

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
MONTGOMERY COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
03/18/2013



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SCHEDULE OF OFFICIALS

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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the South Montgomery 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 13, 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  
(Continued)

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 and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 13, 2013



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 MONTGOMERY COMMUNITY  
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

We have audited the financial statement of the South Montgomery Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 13, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

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.

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 it.

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 13, 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 MONTGOMERY COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 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	\$ 11,528,573	\$ 11,535,237	\$ 6,673	\$ 10	\$ 10,994,414	\$ 10,994,423	\$ -	\$ 1
Debt Service	1,199,576	4,531,572	4,376,537	-	1,354,611	4,932,072	4,199,125	(6,905)	2,080,653
Retirement/Severance Bond Debt Service	94,280	231,598	312,794	-	13,084	390,478	313,280	6,905	97,187
Capital Projects	333,352	1,850,852	1,392,400	-	791,804	2,103,453	1,461,592	(200,000)	1,233,665
School Transportation	787,346	1,933,742	1,611,302	-	1,109,786	1,630,972	1,562,051	(350,000)	828,707
School Bus Replacement	209,469	133,781	247,069	-	96,181	81,944	-	-	178,125
Special Education Preschool	6,673	-	-	(6,673)	-	-	-	-	-
Rainy Day	250,000	17	249,976	-	41	-	248,204	550,000	301,837
Retirement/Severance Bond	620,874	3,718	64,531	-	560,061	2,093	52,463	-	509,691
Construction	43,785	276	-	-	44,061	175	-	-	44,236
School Lunch	97,627	819,865	804,890	-	112,602	733,237	794,019	-	51,820
Textbook Rental	23,571	211,615	59,477	-	175,709	220,240	372,119	-	23,830
Levy Excess	-	29,880	-	-	29,880	-	-	-	29,880
Joint Services and Supply - Area Vocational School	-	25,765	17,719	-	8,046	(150)	7,896	-	-
EMS/Fire Science	10,126	-	10,126	-	-	25,468	19,024	-	6,444
Law Enforcement 09-10	4,662	3,111	7,773	-	-	37,651	29,064	-	8,587
Law Enforcement 10-11	-	37,669	29,478	-	8,191	(588)	7,603	-	-
Alternative Education Fund 1900	2,662	2,894	5,556	-	-	2,353	-	-	2,353
Alternative Education Fund 1901	5,000	-	5,000	-	-	-	-	-	-
Safe Haven 10-11	-	20,000	20,000	-	-	-	-	-	-
Safe Haven 11-12	-	-	-	-	-	18,000	18,000	-	-
Early Intervention Fund 1931	-	-	-	-	-	12,050	11,250	-	800
Early Intervention Fund 1932	-	-	-	-	-	400	-	-	400
Coaching Salary	-	12,061	9,181	-	2,880	1,602	4,482	-	-
Miscellaneous Programs	-	1,000	1,000	-	-	-	-	-	-
M.C.E.F. Grant/Gonczarow	72	-	-	-	72	-	-	-	72
M.C.E.F./Scheidler	300	-	300	-	-	-	-	-	-
M.C.E.F. McCormick/Hoard	350	-	347	-	3	-	-	-	3
M.C.E.F. France/Lewis/MCVA	500	-	497	-	3	-	-	-	3
M.C.E.F. Hanlin/Craycraft	500	-	476	-	24	-	-	-	24
M.C.E.F. Albertson	3	-	-	-	3	700	3	-	700
M.C.E.F. Long/Monts	25	-	17	-	8	850	9	-	849
M.C.E.F. Cincy McCormick	600	963	600	-	963	300	963	-	300
M.C.E.F. Higgins	600	1,000	600	-	1,000	-	1,000	-	-
M.C.E.F. Chadd/Gregg/Jeff	820	-	813	-	7	-	-	-	7
M.C.E.F. Selby	1,000	-	1,000	-	-	-	-	-	-
M.C.E.F. Mosbaugh/Eppley	1,150	-	891	-	259	-	-	-	259
M.C.E.F. Albertson	-	986	-	-	986	-	981	-	5
M.C.E.F. Monts/Long/Thomp	-	500	-	-	500	-	500	-	-
M.C.E.F. Gregg/Chadd/Jeff	-	449	-	-	449	-	449	-	-
M.C.E.F. Gonc/Halk/Clo/Cou	-	500	-	-	500	-	500	-	-

