 141 | \$ 10,027 | \$ 5,942 | \$ 17 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ - | \$ - | \$ 141 | \$ 10,027 | \$ 5,942 | \$ 17 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | - | - | 141 | 10,027 | 5,942 | 17 |
| Total cash and investment fund balance - ending | \$ - | \$ - | \$ 141 | \$ 10,027 | \$ 5,942 | \$ 17 |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

| | Ladoga Elem. Grant | Waveland Elem. Grant | Southmont Jr. High Grant | Education Foundation Grants | Project Lead The Way | Enhancing Education |
|---|-----------------------|-------------------------|-----------------------------|-----------------------------------|-------------------------|------------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | 650 | - | - | 4,939 | - | - |
| Federal sources | - | - | - | - | 25,000 | - |
| Bonds and loans | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - |
| Total receipts | <u>650</u> | <u>-</u> | <u>-</u> | <u>4,939</u> | <u>25,000</u> | <u>-</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 2,150 | 1,500 | 240 | - | - | 4,679 |
| Support services | - | - | - | - | - | - |
| Community services | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - |
| Total disbursements | <u>2,150</u> | <u>1,500</u> | <u>240</u> | <u>-</u> | <u>-</u> | <u>4,679</u> |
| Excess (deficiency) of receipts over disbursements | <u>(1,500)</u> | <u>(1,500)</u> | <u>(240)</u> | <u>4,939</u> | <u>25,000</u> | <u>(4,679)</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (1,500) | (1,500) | (240) | 4,939 | 25,000 | (4,679) |
| Cash and investments - beginning | <u>1,500</u> | <u>1,500</u> | <u>750</u> | <u>-</u> | <u>(25,000)</u> | <u>4,679</u> |
| Cash and investments - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 510</u> | <u>\$ 4,939</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 510 | \$ 4,939 | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 510</u> | <u>\$ 4,939</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | <u>-</u> | <u>-</u> | <u>510</u> | <u>4,939</u> | <u>-</u> | <u>-</u> |
| Total cash and investment fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 510</u> | <u>\$ 4,939</u> | <u>\$ -</u> | <u>\$ -</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

| | Title II Part A | Enhanced Ed. Tech | Title II Part D | Retirement Bond Fund | Construction | Totals |
|---|------------------|----------------------|-----------------|-------------------------|-------------------|-------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ 191,001 | \$ - | \$ 384,190 |
| State sources | - | - | - | - | - | 202,747 |
| Federal sources | 17,806 | 3,578 | - | - | - | 749,840 |
| Bonds and loans | - | - | - | 165,000 | - | 165,000 |
| Sale of property, adjustments and refunds | - | - | - | - | 38,871 | 38,871 |
| Total receipts | 17,806 | 3,578 | - | 356,001 | 38,871 | 1,540,648 |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 41,736 | - | 37 | - | - | 911,378 |
| Support services | - | 3,578 | - | - | 2,289,382 | 2,539,086 |
| Community services | - | - | - | - | - | 4,485 |
| Nonprogrammed charges | - | - | - | - | - | 81,654 |
| Debt services | - | - | - | 310,493 | - | 310,493 |
| Total disbursements | 41,736 | 3,578 | 37 | 310,493 | 2,289,382 | 3,847,096 |
| Excess (deficiency) of receipts over disbursements | (23,930) | - | (37) | 45,508 | (2,250,511) | (2,306,448) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (23,930) | - | (37) | 45,508 | (2,250,511) | (2,306,448) |
| Cash and investments - beginning | 35,608 | - | 37 | (5,553) | 2,351,630 | 2,691,902 |
| Cash and investments - ending | <u>\$ 11,678</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,955</u> | <u>\$ 101,119</u> | <u>\$ 385,454</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 11,678 | \$ - | \$ - | \$ - | \$ 101,119 | \$ 345,499 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | 39,955 | - | 39,955 |
| Total cash and investment assets - ending | \$ 11,678 | \$ - | \$ - | \$ 39,955 | \$ 101,119 | \$ 385,454 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 39,955 | \$ - | \$ 39,955 |
| Unrestricted | 11,678 | - | - | - | 101,119 | 345,499 |
| Total cash and investment fund balance - ending | \$ 11,678 | \$ - | \$ - | \$ 39,955 | \$ 101,119 | \$ 385,454 |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

