

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
MADISON COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
03/04/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Penny G. Myers	07-01-10 to 06-30-13
Superintendent of Schools	Dr. Thomas E. Warmke Joseph A. Buck (Interim) Joseph A. Buck	07-01-10 to 03-17-11 03-18-11 to 06-30-11 07-01-11 to 06-30-13
President of the School Board	Mike Gaskill Christopher Boots	07-01-10 to 06-30-11 07-01-11 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the South Madison Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 14, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

STATE BOARD OF ACCOUNTS

February 14, 2013



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

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

We have audited the financial statement of the South Madison Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 14, 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.

Internal Control Over Financial Reporting

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

February 14, 2013

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Period July 1, 2011 to June 30, 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 1,383,349	\$ 23,684,421	\$ 22,065,413	\$ 61,739	\$ 3,064,096	\$ 24,335,175	\$ 23,538,312	\$ 41	\$ 3,861,000
Debt Service	226,758	11,967,709	10,811,673	-	1,382,794	7,163,769	7,339,948	-	1,206,615
Retirement/Severance Bond Debt Service	9,460	547,797	549,218	-	8,039	(8,039)	-	-	-
Capital Projects	(61,374)	3,006,510	1,792,910	-	1,152,226	1,831,368	2,583,493	-	400,101
School Transportation	302,157	2,441,576	1,977,145	42,370	808,958	1,605,287	1,468,786	-	945,459
School Bus Replacement	(85,611)	837,723	708,114	-	43,998	447,803	388,796	-	103,005
Retirement/Severance Bond	66,165	-	26,268	-	39,897	-	20,717	-	19,180
Construction	405,342	156,004	267,025	(61,739)	232,582	-	32,055	-	200,527
Construction Fund	(751)	1,367,830	1,368,170	-	(1,091)	-	-	-	(1,091)
School Lunch	465,664	1,753,579	1,880,034	-	339,209	2,139,227	2,022,051	50	456,435
Textbook Rental	284,406	565,491	584,881	-	265,016	689,268	709,262	-	245,022
Self-Insurance	871,376	4,852,251	4,465,051	-	1,258,576	6,148,159	3,332,447	-	4,074,288
Levy Excess	42,370	-	-	(42,370)	-	-	-	-	-
Child Care Program	(4,541)	315,792	125,493	-	185,758	349,797	355,808	-	179,747
Extended Day Kindergarten	111,009	264,028	480,411	-	(105,374)	247,201	141,827	-	-
Educational License Plates	9,644	544	-	-	10,188	563	-	-	10,751
Alternative Education	-	10,133	-	-	10,133	7,487	-	-	17,620
After School Study Table Program	(6,629)	-	-	-	(6,629)	-	(5,532)	-	(1,097)
Community Education	13,439	-	358	-	13,081	140	7,334	-	5,887
Indiana Next 2004/2005	127	-	-	-	127	-	108	-	19
SMCF Pendleton Players	1,214	-	-	-	1,214	-	-	-	1,214
CAPE	124,564	-	118,209	-	6,355	-	-	-	6,355
G/T High Ability 2008/2009	(408)	-	(408)	-	-	-	-	-	-
Education Technology	(328,453)	377,000	48,331	-	216	-	-	-	216
Step Ahead	-	21,252	39,589	-	(18,337)	-	2,707	-	(21,044)
Early Childhood Intervention (First Steps)	22,449	-	22,434	-	15	29,823	18,682	-	11,156
Non-English Speaking Programs 06/07 and 07/08	4,897	2,800	-	-	7,697	2,444	1,181	-	8,960
Non-English Speaking Programs 2008/2009	1,438	-	266	-	1,172	-	-	-	1,172
Non-English Speaking Programs 2010/2011	-	323	2,467	-	(2,144)	-	627	-	(2,771)

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Period July 1, 2011 to June 30, 2012
(Continued)