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 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
M.C.E.F. SP ED	-	500	-	-	500	-	500	-	-
M.C.E.F. Mitchel/Clifton	-	500	-	-	500	-	499	-	1
M.C.E.F. Mills	2	-	-	-	2	-	-	-	2
M.C.E.F. Burkhart	7	-	-	-	7	-	-	-	7
JR High Survey	-	500	-	-	500	-	-	-	500
HS Survey 2011	-	350	-	-	350	-	-	-	350
AHEAD Coalit/Sch Officer	1,750	-	-	-	1,750	-	-	-	1,750
Gifted/Talented 2009-10	24,560	-	21,515	-	3,045	-	3,045	-	-
Gifted/Talented 2010-2011	-	32,898	-	-	32,898	-	31,958	-	940
Gifted/Talented 2011-2012	-	-	-	-	-	31,607	19,917	-	11,690
Non-English Speaking Programs P.L. 273-1999	110	-	-	-	110	-	-	-	110
State Connectivity w/Ena	-	6,248	5,476	-	772	5,754	8,996	-	(2,470)
Access Indiana	1,047	-	1,047	-	-	-	-	-	-
Child Care	2,347	-	-	-	2,347	-	-	-	2,347
Ford - ELLC	-	-	-	-	-	2,500	2,500	-	-
Ford - Ed Tech	-	-	-	-	-	16,344	2,943	-	13,401
Title I 10-11	-	208,188	202,801	-	5,387	46,158	51,544	-	1
Title I 11-12	-	-	-	-	-	172,982	190,659	-	(17,677)
Title I ICCH 97-98	16,855	-	-	-	16,855	-	-	-	16,855
Title I 2009-10	17,225	22,000	39,225	-	-	-	-	-	-
Special ED IDEA 10-11	-	382,519	382,520	-	(1)	74,030	74,029	-	-
Special ED 11-12	-	-	-	-	-	363,842	409,526	-	(45,684)
Special ED Pre School	12,160	1,736	12,160	-	1,736	-	1,736	-	-
SP ED Preschool 10-11	-	16,618	16,618	-	-	-	-	-	-
SP ED Preschool 11-12	-	-	-	-	-	13,669	13,669	-	-
Drug Rally	401	-	218	-	183	-	183	-	-
Drug Free 09-10	3,767	-	305	-	3,462	955	4,413	-	4
Title II Par A 2010-11	-	-	4,730	-	(4,730)	48,628	47,738	-	(3,840)
Title II Part A 2009-10	34,607	8,261	46,124	-	(3,256)	8,839	5,582	-	1
Title II A 2008-09	10,805	150	10,745	-	210	-	-	-	210
Title II A 2007-08	336	-	336	-	-	-	-	-	-
Title I - School Improvement	21,363	45,591	66,953	-	1	-	-	-	1
Special Education - Part B - Stimulus	(10,749)	166,225	201,906	-	(46,430)	111,855	65,427	-	(2)
SP ED Presch PT B - Stimulus	7,489	8,244	15,405	-	328	-	-	-	328
Payroll Clearing Fund	63,262	3,165,614	3,177,223	-	51,653	3,088,218	3,114,007	-	25,864
VEBA Medical Trust	1,585,295	41,407	47,632	-	1,579,070	36,519	161,474	-	1,454,115
Revocable Medical Trust	36,402	233	-	-	36,636	146	-	-	36,782
Education Jobs	-	-	-	-	-	363,926	363,926	-	-
<b>Totals</b>	<b>\$ 5,523,965</b>	<b>\$ 25,490,169</b>	<b>\$ 25,018,526</b>	<b>\$ -</b>	<b>\$ 5,995,608</b>	<b>\$ 25,573,687</b>	<b>\$ 24,673,271</b>	<b>\$ -</b>	<b>\$ 6,896,023</b>

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

SOUTH MONTGOMERY 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 schools, community school corporations, and charter schools.

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 MONTGOMERY 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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*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:

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 MONTGOMERY 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 MONTGOMERY 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 MONTGOMERY 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 financial statement contains receipts which appear as negative entries. This is a result of the correction of errors from prior periods. The errors made in the prior period were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt was shown in the current period.

**Note 8. Cash Balance Deficits**

The financial statement contains funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by July 31, 2012.

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

**Note 9. *Holding Corporation***

The School Corporation has entered into a capital lease with North Montgomery High 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 2011 and 2012 totaled \$1,906,000 and \$1,906,000, respectively.

**Note 10. *Other Postemployment Benefits***

The School Corporation provides to eligible retirees and their spouses the following benefits; 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. The School Corporation pays 100 percent of these postemployment benefits. Disbursements for those post-employment benefits are recognized on a pay-as-you-go basis. These benefits pose a liability to the School Corporation for this year and in future years. 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 is 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 MONTGOMERY 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	Special Education Preschool	Rainy Day
Cash and investments - beginning	\$ 1	\$ 1,199,576	\$ 94,280	\$ 333,352	\$ 787,346	\$ 209,469	\$ 6,673	\$ 250,000
Receipts:								
Local sources	26,642	4,531,572	231,598	1,847,476	1,622,304	133,781	-	-
Intermediate sources	294	-	-	-	-	-	-	-
State sources	11,076,889	-	-	-	-	-	-	-
Federal sources	55,114	-	-	-	-	-	-	-
Interfund loans	325,501	-	-	-	253,293	-	-	-
Other	44,133	-	-	3,376	58,145	-	-	17
Total receipts	<u>11,528,573</u>	<u>4,531,572</u>	<u>231,598</u>	<u>1,850,852</u>	<u>1,933,742</u>	<u>133,781</u>	<u>-</u>	<u>17</u>
Disbursements:								
Current:								
Instruction	7,809,584	-	-	-	-	-	-	-
Support services	3,317,626	-	-	581,294	1,611,302	247,069	-	249,956
Noninstructional services	154,734	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	811,106	-	-	-	20
Debt services	-	4,051,036	312,794	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	253,293	325,501	-	-	-	-	-	-
Total disbursements	<u>11,535,237</u>	<u>4,376,537</u>	<u>312,794</u>	<u>1,392,400</u>	<u>1,611,302</u>	<u>247,069</u>	<u>-</u>	<u>249,976</u>
Excess (deficiency) of receipts over disbursements	<u>(6,664)</u>	<u>155,035</u>	<u>(81,196)</u>	<u>458,452</u>	<u>322,440</u>	<u>(113,288)</u>	<u>-</u>	<u>(249,959)</u>
Other financing sources (uses):								
Transfers in	6,673	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(6,673)	-
Total other financing sources (uses)	<u>6,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,673)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>9</u>	<u>155,035</u>	<u>(81,196)</u>	<u>458,452</u>	<u>322,440</u>	<u>(113,288)</u>	<u>(6,673)</u>	<u>(249,959)</u>
Cash and investments - ending	<u>\$ 10</u>	<u>\$ 1,354,611</u>	<u>\$ 13,084</u>	<u>\$ 791,804</u>	<u>\$ 1,109,786</u>	<u>\$ 96,181</u>	<u>\$ -</u>	<u>\$ 41</u>