| | Special Ed Preschool | Textbook Rental | Law Enforcement | Education License Plates | Alternative Education | Gifted and Talented |
|--|-------------------------|--------------------|--------------------|--------------------------------|--------------------------|------------------------|
| Receipts: | | | | | | |
| Local sources | \$ 20,383 | \$ 165,546 | \$ - | \$ - | \$ - | \$ - |
| State sources | 70,087 | 46,607 | 44,993 | - | 8,967 | 33,948 |
| Federal sources | - | - | - | - | - | - |
| Bonds and loans | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - |
| Total receipts | <u>90,470</u> | <u>212,153</u> | <u>44,993</u> | <u>-</u> | <u>8,967</u> | <u>33,948</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 43,731 | - | 33,451 | 150 | 8,967 | 25,702 |
| Support services | - | 208,679 | - | - | - | - |
| Community services | - | - | - | - | - | - |
| Nonprogrammed charges | 104,939 | - | - | - | - | - |
| Debt services | - | - | - | - | - | - |
| Total disbursements | <u>148,670</u> | <u>208,679</u> | <u>33,451</u> | <u>150</u> | <u>8,967</u> | <u>25,702</u> |
| Excess (deficiency) of receipts over disbursements | <u>(58,200)</u> | <u>3,474</u> | <u>11,542</u> | <u>(150)</u> | <u>-</u> | <u>8,246</u> |
| Cash and investments - beginning | <u>94,840</u> | <u>28,283</u> | <u>3,661</u> | <u>150</u> | <u>-</u> | <u>10,686</u> |
| Cash and investments - ending | <u>\$ 36,640</u> | <u>\$ 31,757</u> | <u>\$ 15,203</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,932</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | \$ 36,640 | \$ 31,757 | \$ 15,203 | \$ - | \$ - | \$ 18,932 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 36,640</u> | <u>\$ 31,757</u> | <u>\$ 15,203</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,932</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | <u>36,640</u> | <u>31,757</u> | <u>15,203</u> | <u>-</u> | <u>-</u> | <u>18,932</u> |
| Total cash and investment fund balance - ending | <u>\$ 36,640</u> | <u>\$ 31,757</u> | <u>\$ 15,203</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,932</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Non English Speaking | Cinergy Tech Grant | Child Care | Educational Reform | Title I | Title V |
|--|-------------------------|-----------------------|-----------------|-----------------------|------------------|-------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | 973 | - | - | - | - | - |
| Federal sources | - | - | - | - | 243,824 | - |
| Bonds and loans | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - |
| Total receipts | 973 | - | - | - | 243,824 | - |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 75 | - | - | 1,413 | 257,267 | - |
| Support services | - | 27 | - | - | 15,624 | 844 |
| Community services | - | - | - | - | 3,725 | - |
| Nonprogrammed charges | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - |
| Total disbursements | 75 | 27 | - | 1,413 | 276,616 | 844 |
| Excess (deficiency) of receipts over disbursements | 898 | (27) | - | (1,413) | (32,792) | (844) |
| Cash and investments - beginning | - | 1,000 | 2,347 | 1,413 | 67,902 | 844 |
| Cash and investments - ending | <u>\$ 898</u> | <u>\$ 973</u> | <u>\$ 2,347</u> | <u>\$ -</u> | <u>\$ 35,110</u> | <u>\$ -</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | \$ 898 | \$ 973 | \$ 2,347 | \$ - | \$ 35,110 | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 898</u> | <u>\$ 973</u> | <u>\$ 2,347</u> | <u>\$ -</u> | <u>\$ 35,110</u> | <u>\$ -</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 898 | 973 | 2,347 | - | 35,110 | - |
