

**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, 2008 to June 30, 2010



**FILED**  
02/23/2011

*This report was reissued on  
5-8-13 to correct the Schedule  
of Expenditures of Federal  
Awards and related reports.*



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Karen Simpson	07-01-08 to 12-31-13
Superintendent of Schools	Dr. J. Bret Lewis Dr. Robert L. Foreman (Interim)	07-01-08 to 12-31-12 01-01-13 to 06-30-13
President of the School Board	Pamela Jeffries Larry McMullen Michael Hallas Brad Monts	07-01-08 to 02-28-09 03-01-09 to 06-30-10 07-01-10 to 12-31-12 01-01-13 to 12-31-13



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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), for the period of July 1, 2008 to June 30, 2010, 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 for the period of July 1, 2008 to June 30, 2010, 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 December 22, 2010, except for Finding 2010-1 as to which the date is February 5, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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)

The previously issued Schedule of Expenditures of Federal Awards has been restated. The previously issued Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards dated December 22, 2010, is not to be relied on because the previously issued Schedule of Expenditures of Federal Awards was materially misstated in relation to the financial statement taken as a whole. The previously issued Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards is replaced by this Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards. A schedule representing the changes in the Schedule of Expenditures of Federal Awards is disclosed as Note 3 of the Notes to Schedule of Expenditures of Federal Awards. The accompanying Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards cites an internal control deficiency identified by the auditor as a result of the School Corporation having failed to prevent or detect the misstatement in the original Schedule of Expenditures of Federal Awards.

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

December 22, 2010, except for the Schedule of Expenditures of Federal Awards, as to which the date is February 5, 2013



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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), for the period of July 1, 2008 to June 30, 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 22, 2010, except for the Schedule of Expenditures of Federal Awards, as to which the date is February 5, 2013. 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.

The previously issued Schedule of Expenditures of Federal Awards has been restated. The previously issued Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards dated December 22, 2010, is not to be relied on because the previously issued Schedule of Expenditures of Federal Awards was materially misstated in relation to the financial statements taken as a whole. The previously issued Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards is replaced by this Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. A schedule representing the changes in the Schedule of Expenditures of Federal Awards is disclosed as Note 3 of the Notes to Schedule of Expenditures of Federal Awards. This report cites an internal control deficiency identified by the auditor as a result of the School Corporation having failed to prevent or detect the misstatement in the original Schedule of Expenditures of Federal Awards.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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)

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, the School Board, 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

December 22, 2010, except for Finding 2010-1, as to which the date is February 5, 2013

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 8,880,592	\$ -	\$ 216,830	\$ (8,663,762)
Support services	6,540,821	580,878	314,268	(5,645,675)
Noninstructional services	1,104,118	-	-	(1,104,118)
Facilities acquisition and construction	1,604,872	-	-	(1,604,872)
Debt service	9,378,870	-	-	(9,378,870)
Nonprogrammed charges	244,931	-	-	(244,931)
<b>Total governmental activities</b>	<b>\$ 27,754,204</b>	<b>\$ 580,878</b>	<b>\$ 531,098</b>	<b>(26,642,228)</b>
General receipts:				
Property taxes				11,603,788
Other local sources				1,194,862
State aid				7,608,244
Bonds and loans				4,090,000
Grants and contributions not restricted to specific programs				1,944,860
Investment earnings				23,798
Other				125,365
<b>Total general receipts</b>				<b>26,590,917</b>
Change in net assets				(51,311)
Net assets - beginning				1,875,078
Net assets - ending				\$ 1,823,767
<u>Assets</u>				
Cash and investments				\$ 1,349,666
Restricted assets:				
Cash and investments				474,101
<b>Total assets</b>				<b>\$ 1,823,767</b>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 438,127
Other purposes				35,974
Unrestricted				1,349,666
<b>Total net assets</b>				<b>\$ 1,823,767</b>

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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 8,459,118	\$ -	\$ 206,253	\$ (8,252,865)
Support services	6,714,908	454,914	359,450	(5,900,544)
Noninstructional services	997,924	-	-	(997,924)
Facilities acquisition and construction	724,344	-	-	(724,344)
Debt service	7,370,560	-	-	(7,370,560)
Nonprogrammed charges	565,421	-	-	(565,421)
<b>Total governmental activities</b>	<b><u>\$ 24,832,275</u></b>	<b><u>\$ 454,914</u></b>	<b><u>\$ 565,703</u></b>	<b><u>(23,811,658)</u></b>
General receipts:				
Property taxes				11,665,203
Other local sources				957,256
State aid				10,947,226
Grants and contributions not restricted to specific programs				1,541,690
Investment earnings				12,176
Other				111,199
<b>Total general receipts</b>				<b><u>25,234,750</u></b>
Change in net assets				1,423,092
Net assets - beginning				<u>1,823,767</u>
Net assets - ending				<b><u>\$ 3,246,859</u></b>
<b>Assets</b>				
Cash and investments				\$ 1,916,600
Restricted assets:				
Cash and investments				<u>1,330,259</u>
<b>Total assets</b>				<b><u>\$ 3,246,859</u></b>
<b>Net Assets</b>				
Restricted for:				
Debt service				\$ 1,293,857
Other purposes				36,402
Unrestricted				<u>1,916,600</u>
<b>Total net assets</b>				<b><u>\$ 3,246,859</u></b>