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
School Technology	133,730	34,739	57,481	-	110,988	62,693	72,872	-	100,809
Miscellaneous Programs	-	21,252	-	-	21,252	12,061	-	-	33,313
Autism Advocates of Indiana	-	3,000	1,133	-	1,867	-	165	-	1,702
Staff Improvements	643	120	-	-	763	55	-	-	818
Staff Training	4,218	6,793	336	-	10,675	1,076	1,907	-	9,844
Mentor Certification Program	7,195	-	2,008	-	5,187	-	1,421	-	3,766
Title I	(20,602)	198,668	159,293	-	18,773	214,496	243,524	-	(10,255)
Title I 2009/2010	147,776	65,179	211,999	-	956	-	-	-	956
Title I 2002/2003	13	-	-	-	13	-	-	-	13
Innovative Education Program Strategies Title V 2002/2003	8,467	-	-	-	8,467	-	-	(6,091)	2,376
Innovative Education Program Strategies Title V 2008/2009	(58)	-	765	-	(823)	-	-	-	(823)
Innovative Education Program Strategies Title V 2006/2007	4,278	-	-	-	4,278	-	-	-	4,278
Innovative Education Program Strategies Title V 2007/2008	-	-	-	-	-	-	-	6,091	6,091
Serve America	4,234	6,000	9,146	-	1,088	-	991	-	97
Drug Free Schools	1,129	-	-	-	1,129	-	-	-	1,129
Special Education Improvement	12,096	-	-	-	12,096	1,624	11,400	-	2,320
Title III - Energy Conservation	1,505	471	140	-	1,836	620	-	-	2,456
Improving Teaching Quality, No Child Left, Title II, Part A	181,765	43,387	200,960	-	24,192	61,076	58,111	-	27,157
ARRA Title I	3,689	74,399	69,438	-	8,650	79,717	18,656	-	69,711
ARRA Special Education	48,700	289,286	318,573	-	19,413	10,606	58,195	-	(28,176)
ARRA Special Education Preschool	8,506	-	7,710	-	796	-	-	-	796
ARRA Education Technology	18,092	-	896	-	17,196	-	544	-	16,652
Education Jobs	-	36,000	36,000	-	-	660,427	669,502	-	(9,075)
Payroll Clearing Fund	58,792	4,556,119	4,564,520	-	50,391	4,787,310	4,786,930	-	50,771
Totals	\$ 4,482,229	\$ 57,508,176	\$ 52,973,450	\$ -	\$ 9,016,955	\$ 50,881,233	\$ 47,882,827	\$ 91	\$ 12,015,452

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

Sale of Capital Assets which includes money received from the sale of capital assets.

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

Note 7. Negative Receipts and Disbursements

The School Corporation reported negative receipts and disbursements in some grant funds as a result of the reallocation of receipts and disbursements reported in the prior year to other funds.

Note 8. Negative Fund Balances

Some reimbursement grant funds had negative fund balances for both years. These negative balances occurred because the grants require that funds be expended prior to requesting reimbursements or were expended in excess of the approved amount. One tax supported fund had a negative fund balance at June 30, 2011 due to delayed tax distributions.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Holding Corporations

The School Corporation has entered into a capital lease with South Madison Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years 2010-2011 and 2011-2012 totaled \$1,973,500 and \$2,140,000, respectively.

The School Corporation has entered into a capital lease with Second South Madison Community 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 2010-2011 and 2011-2012 totaled \$1,490,000 and \$1,489,000, respectively.

The School Corporation has entered into a capital lease with South Madison New Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2010-2011 and 2011-2012 totaled \$2,087,000 and \$2,148,000, respectively.

Note 10. Post-Employment Benefits

The School Corporation provides postemployment life insurance benefits to retirees. The benefits pose a liability to the School Corporation. Information regarding the benefits can be obtained by contacting the School Corporation.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