| Total cash and investment fund balance - ending | <u>\$ 898</u> | <u>\$ 973</u> | <u>\$ 2,347</u> | <u>\$ -</u> | <u>\$ 35,110</u> | <u>\$ -</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Special Ed | Special Ed Sliver Funds | Special Ed Preschool Grant | Drug Free | New Market Elem. Grant | Southmont Jr. High Grant |
|--|------------------------|----------------------------|-------------------------------|-------------------------|---------------------------|-----------------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State sources | - | - | 17,568 | - | - | - |
| Federal sources | 431,595 | - | - | 12,388 | - | - |
| Bonds and loans | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - |
| Total receipts | 431,595 | - | 17,568 | 12,388 | - | - |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 429,944 | - | - | 4,672 | - | - |
| Support services | - | - | - | - | - | - |
| Community services | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | 500 |
| Debt services | - | - | - | - | - | - |
| Total disbursements | 429,944 | - | - | 4,672 | - | 500 |
| Excess (deficiency) of receipts over disbursements | 1,651 | - | 17,568 | 7,716 | - | (500) |
| Cash and investments - beginning | - | 141 | 10,027 | 5,942 | 17 | 510 |
| Cash and investments - ending | <u>\$ 1,651</u> | <u>\$ 141</u> | <u>\$ 27,595</u> | <u>\$ 13,658</u> | <u>\$ 17</u> | <u>\$ 10</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 1,651 | \$ 141 | \$ 27,595 | \$ 13,658 | \$ 17 | \$ 10 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 1,651</u> | <u>\$ 141</u> | <u>\$ 27,595</u> | <u>\$ 13,658</u> | <u>\$ 17</u> | <u>\$ 10</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 1,651 | 141 | 27,595 | 13,658 | 17 | 10 |
| Total cash and investment fund balance - ending | <u>\$ 1,651</u> | <u>\$ 141</u> | <u>\$ 27,595</u> | <u>\$ 13,658</u> | <u>\$ 17</u> | <u>\$ 10</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Education Foundation Grants | Title II | Title III | Retirement Bond Fund | Construction | Totals |
|--|-----------------------------------|------------------|-----------------|-------------------------|------------------|-------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ 323,856 | \$ - | \$ 509,785 |
| State sources | - | - | 1,455 | - | - | 224,598 |
| Federal sources | - | 110,287 | - | - | - | 798,094 |
| Bonds and loans | - | - | - | 175,000 | - | 175,000 |
| Sale of property, adjustments and refunds | - | - | - | - | 56,715 | 56,715 |
| Total receipts | - | 110,287 | 1,455 | 498,856 | 56,715 | 1,764,192 |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 1,289 | 45,317 | - | - | - | 851,978 |
| Support services | - | - | - | - | 115,030 | 340,204 |
| Community services | - | - | - | - | - | 3,725 |
| Nonprogrammed charges | 3,259 | - | - | - | - | 108,698 |
| Debt services | - | - | - | 478,022 | - | 478,022 |
| Total disbursements | 4,548 | 45,317 | - | 478,022 | 115,030 | 1,782,627 |
| Excess (deficiency) of receipts over disbursements | (4,548) | 64,970 | 1,455 | 20,834 | (58,315) | (18,435) |
| Cash and investments - beginning | 4,939 | 11,678 | - | 39,955 | 101,119 | 385,454 |
| Cash and investments - ending | \$ 391 | \$ 76,648 | \$ 1,455 | \$ 60,789 | \$ 42,804 | \$ 367,019 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 391 | \$ 76,648 | \$ 1,455 | \$ - | \$ 42,804 | \$ 306,230 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | 60,789 | - | 60,789 |
| Total cash and investment assets - ending | \$ 391 | \$ 76,648 | \$ 1,455 | \$ 60,789 | \$ 42,804 | \$ 367,019 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 60,789 | \$ - | \$ 60,789 |
| Unrestricted | 391 | 76,648 | 1,455 | - | 42,804 | 306,230 |
| Total cash and investment fund balance - ending | \$ 391 | \$ 76,648 | \$ 1,455 | \$ 60,789 | \$ 42,804 | \$ 367,019 |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2007