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, 2009

	General	Transportation Operating	Fiscal Stabilization Stimulus	Debt Service	Capital Projects	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 5,791,898	\$ 1,489,173	\$ -	\$ 3,545,760	\$ 1,280,104	\$ 1,280,108	\$ 13,387,043
Intermediate sources	6,253	-	-	-	-	-	6,253
State sources	7,791,126	-	-	-	-	276,113	8,067,239
Federal sources	286,131	-	969,391	-	-	771,471	2,026,993
Temporary loans	1,000,000	-	-	1,930,000	1,000,000	160,000	4,090,000
Interfund loans	245,797	22,000	-	-	-	-	267,797
Other	74,194	46,324	-	-	3,495	580	124,593
<b>Total receipts</b>	<b>15,195,399</b>	<b>1,557,497</b>	<b>969,391</b>	<b>5,475,760</b>	<b>2,283,599</b>	<b>2,488,272</b>	<b>27,969,918</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	8,211,183	-	-	-	-	669,409	8,880,592
Support services	3,499,966	1,614,728	510,718	-	459,867	455,542	6,540,821
Noninstructional services	195,148	-	-	-	-	908,970	1,104,118
Facilities acquisition and construction	-	-	-	-	1,604,872	-	1,604,872
Debt services	3,000,000	-	-	5,893,857	-	485,013	9,378,870
Nonprogrammed charges	211,746	-	-	-	-	33,185	244,931
Interfund loans	-	267,797	-	-	-	-	267,797
<b>Total disbursements</b>	<b>15,118,043</b>	<b>1,882,525</b>	<b>510,718</b>	<b>5,893,857</b>	<b>2,064,739</b>	<b>2,552,119</b>	<b>28,022,001</b>
Excess (deficiency) of receipts over disbursements	77,356	(325,028)	458,673	(418,097)	218,860	(63,847)	(52,083)
Cash and investments - beginning	(77,304)	692,686	-	721,926	(214,026)	716,594	1,839,876
Cash and investments - ending	<u>\$ 52</u>	<u>\$ 367,658</u>	<u>\$ 458,673</u>	<u>\$ 303,829</u>	<u>\$ 4,834</u>	<u>\$ 652,747</u>	1,787,793
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.							
							35,974
Net assets of governmental activities							<u>\$ 1,823,767</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 52	\$ 367,658	\$ 458,673	\$ -	\$ 4,834	\$ 518,449	\$ 1,349,666
Restricted assets:							
Cash and investments	-	-	-	303,829	-	134,298	438,127
<b>Total cash and investment assets - ending</b>	<u>\$ 52</u>	<u>\$ 367,658</u>	<u>\$ 458,673</u>	<u>\$ 303,829</u>	<u>\$ 4,834</u>	<u>\$ 652,747</u>	<u>\$ 1,787,793</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 303,829	\$ -	\$ 134,298	\$ 438,127
Unrestricted	52	367,658	458,673	-	4,834	518,449	1,349,666
<b>Total cash and investment fund balance - ending</b>	<u>\$ 52</u>	<u>\$ 367,658</u>	<u>\$ 458,673</u>	<u>\$ 303,829</u>	<u>\$ 4,834</u>	<u>\$ 652,747</u>	<u>\$ 1,787,793</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, 2010

	General	Transportation Operating	Fiscal Stabilization Stimulus	Debt Service	Capital Projects	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 34,208	\$ 2,259,201	\$ -	\$ 6,794,607	\$ 2,686,432	\$ 1,305,136	\$ 13,079,584
Intermediate sources	294	-	-	-	-	-	294
State sources	11,120,080	-	-	-	-	259,826	11,379,906
Federal sources	424,134	-	391,911	-	-	868,339	1,684,384
Interfund loans	253,293	245,797	-	-	-	-	499,090
Other	51,817	48,062	-	-	10,483	409	110,771
<b>Total receipts</b>	<b>11,883,826</b>	<b>2,553,060</b>	<b>391,911</b>	<b>6,794,607</b>	<b>2,696,915</b>	<b>2,433,710</b>	<b>26,754,029</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	7,831,222	-	-	-	-	627,896	8,459,118
Support services	3,190,625	1,630,079	850,584	-	644,063	399,557	6,714,908
Noninstructional services	161,636	-	-	-	-	836,288	997,924
Facilities acquisition and construction	-	-	-	-	724,335	9	724,344
Debt services	-	-	-	5,898,860	1,000,000	471,700	7,370,560
Nonprogrammed charges	454,596	-	-	-	-	110,825	565,421
Interfund loans	245,797	253,293	-	-	-	-	499,090
<b>Total disbursements</b>	<b>11,883,876</b>	<b>1,883,372</b>	<b>850,584</b>	<b>5,898,860</b>	<b>2,368,398</b>	<b>2,446,275</b>	<b>25,331,365</b>
Excess (deficiency) of receipts over disbursements	(50)	669,688	(458,673)	895,747	328,517	(12,565)	1,422,664
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	250,000	250,000
Transfers out	-	(250,000)	-	-	-	-	(250,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(250,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(50)	419,688	(458,673)	895,747	328,517	237,435	1,422,664
Cash and investments - beginning	52	367,658	458,673	303,829	4,834	652,747	1,787,793
Cash and investments - ending	<u>\$ 2</u>	<u>\$ 787,346</u>	<u>\$ -</u>	<u>\$ 1,199,576</u>	<u>\$ 333,351</u>	<u>\$ 890,182</u>	3,210,457
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>36,402</u>
Net assets of governmental activities							<u>\$ 3,246,859</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 2	\$ 787,346	\$ -	\$ -	\$ 333,351	\$ 795,901	\$ 1,916,600
Restricted assets:							
Cash and investments	-	-	-	1,199,576	-	94,281	1,293,857
<b>Total cash and investment assets - ending</b>	<b>\$ 2</b>	<b>\$ 787,346</b>	<b>\$ -</b>	<b>\$ 1,199,576</b>	<b>\$ 333,351</b>	<b>\$ 890,182</b>	<b>\$ 3,210,457</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 1,199,576	\$ -	\$ 94,281	\$ 1,293,857
Unrestricted	2	787,346	-	-	333,351	795,901	1,916,600
<b>Total cash and investment fund balance - ending</b>	<b>\$ 2</b>	<b>\$ 787,346</b>	<b>\$ -</b>	<b>\$ 1,199,576</b>	<b>\$ 333,351</b>	<b>\$ 890,182</b>	<b>\$ 3,210,457</b>

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, 2009

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 772
Operating disbursements:	
Total operating disbursements	-
Change in net assets	772
Cash and investment fund balance - beginning	35,202
Cash and investment fund balance - ending	\$ 35,974
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 35,974
Total cash and investment assets - ending	\$ 35,974
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 35,974
Total cash and investment fund balance - ending	\$ 35,974

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, 2010

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 428
Operating disbursements:	
Total operating disbursements	-
Change in net assets	428
Cash and investment fund balance - beginning	35,974
Cash and investment fund balance - ending	\$ 36,402
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 36,402
Total cash and investment assets - ending	\$ 36,402
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 36,402
Total cash and investment fund balance - ending	\$ 36,402

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, 2009

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Plan members	\$ 50,851	\$ -	
Other	-	25,013	
Total contributions	50,851	25,013	
Investment earnings:			
Net increase (decrease) in fair value of investments	(79,811)	-	
Dividends	47,538	-	
Net investment earnings	(32,273)	-	
Total additions	18,578	25,013	
Deductions:			
Benefits	115,108	-	
Administrative and general	-	21,814	
Total deductions	115,108	21,814	
Excess (deficiency) of total additions over total deductions	(96,530)	3,199	
Cash and investment fund balance - beginning	2,329,986	418	
Cash and investment fund balance - ending	\$ 2,233,456	\$ 3,617	\$ 44,025
Net assets:			
Cash and investments	\$ 2,233,456	\$ 3,617	
Total net assets - cash and investment basis held in trust	\$ 2,233,456	\$ 3,617	