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

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Construction	Construction Fund
Cash and investments - beginning	\$ 1,383,349	\$ 226,758	\$ 9,460	\$ (61,374)	\$ 302,157	\$ (85,611)	\$ 66,165	\$ 405,342	\$ (751)
Receipts:									
Local sources	648,921	11,730,081	547,797	3,004,607	2,439,452	837,694	-	156,004	-
Intermediate sources	298	-	-	-	-	-	-	-	-
State sources	23,125,191	137,626	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	100,002	-	-	-	-	-	-	1,367,830
Other	(89,989)	-	-	1,903	2,124	29	-	-	-
Total receipts	<u>23,684,421</u>	<u>11,967,709</u>	<u>547,797</u>	<u>3,006,510</u>	<u>2,441,576</u>	<u>837,723</u>	<u>-</u>	<u>156,004</u>	<u>1,367,830</u>
Disbursements:									
Current:									
Instruction	12,296,854	-	-	-	-	-	-	-	-
Support services	9,615,502	194	-	935,965	1,435,145	445,314	26,268	-	-
Noninstructional services	153,057	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	856,945	-	-	-	267,025	1,368,170
Debt services	-	10,811,479	549,218	-	542,000	262,800	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>22,065,413</u>	<u>10,811,673</u>	<u>549,218</u>	<u>1,792,910</u>	<u>1,977,145</u>	<u>708,114</u>	<u>26,268</u>	<u>267,025</u>	<u>1,368,170</u>
Excess (deficiency) of receipts over disbursements	<u>1,619,008</u>	<u>1,156,036</u>	<u>(1,421)</u>	<u>1,213,600</u>	<u>464,431</u>	<u>129,609</u>	<u>(26,268)</u>	<u>(111,021)</u>	<u>(340)</u>
Other financing sources (uses):									
Transfers in	61,739	-	-	-	42,370	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(61,739)	-
Total other financing sources (uses)	<u>61,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,370</u>	<u>-</u>	<u>-</u>	<u>(61,739)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,680,747</u>	<u>1,156,036</u>	<u>(1,421)</u>	<u>1,213,600</u>	<u>506,801</u>	<u>129,609</u>	<u>(26,268)</u>	<u>(172,760)</u>	<u>(340)</u>
Cash and investments - ending	<u>\$ 3,064,096</u>	<u>\$ 1,382,794</u>	<u>\$ 8,039</u>	<u>\$ 1,152,226</u>	<u>\$ 808,958</u>	<u>\$ 43,998</u>	<u>\$ 39,897</u>	<u>\$ 232,582</u>	<u>\$ (1,091)</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Child Care Program	Extended Day Kindergarten	Educational License Plates	Alternative Education	After School Study Table Program
Cash and investments - beginning	\$ 465,664	\$ 284,406	\$ 871,376	\$ 42,370	\$ (4,541)	\$ 111,009	\$ 9,644	\$ -	\$ (6,629)
Receipts:									
Local sources	1,130,681	451,995	4,852,251	-	315,792	264,028	-	-	-
Intermediate sources	-	-	-	-	-	-	544	-	-
State sources	24,764	108,999	-	-	-	-	-	10,133	-
Federal sources	598,134	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	4,497	-	-	-	-	-	-	-
Total receipts	<u>1,753,579</u>	<u>565,491</u>	<u>4,852,251</u>	<u>-</u>	<u>315,792</u>	<u>264,028</u>	<u>544</u>	<u>10,133</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	(202,701)	480,411	-	-	-
Support services	122,053	584,881	(2,557,184)	-	-	-	-	-	-
Noninstructional services	1,698,662	-	-	-	328,166	-	-	-	-
Facilities acquisition and construction	59,319	-	-	-	28	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	7,022,235	-	-	-	-	-	-
Total disbursements	<u>1,880,034</u>	<u>584,881</u>	<u>4,465,051</u>	<u>-</u>	<u>125,493</u>	<u>480,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(126,455)</u>	<u>(19,390)</u>	<u>387,200</u>	<u>-</u>	<u>190,299</u>	<u>(216,383)</u>	<u>544</u>	<u>10,133</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(42,370)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(126,455)</u>	<u>(19,390)</u>	<u>387,200</u>	<u>(42,370)</u>	<u>190,299</u>	<u>(216,383)</u>	<u>544</u>	<u>10,133</u>	<u>-</u>
Cash and investments - ending	<u>\$ 339,209</u>	<u>\$ 265,016</u>	<u>\$ 1,258,576</u>	<u>\$ -</u>	<u>\$ 185,758</u>	<u>\$ (105,374)</u>	<u>\$ 10,188</u>	<u>\$ 10,133</u>	<u>\$ (6,629)</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Community Education	Indiana Next 2004/2005	SMCF Pendleton Players	CAPE	G/T High Ability 2008/2009	Education Technology	Step Ahead	Early Childhood Intervention (First Steps)	Non-English Speaking Programs 06/07 and 07/08
Cash and investments - beginning	\$ 13,439	\$ 127	\$ 1,214	\$ 124,564	\$ (408)	\$ (328,453)	\$ -	\$ 22,449	\$ 4,897
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	2,800
Federal sources	-	-	-	-	-	-	21,252	-	-
Temporary loans	-	-	-	-	-	377,000	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	377,000	21,252	-	2,800
Disbursements:									
Current:									
Instruction	-	-	-	-	(408)	-	39,589	22,434	-
Support services	-	-	-	-	-	48,331	-	-	-
Noninstructional services	358	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	118,209	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	358	-	-	118,209	(408)	48,331	39,589	22,434	-
Excess (deficiency) of receipts over disbursements	(358)	-	-	(118,209)	408	328,669	(18,337)	(22,434)	2,800
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(358)	-	-	(118,209)	408	328,669	(18,337)	(22,434)	2,800
Cash and investments - ending	\$ 13,081	\$ 127	\$ 1,214	\$ 6,355	\$ -	\$ 216	\$ (18,337)	\$ 15	\$ 7,697