| | Retirement/ Severance Bond | VEBA Medical Trust | Totals |
|---|----------------------------------|-----------------------|--------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 14,873 | \$ 22,727 | \$ 37,600 |
| Other | - | 365 | 365 |
| | 14,873 | 23,092 | 37,965 |
| Investment earnings: | | | |
| Dividends | - | 58,084 | 58,084 |
| | 14,873 | 81,176 | 96,049 |
| Deductions: | | | |
| Benefits | 231,260 | 54,730 | 285,990 |
| | 231,260 | 54,730 | 285,990 |
| Excess (deficiency) of total additions over total deductions | (216,387) | 26,446 | (189,941) |
| Cash and investment fund balance - beginning | 1,156,719 | 1,527,552 | 2,684,271 |
| Cash and investment fund balance - ending | \$ 940,332 | \$ 1,553,998 | \$ 2,494,330 |
| Net assets: | | | |
| Cash and investments | \$ 940,332 | \$ 1,553,998 | \$ 2,494,330 |
| Total net assets - cash and investment basis held in trust | \$ 940,332 | \$ 1,553,998 | \$ 2,494,330 |

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2008

| | Retirement/ Severance Bond | VEBA Medical Trust | Totals |
|---|----------------------------------|-----------------------|--------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 3,836 | \$ - | \$ 3,836 |
| Plan members | 1,842 | - | 1,842 |
| Total contributions | 5,678 | - | 5,678 |
| Investment earnings: | | | |
| Dividends | - | 56,105 | 56,105 |
| Total additions | 5,678 | 56,105 | 61,783 |
| Deductions: | | | |
| Benefits | 191,267 | 34,861 | 226,128 |
| Excess (deficiency) of total additions over total deductions | (185,589) | 21,244 | (164,345) |
| Cash and investment fund balance - beginning | 940,332 | 1,553,998 | 2,494,330 |
| Cash and investment fund balance - ending | \$ 754,743 | \$ 1,575,242 | \$ 2,329,985 |
| Net assets: | | | |
| Cash and investments | \$ 754,743 | \$ 1,575,242 | \$ 2,329,985 |
| Total net assets - cash and investment basis held in trust | \$ 754,743 | \$ 1,575,242 | \$ 2,329,985 |

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 105,730 |
| Buildings | 29,826,710 |
| Improvements other than buildings | 19,785,000 |
| Machinery and equipment | <u>7,935,168</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 57,652,608</u> |

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2008

The School Corporation has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|------------------------------------|--------------------------------|---|
| Governmental Activities: | | |
| Capital leases: | | |
| Southmont #1 | \$ 1,579,319 | \$ 950,000 |
| Southmont #2 | 23,960,000 | 907,338 |
| Notes and loans payable: | | |
| Veteran's Memorial Loan | 6,000 | 3,075 |
| Common School Loan | 78,701 | 44,009 |
| Tax anticipation warrants | 4,175,000 | 4,222,075 |
| Bonds payable: | | |
| General obligation bonds: | | |
| Pension Bond | <u>2,710,000</u> | <u>156,027</u> |
| Total governmental activities debt | <u>\$ 32,509,020</u> | <u>\$ 6,282,524</u> |

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES - CORPORATION

The Capital Projects Fund was overdrawn by \$54,323 and \$214,025 at June 30, 2007, and June 30, 2008, respectively. The General Fund was overdrawn by \$77,304 at June 30, 2008.

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

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted at New Market Elementary School:

- (1) Depository reconciliations of the fund balances to the bank account balances were incorrect. A comparison of the records to the bank account at June 30, 2008 indicated cash necessary to balance of \$78.17.

IC 5-13-6-1(e) states:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories." If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (2) There were a considerable number of posting errors. The errors included deposits not receipted and checks not posted. Receipts were not always written in chronological order. Gate receipts for four girls basketball games were deposited late. Receipts for those games were written and backdated to correspond with the game date. Concession stand sales for two girls basketball games were deposited late. Receipts for those sales were written and backdated to correspond with the game date. There were no written receipts or deposits for concession stand sales for the final two games of the girls basketball season.

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 Extra-Curricular Accounts, Chapter 7)

- (3) There were overdrawn extracurricular fund balances. The Staff Fund, the First Grade Class Fund, the Second Grade Class Fund, and the Supplies Fund were all overdrawn at June 30, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) Concession receipts were deposited in the Staff Fund during the 2006-2007 school year.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (5) Our review of the bank reconciliements as of June 30, 2008, revealed two checks outstanding in excess of two years.

IC 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

- (6) Extra-curricular receipts were not always deposited within a reasonable time. Receipts, in twenty-eight instances, were held for periods in excess of five days before depositing.