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, 2010

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Plan members	\$ 7,483	\$ -	
Other	-	10,639	
Total contributions	7,483	10,639	
Investment earnings:			
Interest	51,130	-	
Total additions	58,613	10,639	
Deductions:			
Benefits	85,901	-	
Administrative and general	-	6,577	
Total deductions	85,901	6,577	
Excess (deficiency) of total additions over total deductions	(27,288)	4,062	
Cash and investment fund balance - beginning	2,233,456	3,617	
Cash and investment fund balance - ending	\$ 2,206,168	\$ 7,679	\$ 63,262
Net assets:			
Cash and investments	\$ 2,206,168	\$ 7,679	
Total net assets - cash and investment basis held in trust	\$ 2,206,168	\$ 7,679	

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.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: South Montgomery Community School Corporation

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 in a joint venture to operate West Central Indiana Special Services Cooperative which was created to provide instruction to handicapped children. The School Corporation is obligated for 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 in a joint venture to operate West Central Indiana Vocational Cooperative which was created to teach students vocational-technical education. The School Corporation is obligated for the 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 members to 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 member to the Ladoga/Clark Township Public Library Board and one member to the Waveland/Brown Township Public Library Board.

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.

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

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 Transportation Operating Fund accounts for financial resources for the transportation of school children to and from school.

The Fiscal Stabilization Stimulus Fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

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 of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

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.

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.

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

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. Receipts are recorded when received and disbursements are recorded when paid.

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.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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). Ordinarily, taxes may be paid in two equal installments which become

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

delinquent if not paid by May 10 and November 10, respectively. In 2008, tax installments were due on September 9 and November 10 and in 2009, taxes were due on July 31 and November 10.

4. 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.

5. Long-Term Debt

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

6. 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."

Fund Financial Statements

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

E. Receipts and Disbursements

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.

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

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

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 but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

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.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 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.

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

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.

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. IC 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. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$5,523,964.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
Transportation Operating Fund	Other Governmental Funds	<u>\$ -</u>	<u>\$ 250,000</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

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 risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

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

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 2009 and 2010 totaled \$3,781,000, and \$3,896,000 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 55 with at least 19 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, 2010, disbursements of \$8,805 were recognized for postemployment benefits.

D. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

Teachers' Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

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

Funding Policy

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

The School Corporation's contributions to the plan during the period were \$531,277.

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, 2009

	Special Ed Preschool	School Lunch	Textbook Rental	Law Enforcement	Alternative Education	Gifted and Talented	Non English Speaking
<b>Receipts:</b>							
Local sources	\$ 19,310	\$ 511,970	\$ 178,651	\$ -	\$ -	\$ -	\$ -
State sources	81,702	24,863	50,324	61,113	5,410	33,948	-
Federal sources	-	249,111	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>101,012</b>	<b>785,944</b>	<b>228,975</b>	<b>61,113</b>	<b>5,410</b>	<b>33,948</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	83,720	-	-	67,517	-	30,270	723
Support services	-	-	260,341	-	-	-	-
Noninstructional services	-	908,364	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>83,720</b>	<b>908,364</b>	<b>260,341</b>	<b>67,517</b>	<b>-</b>	<b>30,270</b>	<b>723</b>
Excess (deficiency) of receipts over disbursements	17,292	(122,420)	(31,366)	(6,404)	5,410	3,678	(723)
Cash and investments - beginning	36,638	277,233	31,758	15,203	-	18,932	898
Cash and investments - ending	\$ 53,930	\$ 154,813	\$ 392	\$ 8,799	\$ 5,410	\$ 22,610	\$ 175
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 53,930	\$ 154,813	\$ 392	\$ 8,799	\$ 5,410	\$ 22,610	\$ 175
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 53,930</b>	<b>\$ 154,813</b>	<b>\$ 392</b>	<b>\$ 8,799</b>	<b>\$ 5,410</b>	<b>\$ 22,610</b>	<b>\$ 175</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	53,930	154,813	392	8,799	5,410	22,610	175
<b>Total cash and investment fund balance - ending</b>	<b>\$ 53,930</b>	<b>\$ 154,813</b>	<b>\$ 392</b>	<b>\$ 8,799</b>	<b>\$ 5,410</b>	<b>\$ 22,610</b>	<b>\$ 175</b>

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, 2009  
 (Continued)

	Access Indiana	Cinergy Tech Grant	Child Care	Title I	Title V	Title V Tech
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	2,500	-	-	-	-	-
Federal sources	-	-	-	238,984	2,917	1,138
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>238,984</u>	<u>2,917</u>	<u>1,138</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	225,317	-	-
Support services	-	-	-	8,385	-	-
Noninstructional services	-	-	-	606	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,308</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>4,676</u>	<u>2,917</u>	<u>1,138</u>
<b>Cash and investments - beginning</b>	<u>-</u>	<u>974</u>	<u>2,347</u>	<u>35,110</u>	<u>-</u>	<u>-</u>
<b>Cash and investments - ending</b>	<u>\$ 2,500</u>	<u>\$ 974</u>	<u>\$ 2,347</u>	<u>\$ 39,786</u>	<u>\$ 2,917</u>	<u>\$ 1,138</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ 2,500	\$ 974	\$ 2,347	\$ 39,786	\$ 2,917	\$ 1,138
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 2,500</u>	<u>\$ 974</u>	<u>\$ 2,347</u>	<u>\$ 39,786</u>	<u>\$ 2,917</u>	<u>\$ 1,138</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,500	974	2,347	39,786	2,917	1,138
<b>Total cash and investment fund balance - ending</b>	<u>\$ 2,500</u>	<u>\$ 974</u>	<u>\$ 2,347</u>	<u>\$ 39,786</u>	<u>\$ 2,917</u>	<u>\$ 1,138</u>

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, 2009  
 (Continued)