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Non-English Speaking Programs 2008/2009	Non-English Speaking Programs 2010/2011	School Technology	Miscellaneous Programs	Autism Advocates of Indiana	Staff Improvements	Staff Training	Mentor Certification Program	Title I
Cash and investments - beginning	\$ 1,438	\$ -	\$ 133,730	\$ -	\$ -	\$ 643	\$ 4,218	\$ 7,195	\$ (20,602)
Receipts:									
Local sources	-	-	-	-	3,000	120	6,793	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	323	34,739	-	-	-	-	-	-
Federal sources	-	-	-	21,252	-	-	-	-	198,668
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	323	34,739	21,252	3,000	120	6,793	-	198,668
Disbursements:									
Current:									
Instruction	-	-	-	-	1,133	-	-	-	105,074
Support services	266	2,467	-	-	-	-	336	2,008	53,804
Noninstructional services	-	-	-	-	-	-	-	-	415
Facilities acquisition and construction	-	-	57,481	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	266	2,467	57,481	-	1,133	-	336	2,008	159,293
Excess (deficiency) of receipts over disbursements	(266)	(2,144)	(22,742)	21,252	1,867	120	6,457	(2,008)	39,375
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(266)	(2,144)	(22,742)	21,252	1,867	120	6,457	(2,008)	39,375
Cash and investments - ending	\$ 1,172	\$ (2,144)	\$ 110,988	\$ 21,252	\$ 1,867	\$ 763	\$ 10,675	\$ 5,187	\$ 18,773

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title I 2009/2010	Title I 2002/2003	Innovative Education Program Strategies Title V 2002/2003	Innovative Education Program Strategies Title V 2008/2009	Innovative Education Program Strategies Title V 2006/2007	Innovative Education Program Strategies Title V 2007/2008	Serve America	Drug Free Schools	Special Education Improvement
Cash and investments - beginning	\$ 147,776	\$ 13	\$ 8,467	\$ (58)	\$ 4,278	\$ -	\$ 4,234	\$ 1,129	\$ 12,096
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	61,544	-	-	-	-	-	6,000	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	3,635	-	-	-	-	-	-	-	-
Total receipts	65,179	-	-	-	-	-	6,000	-	-
Disbursements:									
Current:									
Instruction	113,522	-	-	-	-	-	-	-	-
Support services	79,713	-	-	765	-	-	9,146	-	-
Noninstructional services	18,764	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	211,999	-	-	765	-	-	9,146	-	-
Excess (deficiency) of receipts over disbursements	(146,820)	-	-	(765)	-	-	(3,146)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(146,820)	-	-	(765)	-	-	(3,146)	-	-
Cash and investments - ending	\$ 956	\$ 13	\$ 8,467	\$ (823)	\$ 4,278	\$ -	\$ 1,088	\$ 1,129	\$ 12,096

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title III Energy Conservation	Improving Teaching Quality No Child Left Title II, Part A	ARRA Title I	ARRA Special Education	ARRA Special Education Preschool	ARRA Education Technology	Education Jobs	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ 1,505	\$ 181,765	\$ 3,689	\$ 48,700	\$ 8,506	\$ 18,092	\$ -	\$ 58,792	\$ 4,482,229
Receipts:									
Local sources	-	-	-	-	-	-	-	-	26,389,216
Intermediate sources	-	-	-	-	-	-	-	-	842
State sources	-	-	-	-	-	-	-	-	23,444,575
Federal sources	471	43,387	74,399	289,286	-	-	36,000	-	1,350,393
Temporary loans	-	-	-	-	-	-	-	-	1,844,832
Other	-	-	-	-	-	-	-	4,556,119	4,478,318
Total receipts	471	43,387	74,399	289,286	-	-	36,000	4,556,119	57,508,176
Disbursements:									
Current:									
Instruction	140	147,398	63,308	289,303	7,710	-	32,000	-	13,395,767
Support services	-	53,562	5,930	29,270	-	896	4,000	-	10,898,632
Noninstructional services	-	-	200	-	-	-	-	-	2,199,622
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,727,177
Debt services	-	-	-	-	-	-	-	-	12,165,497
Nonprogrammed charges	-	-	-	-	-	-	-	4,564,520	11,586,755
Total disbursements	140	200,960	69,438	318,573	7,710	896	36,000	4,564,520	52,973,450
Excess (deficiency) of receipts over disbursements	331	(157,573)	4,961	(29,287)	(7,710)	(896)	-	(8,401)	4,534,726
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	104,109
Transfers out	-	-	-	-	-	-	-	-	(104,109)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	331	(157,573)	4,961	(29,287)	(7,710)	(896)	-	(8,401)	4,534,726
Cash and investments - ending	\$ 1,836	\$ 24,192	\$ 8,650	\$ 19,413	\$ 796	\$ 17,196	\$ -	\$ 50,391	\$ 9,016,955