SOUTH MONTGOMERY 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)

	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental	Levy Excess	Joint Services and Supply - Area Vocational School	EMS/Fire Science	Law Enforcement 09-10
Cash and investments - beginning	\$ 620,874	\$ 43,785	\$ 97,627	\$ 23,571	\$ -	\$ -	\$ 10,126	\$ 4,662
Receipts:								
Local sources	-	-	415,748	156,721	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	8,357	54,894	29,880	25,765	-	3,111
Federal sources	-	-	395,760	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	3,718	276	-	-	-	-	-	-
Total receipts	<u>3,718</u>	<u>276</u>	<u>819,865</u>	<u>211,615</u>	<u>29,880</u>	<u>25,765</u>	<u>-</u>	<u>3,111</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	17,719	10,126	7,773
Support services	64,531	-	13,040	59,477	-	-	-	-
Noninstructional services	-	-	791,850	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>64,531</u>	<u>-</u>	<u>804,890</u>	<u>59,477</u>	<u>-</u>	<u>17,719</u>	<u>10,126</u>	<u>7,773</u>
Excess (deficiency) of receipts over disbursements	<u>(60,813)</u>	<u>276</u>	<u>14,975</u>	<u>152,138</u>	<u>29,880</u>	<u>8,046</u>	<u>(10,126)</u>	<u>(4,662)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>(60,813)</u>	<u>276</u>	<u>14,975</u>	<u>152,138</u>	<u>29,880</u>	<u>8,046</u>	<u>(10,126)</u>	<u>(4,662)</u>
Cash and investments - ending	<u>\$ 560,061</u>	<u>\$ 44,061</u>	<u>\$ 112,602</u>	<u>\$ 175,709</u>	<u>\$ 29,880</u>	<u>\$ 8,046</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH MONTGOMERY 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)

	Law Enforcement 10-11	Alternative Education Fund 1900	Alternative Education Fund 1901	Safe Haven 10-11	Safe Haven 11-12	Early Intervention Fund 1931	Early Intervention Fund 1932	Coaching Salary
Cash and investments - beginning	\$ -	\$ 2,662	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	37,669	2,894	-	20,000	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	12,061
Total receipts	<u>37,669</u>	<u>2,894</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,061</u>
Disbursements:								
Current:								
Instruction	29,478	5,556	5,000	20,000	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	9,181
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>29,478</u>	<u>5,556</u>	<u>5,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,181</u>
Excess (deficiency) of receipts over disbursements	<u>8,191</u>	<u>(2,662)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,880</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>8,191</u>	<u>(2,662)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,880</u>
Cash and investments - ending	<u>\$ 8,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,880</u>

SOUTH MONTGOMERY 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)

	Miscellaneous Programs	M.C.E.F. Grant/ Gonczarow	M.C.E.F. /Scheidler	M.C.E.F. Mccormick/ Hoard	M.C.E.F. France/Lewis/ MCVA	M.C.E.F. Hanlin/ Craycraft	M.C.E.F. Albertson	M.C.E.F. Long/ Monts
Cash and investments - beginning	\$ -	\$ 72	\$ 300	\$ 350	\$ 500	\$ 500	\$ 3	\$ 25
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	1,000	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	1,000	-	-	-	-	-	-	-
Disbursements:								
Current:								
Instruction	1,000	-	300	347	497	476	-	17
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	1,000	-	300	347	497	476	-	17
Excess (deficiency) of receipts over disbursements	-	-	(300)	(347)	(497)	(476)	-	(17)
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	-	-	(300)	(347)	(497)	(476)	-	(17)
Cash and investments - ending	\$ -	\$ 72	\$ -	\$ 3	\$ 3	\$ 24	\$ 3	\$ 8

SOUTH MONTGOMERY 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)