	Special ED	Special ED Sliver Funds	Special ED Preschool	Drug Free	Drug Rally	REMS Grant
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	16,253	-	-	-
Federal sources	165,005	-	-	5,198	1,776	50,439
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>165,005</b>	<b>-</b>	<b>16,253</b>	<b>5,198</b>	<b>1,776</b>	<b>50,439</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	165,388	141	-	9,471	-	-
Support services	-	-	-	-	-	50,439
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	33,185	-	-	-
<b>Total disbursements</b>	<b>165,388</b>	<b>141</b>	<b>33,185</b>	<b>9,471</b>	<b>-</b>	<b>50,439</b>
Excess (deficiency) of receipts over disbursements	(383)	(141)	(16,932)	(4,273)	1,776	-
Cash and investments - beginning	1,651	141	27,595	13,658	-	-
Cash and investments - ending	<u>\$ 1,268</u>	<u>\$ -</u>	<u>\$ 10,663</u>	<u>\$ 9,385</u>	<u>\$ 1,776</u>	<u>\$ -</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ 1,268	\$ -	\$ 10,663	\$ 9,385	\$ 1,776	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b><u>\$ 1,268</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,663</u></b>	<b><u>\$ 9,385</u></b>	<b><u>\$ 1,776</u></b>	<b><u>\$ -</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,268	-	10,663	9,385	1,776	-
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 1,268</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,663</u></b>	<b><u>\$ 9,385</u></b>	<b><u>\$ 1,776</u></b>	<b><u>\$ -</u></b>

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, 2009  
 (Continued)

	Title II	Title III	Retirement Bond Fund	School Bus Replacement	Construction	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ 398,522	\$ 171,655	\$ -	\$ 1,280,108
State sources	-	-	-	-	-	276,113
Federal sources	56,903	-	-	-	-	771,471
Temporary loans	-	-	160,000	-	-	160,000
Other	-	-	-	-	580	580
<b>Total receipts</b>	<b>56,903</b>	<b>-</b>	<b>558,522</b>	<b>171,655</b>	<b>580</b>	<b>2,488,272</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	86,862	-	-	-	-	669,409
Support services	-	1,455	-	134,922	-	455,542
Noninstructional services	-	-	-	-	-	908,970
Debt services	-	-	485,013	-	-	485,013
Nonprogrammed charges	-	-	-	-	-	33,185
<b>Total disbursements</b>	<b>86,862</b>	<b>1,455</b>	<b>485,013</b>	<b>134,922</b>	<b>-</b>	<b>2,552,119</b>
Excess (deficiency) of receipts over disbursements	(29,959)	(1,455)	73,509	36,733	580	(63,847)
Cash and investments - beginning	76,648	1,455	60,789	72,759	42,805	716,594
Cash and investments - ending	<u>\$ 46,689</u>	<u>\$ -</u>	<u>\$ 134,298</u>	<u>\$ 109,492</u>	<u>\$ 43,385</u>	<u>\$ 652,747</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ 46,689	\$ -	\$ -	\$ 109,492	\$ 43,385	\$ 518,449
Restricted assets:						
Cash and investments	-	-	134,298	-	-	134,298
<b>Total cash and investment assets - ending</b>	<b><u>\$ 46,689</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 134,298</u></b>	<b><u>\$ 109,492</u></b>	<b><u>\$ 43,385</u></b>	<b><u>\$ 652,747</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 134,298	\$ -	\$ -	\$ 134,298
Unrestricted	46,689	-	-	109,492	43,385	518,449
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 46,689</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 134,298</u></b>	<b><u>\$ 109,492</u></b>	<b><u>\$ 43,385</u></b>	<b><u>\$ 652,747</u></b>

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, 2010

	Special Ed Preschool	Rainy Day	School Lunch	Textbook Rental	Law Enforcement	EMS/Fire Science
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ 460,191	\$ 168,259	\$ -	\$ -
State sources	45,375	-	22,484	50,328	36,885	26,064
Federal sources	-	-	296,309	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<u>45,375</u>	<u>-</u>	<u>778,984</u>	<u>218,587</u>	<u>36,885</u>	<u>26,064</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	15,943	-	-	-	41,022	15,938
Support services	-	-	-	195,408	-	-
Noninstructional services	-	-	836,170	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	76,688	-	-	-	-	-
<b>Total disbursements</b>	<u>92,631</u>	<u>-</u>	<u>836,170</u>	<u>195,408</u>	<u>41,022</u>	<u>15,938</u>
Excess (deficiency) of receipts over disbursements	<u>(47,256)</u>	<u>-</u>	<u>(57,186)</u>	<u>23,179</u>	<u>(4,137)</u>	<u>10,126</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	250,000	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(47,256)</u>	<u>250,000</u>	<u>(57,186)</u>	<u>23,179</u>	<u>(4,137)</u>	<u>10,126</u>
Cash and investments - beginning	<u>53,930</u>	<u>-</u>	<u>154,813</u>	<u>392</u>	<u>8,799</u>	<u>-</u>
Cash and investments - ending	<u>\$ 6,674</u>	<u>\$ 250,000</u>	<u>\$ 97,627</u>	<u>\$ 23,571</u>	<u>\$ 4,662</u>	<u>\$ 10,126</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 6,674	\$ 250,000	\$ 97,627	\$ 23,571	\$ 4,662	\$ 10,126
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 6,674</u>	<u>\$ 250,000</u>	<u>\$ 97,627</u>	<u>\$ 23,571</u>	<u>\$ 4,662</u>	<u>\$ 10,126</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>6,674</u>	<u>250,000</u>	<u>97,627</u>	<u>23,571</u>	<u>4,662</u>	<u>10,126</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ 6,674</u>	<u>\$ 250,000</u>	<u>\$ 97,627</u>	<u>\$ 23,571</u>	<u>\$ 4,662</u>	<u>\$ 10,126</u>

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, 2010  
 (Continued)

	Alternative Education	Safe Haven Grant	Gifted and Talented	Non English Speaking	Access Indiana	Cinergy Tech Grant
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	9,657	20,000	33,399	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>9,657</b>	<b>20,000</b>	<b>33,399</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	7,405	-	31,449	65	1,453	-
Support services	-	-	-	-	-	974
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	20,000	-	-	-	-
<b>Total disbursements</b>	<b>7,405</b>	<b>20,000</b>	<b>31,449</b>	<b>65</b>	<b>1,453</b>	<b>974</b>
Excess (deficiency) of receipts over disbursements	2,252	-	1,950	(65)	(1,453)	(974)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,252	-	1,950	(65)	(1,453)	(974)
Cash and investments - beginning	5,410	-	22,610	175	2,500	974
Cash and investments - ending	<u>\$ 7,662</u>	<u>\$ -</u>	<u>\$ 24,560</u>	<u>\$ 110</u>	<u>\$ 1,047</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 7,662	\$ -	\$ 24,560	\$ 110	\$ 1,047	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 7,662</u>	<u>\$ -</u>	<u>\$ 24,560</u>	<u>\$ 110</u>	<u>\$ 1,047</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	7,662	-	24,560	110	1,047	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 7,662</u>	<u>\$ -</u>	<u>\$ 24,560</u>	<u>\$ 110</u>	<u>\$ 1,047</u>	<u>\$ -</u>