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Construction	Construction Fund
Cash and investments - beginning	\$ 3,064,096	\$ 1,382,794	\$ 8,039	\$ 1,152,226	\$ 808,958	\$ 43,998	\$ 39,897	\$ 232,582	\$ (1,091)
Receipts:									
Local sources	212,999	7,105,192	-	1,825,043	1,605,269	447,785	-	-	-
Intermediate sources	119	-	-	-	-	-	-	-	-
State sources	24,085,808	8,039	(8,039)	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	50,001	-	-	-	-	-	-	-
Other	36,249	537	-	6,325	18	18	-	-	-
Total receipts	24,335,175	7,163,769	(8,039)	1,831,368	1,605,287	447,803	-	-	-
Disbursements:									
Current:									
Instruction	16,180,362	-	-	-	-	-	-	-	-
Support services	7,214,187	354	-	1,595,613	1,468,786	388,796	20,717	-	-
Noninstructional services	143,763	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	987,880	-	-	-	32,055	-
Debt services	-	7,339,594	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	23,538,312	7,339,948	-	2,583,493	1,468,786	388,796	20,717	32,055	-
Excess (deficiency) of receipts over disbursements	796,863	(176,179)	(8,039)	(752,125)	136,501	59,007	(20,717)	(32,055)	-
Other financing sources (uses):									
Sale of capital assets	41	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	41	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	796,904	(176,179)	(8,039)	(752,125)	136,501	59,007	(20,717)	(32,055)	-
Cash and investments - ending	\$ 3,861,000	\$ 1,206,615	\$ -	\$ 400,101	\$ 945,459	\$ 103,005	\$ 19,180	\$ 200,527	\$ (1,091)

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Child Care Program	Extended Day Kindergarten	Educational License Plates	Alternative Education	After School Study Table Program
Cash and investments - beginning	\$ 339,209	\$ 265,016	\$ 1,258,576	\$ -	\$ 185,758	\$ (105,374)	\$ 10,188	\$ 10,133	\$ (6,629)
Receipts:									
Local sources	1,235,953	434,056	6,148,159	-	349,797	247,201	-	-	-
Intermediate sources	-	-	-	-	-	-	563	-	-
State sources	24,639	252,462	-	-	-	-	-	7,487	-
Federal sources	878,635	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	2,750	-	-	-	-	-	-	-
Total receipts	<u>2,139,227</u>	<u>689,268</u>	<u>6,148,159</u>	<u>-</u>	<u>349,797</u>	<u>247,201</u>	<u>563</u>	<u>7,487</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	141,827	-	-	(5,532)
Support services	66,954	709,262	-	-	-	-	-	-	-
Noninstructional services	1,913,039	-	-	-	355,752	-	-	-	-
Facilities acquisition and construction	42,058	-	-	-	56	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	3,332,447	-	-	-	-	-	-
Total disbursements	<u>2,022,051</u>	<u>709,262</u>	<u>3,332,447</u>	<u>-</u>	<u>355,808</u>	<u>141,827</u>	<u>-</u>	<u>-</u>	<u>(5,532)</u>
Excess (deficiency) of receipts over disbursements	<u>117,176</u>	<u>(19,994)</u>	<u>2,815,712</u>	<u>-</u>	<u>(6,011)</u>	<u>105,374</u>	<u>563</u>	<u>7,487</u>	<u>5,532</u>
Other financing sources (uses):									
Sale of capital assets	50	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>117,226</u>	<u>(19,994)</u>	<u>2,815,712</u>	<u>-</u>	<u>(6,011)</u>	<u>105,374</u>	<u>563</u>	<u>7,487</u>	<u>5,532</u>
Cash and investments - ending	<u>\$ 456,435</u>	<u>\$ 245,022</u>	<u>\$ 4,074,288</u>	<u>\$ -</u>	<u>\$ 179,747</u>	<u>\$ -</u>	<u>\$ 10,751</u>	<u>\$ 17,620</u>	<u>\$ (1,097)</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Community Education	Indiana Next 2004/2005	SMCF Pendleton Players	CAPE	G/T High Ability 2008/2009	Education Technology	Step Ahead	Early Childhood Intervention (First Steps)	Non-English Speaking Programs 06/07 and 07/08
Cash and investments - beginning	\$ 13,081	\$ 127	\$ 1,214	\$ 6,355	\$ -	\$ 216	\$ (18,337)	\$ 15	\$ 7,697
Receipts:									
Local sources	140	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	29,823	2,444
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	140	-	-	-	-	-	-	29,823	2,444
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	2,707	18,682	-
Support services	-	108	-	-	-	-	-	-	1,181
Noninstructional services	7,334	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	7,334	108	-	-	-	-	2,707	18,682	1,181
Excess (deficiency) of receipts over disbursements	(7,194)	(108)	-	-	-	-	(2,707)	11,141	1,263
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,194)	(108)	-	-	-	-	(2,707)	11,141	1,263
Cash and investments - ending	\$ 5,887	\$ 19	\$ 1,214	\$ 6,355	\$ -	\$ 216	\$ (21,044)	\$ 11,156	\$ 8,960