	M.C.E.F. Cincy McCormick	M.C.E.F. Higgins	M.C.E.F. Chadd/ Gregg/Jeff	M.C.E.F. Selby	M.C.E.F. Mosbaugh/ Eppley	M.C.E.F. Albertson	M.C.E.F. Monts/ Long/Thomp	M.C.E.F. Gregg/ Chadd/Jeff
Cash and investments - beginning	\$ 600	\$ 600	\$ 820	\$ 1,000	\$ 1,150	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	963	1,000	-	-	-	986	500	449
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>963</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>986</u>	<u>500</u>	<u>449</u>
Disbursements:								
Current:								
Instruction	600	600	813	1,000	891	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>600</u>	<u>600</u>	<u>813</u>	<u>1,000</u>	<u>891</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>363</u>	<u>400</u>	<u>(813)</u>	<u>(1,000)</u>	<u>(891)</u>	<u>986</u>	<u>500</u>	<u>449</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>363</u>	<u>400</u>	<u>(813)</u>	<u>(1,000)</u>	<u>(891)</u>	<u>986</u>	<u>500</u>	<u>449</u>
Cash and investments - ending	<u>\$ 963</u>	<u>\$ 1,000</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 259</u>	<u>\$ 986</u>	<u>\$ 500</u>	<u>\$ 449</u>

SOUTH MONTGOMERY 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)

	M.C.E.F. Gonc/Halk/ Clo/Cou	M.C.E.F. SP ED	M.C.E.F. Mitchel/ Clifton	M.C.E.F. Mills	M.C.E.F. Burkhart	JR High Survey	HS Survey 2011	AHEAD Coalit/Sch Officer
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 2	\$ 7	\$ -	\$ -	\$ 1,750
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	500	350	-
State sources	500	500	500	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	500	500	500	-	-	500	350	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	500	500	500	-	-	500	350	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	500	500	500	-	-	500	350	-
Cash and investments - ending	\$ 500	\$ 500	\$ 500	\$ 2	\$ 7	\$ 500	\$ 350	\$ 1,750

SOUTH MONTGOMERY 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)

	Gifted/ Talented 2009-10	Gifted/ Talented 2010-2011	Gifted/ Talented 2011-2012	Non-English Speaking Programs P.L. 273-1999	State Connectivity w/ENA	Access Indiana	Child Care	Ford - ELLCC
Cash and investments - beginning	\$ 24,560	\$ -	\$ -	\$ 110	\$ -	\$ 1,047	\$ 2,347	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	32,898	-	-	6,248	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	32,898	-	-	6,248	-	-	-
Disbursements:								
Current:								
Instruction	21,515	-	-	-	-	1,047	-	-
Support services	-	-	-	-	5,476	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	21,515	-	-	-	5,476	1,047	-	-
Excess (deficiency) of receipts over disbursements	(21,515)	32,898	-	-	772	(1,047)	-	-
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	(21,515)	32,898	-	-	772	(1,047)	-	-
Cash and investments - ending	\$ 3,045	\$ 32,898	\$ -	\$ 110	\$ 772	\$ -	\$ 2,347	\$ -

SOUTH MONTGOMERY 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)

	Ford - Ed Tech	Title I 10-11	Title I 11-12	Title I ICCH 97-98	Title I 2009-2010	Special ED IDEA 10-11	Special ED 11-12	Special ED Pre School
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 16,855	\$ 17,225	\$ -	\$ -	\$ 12,160
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	1,736
Federal sources	-	208,188	-	-	22,000	382,519	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	208,188	-	-	22,000	382,519	-	1,736
Disbursements:								
Current:								
Instruction	-	195,921	-	-	35,570	382,520	-	12,160
Support services	-	6,880	-	-	3,655	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	202,801	-	-	39,225	382,520	-	12,160
Excess (deficiency) of receipts over disbursements	-	5,387	-	-	(17,225)	(1)	-	(10,424)
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	-	5,387	-	-	(17,225)	(1)	-	(10,424)
Cash and investments - ending	\$ -	\$ 5,387	\$ -	\$ 16,855	\$ -	\$ (1)	\$ -	\$ 1,736

SOUTH MONTGOMERY 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)

	SP ED Preschool 10-11	SP ED Preschool 11-12	Drug Rally	Drug Free 09-10	Title II Part A 2010-11	Title II Part A 2009-10	Title II A 2008-09	Title II A 2007-08
Cash and investments - beginning	\$ -	\$ -	\$ 401	\$ 3,767	\$ -	\$ 34,607	\$ 10,805	\$ 336
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	16,618	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	8,261	150	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>16,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,261</u>	<u>150</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	16,618	-	218	305	4,730	46,124	10,745	336
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>16,618</u>	<u>-</u>	<u>218</u>	<u>305</u>	<u>4,730</u>	<u>46,124</u>	<u>10,745</u>	<u>336</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>(218)</u>	<u>(305)</u>	<u>(4,730)</u>	<u>(37,863)</u>	<u>(10,595)</u>	<u>(336)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>-</u>	<u>-</u>	<u>(218)</u>	<u>(305)</u>	<u>(4,730)</u>	<u>(37,863)</u>	<u>(10,595)</u>	<u>(336)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183</u>	<u>\$ 3,462</u>	<u>\$ (4,730)</u>	<u>\$ (3,256)</u>	<u>\$ 210</u>	<u>\$ -</u>