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, 2010  
 (Continued)

	Child Care	Title I	Title V	Title V Tech	Special ED	Special ED Preschool
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	15,634
Federal sources	-	244,454	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>244,454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,634</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	237,092	2,917	-	1,268	-
Support services	-	12,950	-	1,138	-	-
Noninstructional services	-	118	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	14,137
<b>Total disbursements</b>	<b>-</b>	<b>250,160</b>	<b>2,917</b>	<b>1,138</b>	<b>1,268</b>	<b>14,137</b>
Excess (deficiency) of receipts over disbursements	-	(5,706)	(2,917)	(1,138)	(1,268)	1,497
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,706)	(2,917)	(1,138)	(1,268)	1,497
Cash and investments - beginning	2,347	39,786	2,917	1,138	1,268	10,663
Cash and investments - ending	<u>\$ 2,347</u>	<u>\$ 34,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,160</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 2,347	\$ 34,080	\$ -	\$ -	\$ -	\$ 12,160
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 2,347</u>	<u>\$ 34,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,160</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,347	34,080	-	-	-	12,160
<b>Total cash and investment fund balance - ending</b>	<u>\$ 2,347</u>	<u>\$ 34,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,160</u>

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, 2010  
 (Continued)

	Drug Free	Drug Rally	REMS Grant	Title II	Title I Stimulus	Special Ed Stimulus
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	6,185	-	44,062	42,538	106,381	120,493
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>6,185</b>	<b>-</b>	<b>44,062</b>	<b>42,538</b>	<b>106,381</b>	<b>120,493</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	11,803	1,374	-	43,479	85,018	131,242
Support services	-	-	44,062	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>11,803</b>	<b>1,374</b>	<b>44,062</b>	<b>43,479</b>	<b>85,018</b>	<b>131,242</b>
Excess (deficiency) of receipts over disbursements	(5,618)	(1,374)	-	(941)	21,363	(10,749)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,618)	(1,374)	-	(941)	21,363	(10,749)
Cash and investments - beginning	9,385	1,776	-	46,689	-	-
Cash and investments - ending	<u>\$ 3,767</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ 45,748</u>	<u>\$ 21,363</u>	<u>\$ (10,749)</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 3,767	\$ 402	\$ -	\$ 45,748	\$ 21,363	\$ (10,749)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 3,767</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ 45,748</u>	<u>\$ 21,363</u>	<u>\$ (10,749)</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	3,767	402	-	45,748	21,363	(10,749)
<b>Total cash and investment fund balance - ending</b>	<u>\$ 3,767</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ 45,748</u>	<u>\$ 21,363</u>	<u>\$ (10,749)</u>

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, 2010  
 (Continued)

	Special Ed Preschool Stimulus	Retirement Bond Fund	School Bus Replacement	Construction	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ 431,683	\$ 245,003	\$ -	\$ 1,305,136
State sources	-	-	-	-	259,826
Federal sources	7,917	-	-	-	868,339
Other	-	-	-	409	409
<b>Total receipts</b>	<b>7,917</b>	<b>431,683</b>	<b>245,003</b>	<b>409</b>	<b>2,433,710</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	428	-	-	-	627,896
Support services	-	-	145,025	-	399,557
Noninstructional services	-	-	-	-	836,288
Facilities acquisition and construction	-	-	-	9	9
Debt services	-	471,700	-	-	471,700
Nonprogrammed charges	-	-	-	-	110,825
<b>Total disbursements</b>	<b>428</b>	<b>471,700</b>	<b>145,025</b>	<b>9</b>	<b>2,446,275</b>
Excess (deficiency) of receipts over disbursements	7,489	(40,017)	99,978	400	(12,565)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	250,000
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,489	(40,017)	99,978	400	237,435
Cash and investments - beginning	-	134,298	109,492	43,385	652,747
<b>Cash and investments - ending</b>	<b>\$ 7,489</b>	<b>\$ 94,281</b>	<b>\$ 209,470</b>	<b>\$ 43,785</b>	<b>\$ 890,182</b>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 7,489	\$ -	\$ 209,470	\$ 43,785	\$ 795,901
Restricted assets:					
Cash and investments	-	94,281	-	-	94,281
<b>Total cash and investment assets - ending</b>	<b>\$ 7,489</b>	<b>\$ 94,281</b>	<b>\$ 209,470</b>	<b>\$ 43,785</b>	<b>\$ 890,182</b>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ 94,281	\$ -	\$ -	\$ 94,281
Unrestricted	7,489	-	209,470	43,785	795,901
<b>Total cash and investment fund balance - ending</b>	<b>\$ 7,489</b>	<b>\$ 94,281</b>	<b>\$ 209,470</b>	<b>\$ 43,785</b>	<b>\$ 890,182</b>

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, 2009

	Retirement/ Severance Bond	VEBA Medical Trust	Totals
Additions:			
Contributions:			
Plan members	\$ 50,851	\$ -	\$ 50,851
Investment earnings:			
Net increase (decrease) in fair value of investments	-	(79,811)	(79,811)
Dividends	-	47,538	47,538
Total investment earnings	-	(32,273)	(32,273)
Total additions	50,851	(32,273)	18,578
Deductions:			
Benefits	111,439	3,669	115,108
Excess (deficiency) of total additions over total deductions	(60,588)	(35,942)	(96,530)
Cash and investment fund balance - beginning	754,744	1,575,242	2,329,986
Cash and investment fund balance - ending	\$ 694,156	\$ 1,539,300	\$ 2,233,456
Net assets:			
Cash and investments	\$ 694,156	\$ 1,539,300	\$ 2,233,456
Total net assets - cash and investment basis held in trust	\$ 694,156	\$ 1,539,300	\$ 2,233,456