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Non-English Speaking Programs 2008/2009	Non-English Speaking Programs 2010/2011	School Technology	Miscellaneous Programs	Autism Advocates of Indiana	Staff Improvements	Staff Training	Mentor Certification Program	Title I
Cash and investments - beginning	\$ 1,172	\$ (2,144)	\$ 110,988	\$ 21,252	\$ 1,867	\$ 763	\$ 10,675	\$ 5,187	\$ 18,773
Receipts:									
Local sources	-	-	-	-	-	55	1,076	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	62,693	-	-	-	-	-	-
Federal sources	-	-	-	12,061	-	-	-	-	214,496
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	62,693	12,061	-	55	1,076	-	214,496
Disbursements:									
Current:									
Instruction	-	-	-	-	165	-	-	-	131,787
Support services	-	627	-	-	-	-	1,907	1,421	110,459
Noninstructional services	-	-	-	-	-	-	-	-	1,278
Facilities acquisition and construction	-	-	72,872	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	627	72,872	-	165	-	1,907	1,421	243,524
Excess (deficiency) of receipts over disbursements	-	(627)	(10,179)	12,061	(165)	55	(831)	(1,421)	(29,028)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(627)	(10,179)	12,061	(165)	55	(831)	(1,421)	(29,028)
Cash and investments - ending	\$ 1,172	\$ (2,771)	\$ 100,809	\$ 33,313	\$ 1,702	\$ 818	\$ 9,844	\$ 3,766	\$ (10,255)

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title I 2009/2010	Title I 2002/2003	Innovative Education Program Strategies Title V 2002/2003	Innovative Education Program Strategies Title V 2008/2009	Innovative Education Program Strategies Title V 2006/2007	Innovative Education Program Strategies Title V 2007/2008	Serve America	Drug Free Schools	Special Education Improvement
Cash and investments - beginning	\$ 956	\$ 13	\$ 8,467	\$ (823)	\$ 4,278	\$ -	\$ 1,088	\$ 1,129	\$ 12,096
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	1,624
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-	1,624
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	10,214
Support services	-	-	-	-	-	-	991	-	1,186
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	991	-	11,400
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	(991)	-	(9,776)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	6,091	-	-	-
Transfers out	-	-	(6,091)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(6,091)	-	-	6,091	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(6,091)	-	-	6,091	(991)	-	(9,776)
Cash and investments - ending	\$ 956	\$ 13	\$ 2,376	\$ (823)	\$ 4,278	\$ 6,091	\$ 97	\$ 1,129	\$ 2,320

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title III Energy Conservation	Improving Teaching Quality No Child Left Title II, Part A	ARRA Title I	ARRA Special Education	ARRA Special Education Preschool	ARRA Education Technology	Education Jobs	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ 1,836	\$ 24,192	\$ 8,650	\$ 19,413	\$ 796	\$ 17,196	\$ -	\$ 50,391	\$ 9,016,955
Receipts:									
Local sources	-	-	-	-	-	-	-	-	19,612,725
Intermediate sources	-	-	-	-	-	-	-	-	682
State sources	-	-	-	-	-	-	-	-	24,465,356
Federal sources	620	61,076	79,717	10,606	-	-	660,427	-	1,919,262
Temporary loans	-	-	-	-	-	-	-	-	50,001
Other	-	-	-	-	-	-	-	4,787,310	4,833,207
Total receipts	620	61,076	79,717	10,606	-	-	660,427	4,787,310	50,881,233
Disbursements:									
Current:									
Instruction	-	12,462	4,897	40,803	-	-	653,502	-	17,191,876
Support services	-	45,649	13,759	17,392	-	544	16,000	-	11,675,893
Noninstructional services	-	-	-	-	-	-	-	-	2,421,166
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,134,921
Debt services	-	-	-	-	-	-	-	-	7,339,594
Nonprogrammed charges	-	-	-	-	-	-	-	4,786,930	8,119,377
Total disbursements	-	58,111	18,656	58,195	-	544	669,502	4,786,930	47,882,827
Excess (deficiency) of receipts over disbursements	620	2,965	61,061	(47,589)	-	(544)	(9,075)	380	2,998,406
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	91
Transfers in	-	-	-	-	-	-	-	-	6,091
Transfers out	-	-	-	-	-	-	-	-	(6,091)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	91
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	620	2,965	61,061	(47,589)	-	(544)	(9,075)	380	2,998,497
Cash and investments - ending	\$ 2,456	\$ 27,157	\$ 69,711	\$ (28,176)	\$ 796	\$ 16,652	\$ (9,075)	\$ 50,771	\$ 12,015,452