SOUTH MONTGOMERY 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 - School Improvement	Special Education Part B - Stimulus	SP ED Presch PT B - Stimulus	Payroll Clearing Fund	VEBA Medical Trust	Revocable Medical Trust	Education Jobs	Totals
Cash and investments - beginning	\$ 21,363	\$ (10,749)	\$ 7,489	\$ 63,262	\$ 1,585,295	\$ 36,402	\$ -	\$ 5,523,965
Receipts:								
Local sources	-	-	-	-	-	-	-	8,965,842
Intermediate sources	-	-	-	-	-	-	-	1,144
State sources	-	-	-	-	-	-	-	11,323,357
Federal sources	45,591	166,225	8,244	-	-	-	-	1,292,052
Interfund loans	-	-	-	-	-	-	-	578,794
Other	-	-	-	3,165,614	41,406.85	233	-	3,328,980
Total receipts	<u>45,591</u>	<u>166,225</u>	<u>8,244</u>	<u>3,165,614</u>	<u>41,407</u>	<u>233</u>	<u>-</u>	<u>25,490,169</u>
Disbursements:								
Current:								
Instruction	66,953	201,906	15,405	-	-	-	-	8,923,850
Support services	-	-	-	-	-	-	-	6,160,306
Noninstructional services	-	-	-	-	-	-	-	955,765
Facilities acquisition and construction	-	-	-	-	-	-	-	811,126
Debt services	-	-	-	-	-	-	-	4,363,830
Nonprogrammed charges	-	-	-	3,177,223	-	-	-	3,177,223
Interfund loans	-	-	-	-	47,632	-	-	626,426
Total disbursements	<u>66,953</u>	<u>201,906</u>	<u>15,405</u>	<u>3,177,223</u>	<u>47,632</u>	<u>-</u>	<u>-</u>	<u>25,018,526</u>
Excess (deficiency) of receipts over disbursements	<u>(21,362)</u>	<u>(35,681)</u>	<u>(7,161)</u>	<u>(11,609)</u>	<u>(6,225)</u>	<u>233</u>	<u>-</u>	<u>471,642.47</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	6,673
Transfers out	-	-	-	-	-	-	-	(6,673)
Total other financing sources (uses)	<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>(21,362)</u>	<u>(35,681)</u>	<u>(7,161)</u>	<u>(11,609)</u>	<u>(6,225)</u>	<u>233</u>	<u>-</u>	<u>471,642</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ (46,430)</u>	<u>\$ 328</u>	<u>\$ 51,653</u>	<u>\$ 1,579,070</u>	<u>\$ 36,636</u>	<u>\$ -</u>	<u>\$ 5,995,608</u>

SOUTH MONTGOMERY 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	Special Education Preschool	Rainy Day
Cash and investments - beginning	\$ 10	\$ 1,354,611	\$ 13,084	\$ 791,804	\$ 1,109,786	\$ 96,181	\$ -	\$ 41
Receipts:								
Local sources	27,157	4,606,571	390,478	2,029,602	1,614,242	81,944	-	-
Intermediate sources	294	-	-	-	-	-	-	-
State sources	10,903,439	-	-	-	-	-	-	-
Federal sources	11,000	-	-	-	-	-	-	-
Interfund loans	28,525	325,501	-	-	-	-	-	-
Other	23,999	-	-	73,851	16,730	-	-	-
Total receipts	<u>10,994,414</u>	<u>4,932,072</u>	<u>390,478</u>	<u>2,103,453</u>	<u>1,630,972</u>	<u>81,944</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	7,271,819	-	-	-	-	-	-	-
Support services	3,219,658	-	-	695,896	1,562,051	-	-	248,145
Noninstructional services	177,445	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	765,696	-	-	-	59
Debt services	-	4,170,600	313,280	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	325,501	28,525	-	-	-	-	-	-
Total disbursements	<u>10,994,423</u>	<u>4,199,125</u>	<u>313,280</u>	<u>1,461,592</u>	<u>1,562,051</u>	<u>-</u>	<u>-</u>	<u>248,204</u>
Excess (deficiency) of receipts over disbursements	<u>(9)</u>	<u>732,947</u>	<u>77,198</u>	<u>641,861</u>	<u>68,921</u>	<u>81,944</u>	<u>-</u>	<u>(248,204)</u>
Other financing sources (uses):								
Transfers in	-	-	6,905	-	-	-	-	550,000
Transfers out	-	(6,905)	-	(200,000)	(350,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(6,905)</u>	<u>6,905</u>	<u>(200,000)</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>550,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9)</u>	<u>726,042</u>	<u>84,103</u>	<u>441,861</u>	<u>(281,079)</u>	<u>81,944</u>	<u>-</u>	<u>301,796</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 2,080,653</u>	<u>\$ 97,187</u>	<u>\$ 1,233,665</u>	<u>\$ 828,707</u>	<u>\$ 178,125</u>	<u>\$ -</u>	<u>\$ 301,837</u>

SOUTH MONTGOMERY 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)