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, 2010

	Retirement/ Severance Bond	VEBA Medical Trust	Totals
Additions:			
Contributions:			
Plan members	\$ 7,483	\$ -	\$ 7,483
Investment earnings:			
Interest	-	51,130	51,130
Total additions	7,483	51,130	58,613
Deductions:			
Benefits	80,766	5,135	85,901
Excess (deficiency) of total additions over total deductions	(73,283)	45,995	(27,288)
Cash and investment fund balance - beginning	694,156	1,539,300	2,233,456
Cash and investment fund balance - ending	\$ 620,873	\$ 1,585,295	\$ 2,206,168
Net assets:			
Cash and investments	\$ 620,873	\$ 1,585,295	\$ 2,206,168
Total net assets - cash and investment basis held in trust	\$ 620,873	\$ 1,585,295	\$ 2,206,168

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2009

	New Market Ahead Prevention	CPI Training	MCEF Shidler	MCEF France	MCEF Handlin	MCEF Chadd	MCEF Mills	MCEF Hoard
Additions:								
Contributions:								
Other	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 2,200	\$ 765	\$ 1,400
Deductions:								
Administrative and general	517	10	32	185	2	1,500	763	700
Excess (deficiency) of total additions over total deductions	(17)	(10)	(32)	(185)	(2)	700	2	700
Cash and investment fund balance - beginning	17	-	-	-	-	10	172	32
Cash and investments - June 30	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ (32)</u>	<u>\$ (185)</u>	<u>\$ (2)</u>	<u>\$ 710</u>	<u>\$ 174</u>	<u>\$ 732</u>
Net assets:								
Cash and investments	\$ -	\$ (10)	\$ (32)	\$ (185)	\$ (2)	\$ 710	\$ 174	\$ 732
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ (32)</u>	<u>\$ (185)</u>	<u>\$ (2)</u>	<u>\$ 710</u>	<u>\$ 174</u>	<u>\$ 732</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	MCEF Burkett	Recycling Grant	MCEF Chadd	MCEF Albertson	MCEF Newton	Project Lead The Way	Totals
Additions:							
Contributions:							
Other	\$ 570	\$ 935	\$ 500	\$ 1,000	\$ 577	\$ 16,566	\$ 25,013
Deductions:							
Administrative and general	563	476	500	-	-	16,566	21,814
Excess (deficiency) of total additions over total deductions	7	459	-	1,000	577	-	3,199
Cash and investment fund balance - beginning	-	185	2	-	-	-	418
Cash and investments - June 30	<u>\$ 7</u>	<u>\$ 644</u>	<u>\$ 2</u>	<u>\$ 1,000</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 3,617</u>
Net assets:							
Cash and investments	\$ 7	\$ 644	\$ 2	\$ 1,000	\$ 577	\$ -	\$ 3,617
Total net assets - cash and investment basis held in trust	<u>\$ 7</u>	<u>\$ 644</u>	<u>\$ 2</u>	<u>\$ 1,000</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 3,617</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2010

	High School Youth Risk Behavior	CPI Training	MCEF Mills	MCEF Schidler	MCEF McCormick	MCEF France	MCEF Handlin	MCEF Albertson
Additions:								
Contributions:								
Other	\$ 500	\$ 750	\$ -	\$ 300	\$ 350	\$ 500	\$ 500	\$ 500
Deductions:								
Administrative and general	500	750	100	-	-	-	-	497
Excess (deficiency) of total additions over total deductions	-	-	(100)	300	350	500	500	3
Cash and investment fund balance - beginning	-	-	172	-	-	-	-	-
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 300</u>	<u>\$ 350</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 3</u>
Net assets:								
Cash and investments	\$ -	\$ -	\$ 72	\$ 300	\$ 350	\$ 500	\$ 500	\$ 3
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 300</u>	<u>\$ 350</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 3</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	MCEF Long	MCEF Hazlett	MCEF Chadd	MCEF Gregg	MCEF Selby	MCEF Eppley	MCEF Mills
Additions:							
Contributions:							
Other	\$ 600	\$ 600	\$ 600	\$ 820	\$ 1,000	\$ 1,150	\$ -
Deductions:							
Administrative and general	575	-	700	-	-	-	-
Excess (deficiency) of total additions over total deductions	25	600	(100)	820	1,000	1,150	-
Cash and investment fund balance - beginning	-	-	700	-	-	-	2
Cash and investments - June 30	<u>\$ 25</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 820</u>	<u>\$ 1,000</u>	<u>\$ 1,150</u>	<u>\$ 2</u>
Net assets:							
Cash and investments	<u>\$ 25</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 820</u>	<u>\$ 1,000</u>	<u>\$ 1,150</u>	<u>\$ 2</u>
Total net assets - cash and investment basis held in trust	<u>\$ 25</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 820</u>	<u>\$ 1,000</u>	<u>\$ 1,150</u>	<u>\$ 2</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	MCEF Hoard	MCEF Burkett	Recycling Grant	MCEF Albertson	MCEF Newton	Ahead Coalition	Totals
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ 719	\$ -	\$ -	\$ 1,750	\$ 10,639
Deductions:							
Administrative and general	700	-	1,178	1,000	577	-	6,577
Excess (deficiency) of total additions over total deductions	(700)	-	(459)	(1,000)	(577)	1,750	4,062
Cash and investment fund balance - beginning	700	7	459	1,000	577	-	3,617
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ 7,679</u>
Net assets:							
Cash and investments	\$ -	\$ 7	\$ -	\$ -	\$ -	\$ 1,750	\$ 7,679
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ 7,679</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2010

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>10,001,871</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 59,719,311</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2010

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	\$ 937,441	\$ 950,000
Southmont #2	22,775,000	1,019,913
Notes and loans payable:		
Common School Loan	18,888	19,455
Bonds payable:		
General obligation bonds:		
Pension Bond	<u>2,460,000</u>	<u>157,565</u>
Total governmental activities debt	<u>\$ 26,191,329</u>	<u>\$ 2,146,933</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

***PENALTIES, INTEREST, AND OTHER CHARGES***

The School Corporation purchased computer back-up software on December 19, 2008. The \$5,076.44 check for the purchase written November 9, 2009, included \$339.95 in finance charges.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***INTERNAL CONTROL OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, and Local Governments, and Non-Profit Organizations for entities receiving federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The School Corporation did not have proper procedures in place to ensure that the SEFA prepared was materially correct.

Effective internal control over preparation of the SEFA involves the identification and analysis of the risk of material misstatement to the School Corporation's audited SEFA and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable SEFA and as a result has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA.

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

"The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal Agency, and name of the pass-through entity.
- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with Circular A-133, subpart .310."

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT  
(Continued)

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 Indiana Public School Corporations, Chapter 9)

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

***FUNDS AND FUND ACCOUNTING***

A material amount of the Special Education federal funding for the audit period July 1, 2008 to June 30, 2010, was accounted for in the General Fund and not in a separate fund as required. This resulted in this portion of the Special Education funding not being audited, as required by OMB A-133 and a misstatement of the Schedule of Federal Assistance.