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS (Applies to Pendleton Heights High School)

Our review of the bank reconciliements as of June 30 of 2011 and 2012, identified checks outstanding in excess of two years. Some of these checks go as far back as 2005. As of June 30, 2011, there were 44 checks outstanding in excess of two years, totaling \$5,190.94. As of June 30, 2012, there were 58 checks outstanding for in excess of two years, totaling \$6,371.19. A similar comment appeared in the prior Report B38532.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

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

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

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

RECEIPT ISSUANCE (Applies to Pendleton Heights High School)

Receipts were not always issued when funds were received but, rather were commonly issued on the day funds were deposited or after the date of deposit. A similar comment appeared in the prior Report B38532.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PETTY CASH FUND ACTIVITY (Applies to Pendleton Heights High School)

The Extra-Curricular Account at the High School operates a Petty Cash Fund for small purchases and also a cash change fund for Copies and Textbook Rental. There was no documentation provided of the authorized amount of cash change or petty cash.

Indiana Code 20-40-13-4 states in part: "If a fund is established, the governing body shall make an appropriation for the fund in an amount that is not more than five hundred dollars (\$500.00)."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the South Madison Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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.

As described in item 2012-1 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding cash management that are applicable to its Special Education Cluster grants and Title I, Part A Cluster grants. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to the programs.

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 could have a direct and material effect on each of its other major federal programs for the period of July 1, 2010 to June 30, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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, School Board, others within the entity, 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

February 14, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2010-2011 FY 2011-2012	\$ 85,795 -	\$ - 56,276
Total for program			85,795	56,276
National School Lunch Program	10.555	FY 2010-2011 FY 2011-2012	621,001 -	- 710,721
Total for program			621,001	710,721
Special Milk Program for Children	10.556	FY 2011-2012	-	149
Total for cluster			706,796	767,146
Child and Adult Care Food Program	10.558	FY 2011-2012	-	3,163
Total for federal grantor agency			706,796	770,309
<u>U.S. DEPARTMENT OF ENERGY</u>				
Pass-Through Indiana Department of Education				
State Energy Program	81.041	FY 2010-2011 FY 2011-2012	471 -	- 620
Total for federal grantor agency			471	620
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY 2009-2010 FY 2010-2011 FY 2011-2012	61,544 198,668 -	- 40,547 173,949
Total for program			260,212	214,496
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	FY 2010-2011 FY 2011-2012	69,439 -	- 18,656
Total for program			69,439	18,656
Total for cluster			329,651	233,152
Pass-Through Greenfield-Central Community School Corporation				
Special Education Cluster (IDEA)				
ARRA Special Education - Grants to States, Recovery Act	84.391	FY 2010-2011	318,573	-

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012
(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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Hancock Madison Shelby Educational Services ARRA Special Education - Grants to States, Recovery Act		FY 2011-2012	-	58,195
Total for program			318,573	58,195
Pass-Through Greenfield-Central Community School Corporation ARRA Special Education - Preschool Grants, Recovery Act	84.392	FY 2010-2011	7,710	-
Total for cluster			326,283	58,195
Pass-Through Indiana Department of Education Educational Technology State Grants Cluster ARRA - Education Technology State Grants, Recovery Act	84.386	FY 2010-2011 FY 2011-2012	896 -	- 544
Total for cluster			896	544
Safe and Drug-Free Schools and Communities_State Grants	84.186	FY 2011-2012	-	1,624
Improving Teacher Quality State Grants	84.367	FY 2010-2011 FY 2011-2012	43,387 -	- 61,076
Total for program			43,387	61,076
Education Jobs Fund	84.410	FY 2010-2011 FY 2011-2012	36,000 -	- 660,427
Total for program			36,000	660,427
Total for federal grantor agency			736,217	1,015,018
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u>				
Pass-Through Indiana Department of Education Learn and Serve America_School and Community Based Programs	94.004	FY 2010-2011	6,000	-
Total for federal grantor agency			6,000	-
Total federal awards expended			<u>\$ 1,449,484</u>	<u>\$ 1,785,947</u>