IC 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

- (7) Forty-three disbursements examined lacked the SA-1 Form (Purchase Order/Accounts Payable Voucher). Forty-four disbursements lacked an invoice or other supporting documentation to validate the claim. Checks were not always written in sequential order. Duplicate checks were completed after the original check was written. Disbursements were not always posted to the correct fund.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BLANK CHECK DISBURSEMENTS

We determined that New Market Elementary School extra-curricular treasurer had given some individuals blank signed checks to pay for several different purchases. Vendor receipts, invoices, claims, or other supporting information were not always available to verify the validity of the disbursements. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INTERNAL CONTROLS

The controls at New Market Elementary School over the receipting, disbursing, recording, and accounting for the financial activities: were insufficient. The ECA Treasurer had unlimited access to the School Principal's signature stamp.

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. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OPTICAL IMAGES OF CHECKS

The financial institution did not return to New Market Elementary School the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Furthermore, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

Compliance

We have audited the compliance of the South Montgomery Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 31, 2009

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

| Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 06-30-07 | Total Federal Awards Expended 06-30-08 |
|---|---------------------------|--|---|---|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Pass-Through Indiana Department of Education | | | | |
| Child Nutrition Cluster | | | | |
| School Breakfast Program | 10.553 | FY 06-07 FY 07-08 | \$ 51,208 - | \$ - 56,379 |
| Total for program | | | <u>51,208</u> | <u>56,379</u> |
| National School Lunch Program | 10.555 | FY 06-07 FY 07-08 | 190,978 - | - 235,822 |
| Total for program | | | <u>190,978</u> | <u>235,822</u> |
| Total for federal grantor agency | | | <u>242,186</u> | <u>292,201</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Pass-Through Crawfordsville Community School Corporation | | | | |
| Special Education Cluster | | | | |
| Special Education Grants to States | 84.027 | FY 06-07 FY 07-08 | 507,693 - | - 429,944 |
| Total for program | | | <u>507,693</u> | <u>429,944</u> |
| Special Education Preschool | 84.173 | FY 06-07 FY 07-08 | 17,909 - | - 17,568 |
| Total for program | | | <u>17,909</u> | <u>17,568</u> |
| Total for cluster | | | <u>525,602</u> | <u>447,512</u> |
| Pass-Through Indiana Department of Education | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | Project 06-5845 Project 07-5845 Project 08-5845 | 62,362 153,358 - | - 67,159 209,458 |
| Total for program | | | <u>215,720</u> | <u>276,617</u> |
| Pass-Through Indiana Department of Education | | | | |
| Safe and Drug Free Schools and Communities-State Grants | 84.186 | FY 06-07 FY 07-08 | 2,241 - | - 4,672 |
| Total for program | | | <u>2,241</u> | <u>4,672</u> |
| Pass-Through Indiana Department of Education | | | | |
| State Grants for Innovative Programs | 84.298 | Project 02-262 Project 02-228 Project 03-234 Project 03-226 Project 04-057 | 51 5,452 1,793 4,875 2,288 | - 844 - - - |
| Total for program | | | <u>14,459</u> | <u>844</u> |
| Pass-Through Indiana Department of Education | | | | |
| Enhancing Education Through Technology | 84.318 | FY 05-06 FY 06-07 | 4,679 3,578 | - - |
| Total for program | | | <u>8,257</u> | <u>-</u> |
| Pass-Through Indiana Department of Education | | | | |
| Improving Teacher Quality State Grants | 84.367 | FY 06-07 FY 07-08 | 41,736 - | 11,464 33,853 |
| Total for program | | | <u>41,736</u> | <u>45,317</u> |
| Total for federal grantor agency | | | <u>808,015</u> | <u>774,962</u> |
| Total federal awards expended | | | <u>\$ 1,050,201</u> | <u>\$ 1,067,163</u> |

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Montgomery Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

| Program Title | Federal CFDA Number | 2007 | 2008 |
|-------------------------------|---------------------------|-----------|-----------|
| National School Lunch Program | 10.555 | \$ 20,429 | \$ 28,511 |
| School Breakfast Program | 10.553 | 5,587 | 6,864 |

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? No
 Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? No
 Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| | Child Nutrition Cluster |

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2009, with Dr. J. Bret Lewis, Superintendent of Schools; Karen Simpson, Treasurer; and Bradly J. Monts, School Board member. The officials concurred with our audit findings.