A fund, as used in the manual, represents moneys set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. . . . Numerical designations for each of these funds shall be as follows: . . . 4000, 5000, 6000, and 7000 Series - Federal Programs. Projects found in each federal program would be numbered with the third digit; i.e., 4110 would be a federal project funded under P.L. 103-382 IASA Title I. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

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 Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 period of July 1, 2008 to June 30, 2010. 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.

The previously issued Schedule of Expenditures of Federal Awards has been restated. The previously issued 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 dated December 22, 2010, is not to be relied on because expenditures of several federal awards were reported incorrectly on the Schedule of Expenditures of Federal Awards. The changes to correct the mentioned expenditures on the Schedule of Expenditures of Federal Awards required additional audit work to be completed on the Special Education Cluster. This resulted in a change to the original opinion issued on December 22, 2010, regarding the School Corporation's compliance with requirements of the Special Education Cluster. The previously issued 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 is replaced with this 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. A schedule representing the changes in the Schedule of Expenditures of Federal Awards is disclosed as Note 4 of the Notes to Schedule of Expenditures of Federal Awards.

As described in item 2010-3 and 2010-4 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding cash management and reporting requirements that are applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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)

In our opinion, except for the noncompliance described in the preceding paragraph, 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 period of July 1, 2008 to June 30, 2010.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in item 2010-2 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2010-2, to be a material weakness.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, the School Board, 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

December 22, 2010, except for Special Education Cluster, as to which the date is February 5, 2013

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	FY 08-09 FY 09-10	\$ 62,075 -	\$ - 63,986
Total for program			<u>62,075</u>	<u>63,986</u>
National School Lunch Program	10.555	FY 08-09 FY 09-10	265,862 -	- 269,980
Total for program			<u>265,862</u>	<u>269,980</u>
Total for cluster			<u>327,937</u>	<u>333,966</u>
Total for federal grantor agency			<u>327,937</u>	<u>333,966</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	SY 2007-2008 SY 2008-2009 SY 2009-2010	40,005 194,053 -	- 45,543 204,618
Total for program			<u>234,058</u>	<u>250,161</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09-10	-	85,018
Total for cluster			<u>234,058</u>	<u>335,179</u>
Pass-Through Crawfordsville Community School Corporation Special Education Cluster (IDEA) Special Education - Grants to States	84.027	FY 07-08 PN 14209-062-PN01 PN 14210-062-PN01 <i>Sliver</i>	1,651 163,737 276,450 141	- 1,268 413,447 -
Total for program			<u>441,979</u>	<u>414,715</u>
Special Education - Preschool Grants	84.173	PN 45709-062-PN01 PN 45710-062-PN01	33,185 -	- 14,137
Total for program			<u>33,185</u>	<u>14,137</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	PN 33310-SN01	-	131,242
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	PN 44410-SN01	-	428
Total for cluster			<u>475,164</u>	<u>560,522</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	FY 09-10	510,718	850,584
Total for cluster			<u>510,718</u>	<u>850,584</u>

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2009 and 2010  
(Continued)

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 06-30-09	Total Federal Awards Expended 06-30-10
<b>U.S. DEPARTMENT OF EDUCATION (continued)</b>				
Direct Grant				
Safe and Drug-Free Schools and Communities - National Programs Readiness and Emergency Management for Schools	84.184		50,439	44,062
Total for program			50,439	44,062
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants Drug Free	84.186			
		FY 07	6,251	-
		FY 08	1,950	4,187
		FY 09	1,270	5,198
		FY 10	-	2,418
		Rally	-	1,374
Total for program			9,471	13,177
Pass-Through Purdue University				
Tech-Prep Education Project Lead the Way	84.243	WIRED-5-59	14,196	-
Pass-Through Indiana Department of Workforce Development				
Tech- Prep Education Carl D. Perkins Vocational and Applied Technology Education Act	84.243		-	9,803
Total for program			14,196	9,803
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs Title V, Part A Education Reform and School Improvement	84.298		-	2,917
English Language Acquisition Grants				
Language Instruction for Limited English Proficient and Immigrant Students	84.365	SY 2007-08	1,455	-
Improving Teacher Quality State Grants				
Title II, Part A: Improving Teacher Quality and Effectiveness	84.367			
		FY 06	214	-
		FY 07	20,151	-
		FY 08	54,695	1,252
		FY 09	11,802	34,296
		FY 10	-	7,931
Total for program			86,862	43,479
Total for federal grantor agency			1,382,363	1,859,723
Total federal awards expended			\$ 1,710,300	\$ 2,193,689

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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with 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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
National School Lunch Program	10.555	\$ 34,182	\$ 38,260
School Breakfast Program	10.553	8,039	9,068

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

III. Restatement of Schedule of Expenditures of Federal Awards

Subsequent to the issuance of this report on December 22, 2010, it was determined that expenditures reported for several programs needed to be revised. The revisions were necessary due to the failure to properly account for the affected programs in the originally issued Schedule of Expenditures of Federal Awards (SEFA). The necessary revisions have been made to the SEFA. The following schedule presents the changes:

Cluster/Program Title	Federal CFDA Number	2008-2009	2009-2010
Special Education Cluster	84.027	\$ 278,242	\$ 413,447
Child Nutrition Cluster	10.555	1,902	(26,380)
Child Nutrition Cluster	10.553	-	(6,983)
Safe and Drug-Free Schools and Communities - State Grants	84.186	-	3,792
Improving Teacher Quality State Grants	84.367	214	-
English Language Acquisition Grants	84.365	1,455	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	50,439	44,062
Tech-Prep Education	84.243	<u>14,196</u>	<u>9,803</u>
 Total changes (net)		 <u>\$ 346,448</u>	 <u>\$ 437,741</u>

The net effect of the revision of the SEFA has been noted above in the total line.

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?	Yes
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?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs: Qualified for Special Education Cluster and Unqualified for all others

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
	Special Education Cluster
	State Fiscal Stabilization Fund 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**

**FINDING 2010-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Preparation of Schedule of Expenditures of Federal Awards (SEFA): Effective internal control over preparation of the SEFA involves the identification and analysis of the risk of material misstatement to the School Corporation's audited SEFA and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable SEFA and as a result has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA.
4. Monitoring of Controls: Effective internal control over financial reporting requires the School Board of Trustees to monitor and assess the quality of the School Corporation's system of internal control. The School Board of Trustees has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

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

"The auditee shall:

"(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal Agency, and name of the pass-through entity. . . .