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Madison 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 statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2011 and 2012:

Program Title	Federal CFDA Number	2011	2012
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	\$ 2,869	\$ 9,600

Note 3. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
School Breakfast Program	10.553	\$ 14,059	\$ 24,299
National School Lunch Program	10.555	94,562	75,456

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified, except for Title I, Part A Cluster and Special Education Cluster which was qualified
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
84.410	Child Nutrition Cluster Title I, Part A Cluster Special Education Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-1 - CASH MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Program: ARRA Special Education - Grants to States, ARRA Special Education - Preschool Grants, Title I Grants to Local Educational Agencies, ARRA Title I Grants to Local Educational Agencies

CFDA Number: 84.391 and 84.392; 84.010 and 84.389

Federal Award Number and Year (or Other Identifying Number): FY 2011 and FY 2012

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation did not establish an effective internal control system related to the cash management compliance requirements that have a direct and material effect on the Title I and Special Education programs. As a result of the ineffective internal controls over cash management, the School Corporation failed to comply with cash management requirements for these programs.

The School Corporation received advance draws for ARRA Special Education - Preschool during the 2009-2010 school year and carried over a cash balance of \$8,506 which represented approximately 51 percent of the total draws received in the ARRA Special Education - Preschool Fund. The Fund continued to maintain excessive cash balances until May 2011. Additionally, the ARRA Special Education Fund maintained excessive cash balances for 2 months of the 2010-2011 school year and for 3 months of the 2011-2012 school year.

The cash balances of the FY 2011 Basic Title I Grant were excessive for 4 of the 12 months during the 2010-2011 year. The cash balances of the FY 2012 Title I ARRA Grant were excessive for all 12 months in the 2011-2012 year.

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 (b) states:

"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.

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

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 cash 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."

We recommended that the School Corporation's management establish controls related to cash management that will comply with the grant agreement and federal compliance requirements.

SOUTH MADISON



COMMUNITY SCHOOL CORPORATION

203 SOUTH HERITAGE WAY ♦ PENDLETON IN 46064 ♦ (765) 778-2152 ♦ (317) 485-4478 ♦ (765) 642-5661 ♦ (765) 778-8207-FAX

**BOARD OF
SCHOOL TRUSTEES**

Terry L. Auker
Chris J. Boots
Richard C. Evans
William L. Hutton
Amy S. McGinnis
Joel P. Sandefur
Marilea A. Wyatt

ADMINISTRATION

Joseph A. Buck
Superintendent

Sandra K. Hudson
Assistant Superintendent

Laura M. Miller
*Director of Instruction &
Staff Development*

Mark W. Matlock
*Director of Support
Services*

Kenneth S. McCarty
Business Manager

Summary Schedule of Prior Audit Findings

Finding Number 2010-1 & 2010-2

Original SBA Audit Report Number B38532

Fiscal Year 08/09 – 09/10

Auditee Contact Person Penny Myers

Title of Contact Person Corporation Treasurer

Phone Number 765-778-2152

Status of Finding Corrective Action of Findings

Based on the procedural changes at the Indiana Department of Education, distributions of Title I and Special Education Funds are no longer received on a drawdown method, but on a reimbursement basis. Therefore, the cash management issues described in the audit findings no longer exists. South Madison Community School Corporation has made an effort to comply with the reimbursement method as described by the Indiana Department of Education.


Signature and Title Penny Myers Corp. Treasurer Date 1/23/13

SOUTH MADISON



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CORRECTIVE ACTION PLAN

FINDING 2012-1 Cash Management

Federal Agency: U.S. Department of Education
Federal Program: Special Education Cluster and Title I, Part A Cluster
CFDA Number: 84.394 & 84.392; 84.010 & 84.389
Federal Award Number & Yr: FY 2011 and FY 2012

ADMINISTRATION

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Superintendent
Sandra K. Hudson
Assistant Superintendent
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Director of Instruction & Staff Development
Mark W. Matlock
Director of Support Services
Kenneth S. McCarty
Business Manager

At this time, there are no longer ARRA funds; therefore, the cash management issue described above no longer exists. Based on the procedural changes at the Indiana Department of Education all federal funds are now on a reimbursement basis rather than a drawdown method. South Madison Community School Corporation is currently making every effort to comply with the grant agreements and federal compliance requirements.


Signature and Title *Treasurer*

2/13/13
Date

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2013, with Penny G. Myers, Treasurer; Joseph A. Buck, Superintendent of Schools; Christopher Boots, President of the School Board; and Ken McCarty, Business Manager. The officials concurred with our audit findings.