	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental	Levy Excess	Joint Services and Supply - Area Vocational School	EMS/Fire Science	Law Enforcement 09-10
Cash and investments - beginning	\$ 560,061	\$ 44,061	\$ 112,602	\$ 175,709	\$ 29,880	\$ 8,046	\$ -	\$ -
Receipts:								
Local sources	-	-	371,657	169,225	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	24,785	51,015	-	(150)	25,468	37,651
Federal sources	-	-	336,795	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	2,093	175	-	-	-	-	-	-
Total receipts	<u>2,093</u>	<u>175</u>	<u>733,237</u>	<u>220,240</u>	<u>-</u>	<u>(150)</u>	<u>25,468</u>	<u>37,651</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	7,896	19,024	29,064
Support services	52,463	-	5,889	372,119	-	-	-	-
Noninstructional services	-	-	788,130	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>52,463</u>	<u>-</u>	<u>794,019</u>	<u>372,119</u>	<u>-</u>	<u>7,896</u>	<u>19,024</u>	<u>29,064</u>
Excess (deficiency) of receipts over disbursements	<u>(50,370)</u>	<u>175</u>	<u>(60,782)</u>	<u>(151,879)</u>	<u>-</u>	<u>(8,046)</u>	<u>6,444</u>	<u>8,587</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>(50,370)</u>	<u>175</u>	<u>(60,782)</u>	<u>(151,879)</u>	<u>-</u>	<u>(8,046)</u>	<u>6,444</u>	<u>8,587</u>
Cash and investments - ending	<u>\$ 509,691</u>	<u>\$ 44,236</u>	<u>\$ 51,820</u>	<u>\$ 23,830</u>	<u>\$ 29,880</u>	<u>\$ -</u>	<u>\$ 6,444</u>	<u>\$ 8,587</u>

SOUTH MONTGOMERY 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)

	Law Enforcement 10-11	Alternative Education Fund 1900	Alternative Education Fund 1901	Safe Haven 10-11	Safe Haven 11-12	Early Intervention Fund 1931	Early Intervention Fund 1932	Coaching Salary
Cash and investments - beginning	\$ 8,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,880
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	(588)	2,353	-	-	18,000	12,050	400	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,602
Total receipts	<u>(588)</u>	<u>2,353</u>	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>12,050</u>	<u>400</u>	<u>1,602</u>
Disbursements:								
Current:								
Instruction	7,603	-	-	-	18,000	11,250	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	4,482
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>7,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>11,250</u>	<u>-</u>	<u>4,482</u>
Excess (deficiency) of receipts over disbursements	<u>(8,191)</u>	<u>2,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>400</u>	<u>(2,880)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>(8,191)</u>	<u>2,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>400</u>	<u>(2,880)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800</u>	<u>\$ 400</u>	<u>\$ -</u>

SOUTH MONTGOMERY 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)

	Miscellaneous Programs	M.C.E.F. Grant/ Gonczarow	M.C.E.F. /Scheidler	M.C.E.F. Mccormick/ Hoard	M.C.E.F. France/Lewis/ MCVA	M.C.E.F. Hanlin/ Craycraft	M.C.E.F. Albertson	M.C.E.F. Long/ Monts
Cash and investments - beginning	\$ -	\$ 72	\$ -	\$ 3	\$ 3	\$ 24	\$ 3	\$ 8
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	700	850
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	700	850
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	3	9
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	3	9
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	697	841
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	-	-	-	-	-	-	697	841
Cash and investments - ending	\$ -	\$ 72	\$ -	\$ 3	\$ 3	\$ 24	\$ 700	\$ 849

SOUTH MONTGOMERY 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)

	M.C.E.F. Cincy McCormick	M.C.E.F. Higgins	M.C.E.F. Chadd/ Gregg/Jeff	M.C.E.F. Selby	M.C.E.F. Mosbaugh/ Eppley	M.C.E.F. Albertson	M.C.E.F. Mons/ Long/Thomp	M.C.E.F. Gregg/ Chadd/Jeff
Cash and investments - beginning	\$ 963	\$ 1,000	\$ 7	\$ -	\$ 259	\$ 986	\$ 500	\$ 449
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	300	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	300	-	-	-	-	-	-	-
Disbursements:								
Current:								
Instruction	963	1,000	-	-	-	981	500	449
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	963	1,000	-	-	-	981	500	449
Excess (deficiency) of receipts over disbursements	(663)	(1,000)	-	-	-	(981)	(500)	(449)
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	(663)	(1,000)	-	-	-	(981)	(500)	(449)
Cash and investments - ending	\$ 300	\$ -	\$ 7	\$ -	\$ 259	\$ 5	\$ -	\$ -

SOUTH MONTGOMERY 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)

	M.C.E.F. Gonc/Halk/ Clo/Cou	M.C.E.F. SP ED	M.C.E.F. Mitchel/ Clifton	M.C.E.F. Mills	M.C.E.F. Burkhart	JR High Survey	HS Survey 2011	AHEAD Coalit/Sch Officer
Cash and investments - beginning	\$ 500	\$ 500	\$ 500	\$ 2	\$ 7	\$ 500	\$ 350	\$ 1,750
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-
Disbursements:								
Current:								
Instruction	500	500	499	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	500	500	499	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(500)	(500)	(499)	-	-	-	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(500)	(500)	(499)	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 1	\$ 2	\$ 7	\$ 500	\$ 350	\$ 1,750

SOUTH MONTGOMERY 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)