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with Circular A-133, subpart .310."

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

**FINDING 2010-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE SPECIAL EDUCATION CLUSTER**

Federal Agency: U.S. Department of Education

Federal Program: Special Education Cluster

CFDA Number: 84.027, 84.173, 84.391, 84.392

Federal Award Number and Year (or Other Identifying Number): 2008-2009 and 2009-2010

Pass-Through Entity: Crawfordsville Community School Corporation

Management of the South Montgomery Community School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; allowable activities, allowable costs, cash management, level of effort, period of availability, reporting, and special tests and provisions. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

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

"The auditee shall: . . .

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2010-3 - CASH MANAGEMENT***

Federal Agency: U.S. Department of Education  
Federal Program: Special Education Cluster  
CFDA Number: 84.027, 84.173, 84.391, 84.392  
Federal Award Number and Year (or Other Identifying Number): FY 2008-2009 and FY 2009-2010  
Pass-Through Entity: Crawfordsville Community School Corporation

During the audit period July 1, 2008 to June 30, 2010, the Special Education - Grants to States (IDEA) (CFDA 84.027) funding was accounted for within the general fund of the school corporation. Due to the commingling of funds, a definable federal cash balance was not determinable, therefore compliance with cash management requirements was determined to be inadequate.

Other programs within the Special Education Cluster administered by the School Corporation were maintained in separate funds, as required. Special Education - Preschool Grants (CFDA 84.173), maintained cash balances in excess of allowable amounts for twenty-three of the twenty-four months of the audit period. Special Education - Grants to States, Recovery Act (ARRA) (CFDA 84.391) and Special Education - Preschool Grants, Recovery Act (ARRA) (CFDA 84.392) were both first distributed in August 2009 and maintained cash balances in excess of allowable amounts for nine out of eleven months and eleven out of eleven months, respectively.

34 CFR 80.20(b)(7) states in part:

"Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to comply with cash management requirement could cause the School Corporation to be deemed ineligible to receive federal funds in the future.

We recommended School Corporation Officials ensure that the time between the receipt and disbursement of federal funds is minimized.

***FINDING 2010-4 - REPORTING***

Federal Agency: U.S. Department of Education  
Federal Program: Special Education – Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): FY 2008-2009 and FY 2009-2010  
Pass-Through Entity: Crawfordsville Community School Corporation

During the audit period, the Special Education, Part B IDEA funding was commingled with state and local funding in the general fund of the Corporation. Separate accounts within the general fund were used to account for expenditures for the special education program. This type of accounting does not allow for a

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

determination of which expenditures are paid from federal funding and which expenditures are paid from state and local funding. When the Monthly Monitoring Report was submitted to Crawfordsville Community School Corporation, the Local Education Agency (LEA), the amount of expenditures reported for the month was reported as equal to the amount of receipts received for the month.

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

"The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. . . .
- (c) Comply with laws, regulations, and provisions of contracts or grant agreements related to each of its Federal programs."

Due to improperly accounting for the federal funding for this program, it was not possible to determine that the School Corporation monthly reports were accurate. The failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Corporation officials account for all Federal awards in separate funds so that reporting amounts received and expended can be clearly defined.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

South Montgomery Community School Corporation

CORRECTIVE ACTION PLAN

February 5, 2013

Contact Person: Dr. Robert L. Foreman  
Title: Interim Superintendent

Finding 2010-1 Internal Controls over Financial Transactions and Reporting

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to financial transactions and reporting on February 5, 2013. As of that date South Montgomery Community School Corporation is addressing the listed concerns as follows:

- 1) Lack of Segregation of Duties – South Montgomery Community School Corporation is aware of the potential risks associated with limited staff and has determined at this time that is not economically feasible to hire additional staff in order to have account functions performed by different employees. South Montgomery Community School Corporation will continue to assess the risks and weigh that against any future improvement in the financial condition of the school corporation.
- 2) Preparing Financial Statements – South Montgomery Community School Corporation will have the superintendent of schools document a review of all fund statements and all bank account balances on a monthly basis that are provided by the school corporation treasurer.
- 3) Preparation of Schedule of Expenditures of Federal Awards (SEFA) – The Superintendent and treasurer will work together to prepare the SEFA reports in the future.
- 4) Monitoring of Controls – South Montgomery Community School Corporation will provide Board members with a monthly report of all funds held by the school corporation. Any questions or concerns that Board members have about the financial reporting of school officials will be documented in Board minutes and/or records maintained by the school administration.

Finding 2010-2 Internal Controls over Compliance Requirements that have a Direct and Material Effect to the Special Education Cluster.

This finding has been corrected, Special Education program transactions are properly accounted for in separate funds, as required.

Finding 2010-3 Cash Management

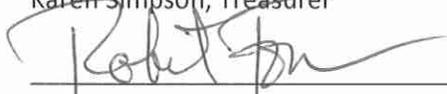
This finding has been corrected, Special Education program transactions are properly accounted for in separate funds, as required.

Finding 2010-4 Reporting

This finding has been corrected, proper accounting of Special Education transactions allows for compliance with federal reporting requirements.

  
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Karen Simpson, Treasurer

  
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Brad Monts, Board President

  
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Robert Foreman, Interim Superintendent

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report, excluding the Audit Result and Comments entitled Internal Control Over the Preparation of the Schedule of Expenditures of Federal Awards and Funds and Fund Accounting and the Federal Findings 2010-1, 2010-2, 2010-3, and 2010-4 were discussed on December 22, 2010, with Dr. J. Bret Lewis, Superintendent of Schools; Eric Brewer, Assistant Superintendent of Schools; Michael Hallas, President of the School Board; Karen Simpson, Treasurer; and Rhonda Wright, Deputy Treasurer. The officials concurred with our audit finding.

The Schedule of Expenditures of Federal Awards including Note III. Restatement of Schedule of Expenditures of Federal Awards, Audit Result and Comments entitled Internal Control Over the Preparation of the Schedule of Expenditures of Federal Awards and Funds and Fund Accounting and the Federal Findings 2010-1, 2010-2, 2010-3, and 2010-4 were discussed on February 5, 2013, with Dr. Robert L. Foreman, Interim Superintendent of Schools; Eric Brewer, Assistant Superintendent of Schools; Brad Monts, President of the School Board; and Karen Simpson, Treasurer. The officials concurred with our audit findings.