	Gifted/ Talented 2009-10	Gifted/ Talented 2010-2011	Gifted/ Talented 2011-2012	Non-English Speaking Programs P.L. 273-1999	State Connectivity w/ENA	Access Indiana	Child Care	Ford - ELLC
Cash and investments - beginning	\$ 3,045	\$ 32,898	\$ -	\$ 110	\$ 772	\$ -	\$ 2,347	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	31,607	-	5,754	-	-	2,500
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	31,607	-	5,754	-	-	2,500
Disbursements:								
Current:								
Instruction	3,045	31,958	19,917	-	-	-	-	-
Support services	-	-	-	-	8,996	-	-	2,500
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	3,045	31,958	19,917	-	8,996	-	-	2,500
Excess (deficiency) of receipts over disbursements	(3,045)	(31,958)	11,690	-	(3,242)	-	-	-
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	(3,045)	(31,958)	11,690	-	(3,242)	-	-	-
Cash and investments - ending	\$ -	\$ 940	\$ 11,690	\$ 110	\$ (2,470)	\$ -	\$ 2,347	\$ -

SOUTH MONTGOMERY 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)

	Ford - Ed Tech	Title I 10-11	Title I 11-12	Title I ICCH 97-98	Title I 2009-2010	Special ED IDEA 10-11	Special ED 11-12	Special ED Pre School
Cash and investments - beginning	\$ -	\$ 5,387	\$ -	\$ 16,855	\$ -	\$ (1)	\$ -	\$ 1,736
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	16,344	-	-	-	-	-	-	-
Federal sources	-	46,158	172,982	-	-	74,030	363,842	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>16,344</u>	<u>46,158</u>	<u>172,982</u>	<u>-</u>	<u>-</u>	<u>74,030</u>	<u>363,842</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	2,844	50,628	188,014	-	-	74,029	409,526	1,736
Support services	99	916	2,645	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>2,943</u>	<u>51,544</u>	<u>190,659</u>	<u>-</u>	<u>-</u>	<u>74,029</u>	<u>409,526</u>	<u>1,736</u>
Excess (deficiency) of receipts over disbursements	<u>13,401</u>	<u>(5,386)</u>	<u>(17,677)</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>(45,684)</u>	<u>(1,736)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>13,401</u>	<u>(5,386)</u>	<u>(17,677)</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>(45,684)</u>	<u>(1,736)</u>
Cash and investments - ending	<u>\$ 13,401</u>	<u>\$ 1</u>	<u>\$ (17,677)</u>	<u>\$ 16,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,684)</u>	<u>\$ -</u>

SOUTH MONTGOMERY 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)

	SP ED Preschool 10-11	SP ED Preschool 11-12	Drug Rally	Drug Free 09-10	Title II Part A 2010-11	Title II Part A 2009-10	Title II A 2008-09	Title II A 2007-08
Cash and investments - beginning	\$ -	\$ -	\$ 183	\$ 3,462	\$ (4,730)	\$ (3,256)	\$ 210	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	13,669	-	-	-	-	-	-
Federal sources	-	-	-	955	48,628	8,839	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	13,669	-	955	48,628	8,839	-	-
Disbursements:								
Current:								
Instruction	-	13,669	183	4,413	47,738	5,582	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	13,669	183	4,413	47,738	5,582	-	-
Excess (deficiency) of receipts over disbursements	-	-	(183)	(3,458)	890	3,257	-	-
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	-	-	(183)	(3,458)	890	3,257	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 4	\$ (3,840)	\$ 1	\$ 210	\$ -

SOUTH MONTGOMERY 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 - School Improvement	Special Education Part B - Stimulus	SP ED Presch PT B - Stimulus	Payroll Clearing Funds	VEBA Medical Trust	Revocable Medical Trust	Education Jobs	Totals
Cash and investments - beginning	\$ 1	\$ (46,430)	\$ 328	\$ 51,653	\$ 1,579,070	\$ 36,636	\$ -	\$ 5,995,608
Receipts:								
Local sources	-	-	-	-	-	-	-	9,290,876
Intermediate sources	-	-	-	-	-	-	-	294
State sources	-	-	-	-	-	-	-	11,146,147
Federal sources	-	111,855	-	-	-	-	363,926	1,539,010
Interfund loans	-	-	-	-	-	-	-	354,026
Other	-	-	-	3,088,218	36,519	146	-	3,243,334
Total receipts	-	111,855	-	3,088,218	36,519	146	363,926	25,573,687
Disbursements:								
Current:								
Instruction	-	65,427	-	-	-	-	363,926	8,652,695
Support services	-	-	-	-	-	-	-	6,171,377
Noninstructional services	-	-	-	-	-	-	-	970,057
Facilities acquisition and construction	-	-	-	-	-	-	-	765,755
Debt services	-	-	-	-	-	-	-	4,483,880
Nonprogrammed charges	-	-	-	3,114,007	161,474	-	-	3,275,481
Interfund loans	-	-	-	-	-	-	-	354,026
Total disbursements	-	65,427	-	3,114,007	161,474	-	363,926	24,673,271
Excess (deficiency) of receipts over disbursements	-	46,428	-	(25,789)	(124,955)	146	-	900,416
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	556,905
Transfers out	-	-	-	-	-	-	-	(556,905)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	46,428	-	(25,789)	(124,955)	146	-	900,416
Cash and investments - ending	\$ 1	\$ (2)	\$ 328	\$ 25,864	\$ 1,454,115	\$ 36,782	\$ -	\$ 6,896,023

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SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 JUNE 30, 2012

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>Ending Balance</u>
Governmental activities:	
Land	\$ -
Infrastructure	-
Buildings	57,349,957
Improvements other than buildings	-
Machinery, equipment and vehicles	-
Books and other	<u>683,724</u>
Total capital assets	<u>\$ 58,033,681</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS AND SEGREGATION OF DUTIES***

The internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The School Corporation does not have adequate internal controls and segregation of duties for all audit areas. The unit also does not have adequate mitigating controls to overcome this issue.

One individual can receive money, issue the receipt, compile the bank deposit, take the deposit to the bank, post the receipts, adjust the computer system posted receipts, and reconcile the bank accounts. One individual has the ability to approve claims as the disbursing officer, write the checks, sign the checks, post the checks, mail the checks, adjust the computer system posted disbursements and reconcile the bank accounts. One individual has the ability to approved payroll claims as the disbursing officer, compute the deductions and net pay, write the payroll checks, sign the payroll checks, distribute the payroll, prepare the earnings records and deduction reports, prepare W-2s, adjust the computer system posted payroll disbursements and reconcile the bank accounts.

The oversight by management and/or governance is insufficient, non-existent or undocumented.

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)

***CONDITION OF RECORDS - NEGATIVE RECEIPTS***

The following deficiency relating to the recordkeeping was present during the audit period:

Some transactions were recorded as "negative" receipts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)

***ACADEMIC HONORS DIPLOMA (ADM) - INCORRECT REPORTING TO THE STATE***

The information presented for audit indicates Academic Honors Diploma figures were incorrect for the school years ending June 30, 2011 and 2012. School year ending June 30, 2011, was under reported by one student, and school year ending June 30, 2012, was over reported by one student.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Debt Service Fund \$180,456.03

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**CONDITION OF RECORDS – FUNDS HELD IN TRUST (VEBA)**

The School Corporation does not have adequate internal controls in place for recording the financial activity of funds which are held in trust. During the audit, it was determined funds held in a trust account for the VEBA Medical Trust, monies to fund a postemployment benefit, were not accounted for in the School Corporation's records for fiscal years 2011 and 2012. The trust account was also not reported in the financial statements.

The VEBA Medical Trust balance at June 30, 2012, was material to the financial statements. The financial statements reflect the corrected receipts, disbursements and balances, based upon audit adjustments approved by School Corporation Officials.

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**PENALTIES, INTEREST, AND OTHER CHARGES**

Information presented for audit indicated that late payment charges totaling \$7.31 were paid to Indiana American Water on May10, 2011.

Information presented for audit indicated that late payment charges totaling \$20.92 were paid to the Montgomery County Treasurer on May10, 2011.

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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 MONTGOMERY COMMUNITY  
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

Compliance

We have audited the South Montgomery 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.

In our opinion, 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 major federal programs for the period of July 1, 2010 to June 30, 2012. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-5.

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 items 2012-2, 2012-3, and 2012-4 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 13, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SOUTH MONTGOMERY 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553			
		FY2010-2011	\$ 86,494	\$ -
		FY2011-2012	-	73,689
Total for program			86,494	73,689
National School Lunch Program	10.555			
		FY2010-2011	349,059	-
		FY2011-2012	-	300,455
Total for program			349,059	300,455
Total for cluster			435,553	374,144
Total for federal grantor agency			435,553	374,144
<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			
		SY09-10	39,225	-
		ST10-11	208,188	46,158
		SY11-12	-	172,982
Total for program			247,413	219,140
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389			
		SY09-10	66,954	-
Total for cluster			314,367	219,140
Special Education Cluster (IDEA) Special Education - Grants to States	84.027			
		14211-62-PN01	382,520	74,030
		14212-082-PN01	-	363,842
Total for program			382,520	437,872
Special Education - Preschool Grants	84.173			
		45710-62-PN01	12,160	1,736
		45711-62-PN01	16,618	-
		45712-082-PN01	-	13,669
Total for program			28,778	15,405
Pass-Through Crawfordsville Community School Corporation ARRA - Special Education - Grants to States, Recovery Act	84.391			
		PN33310-SN01	166,225	111,855
ARRA- Special Education - Preschool Grants, Recovery Act	84.392			
		4410-SN01	15,405	-
Total for cluster			592,928	565,132
Pass-Through Indiana Department of Education Safe and Drug Free Schools and Communities - State Grants	84.186			
		FY09	305	-
		FY10	-	4,413
		FY11	218	183
Total for program			523	4,596
Improving Teacher Quality State Grants	84.367			
		FY08	336	-
		FY09	10,745	-
		FY10	42,868	8,839
		FY11	-	48,628
Total for program			53,949	57,467
Education Jobs Fund	84.410			
		FY2010/2012	-	363,926
Total for federal grantor agency			961,767	1,210,261
Total federal awards expended			\$ 1,397,320	\$ 1,584,405

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

**Note 1. 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 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. 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
National School Lunch Program	10.555	\$ 39,904	\$ 38,267
School Breakfast Program	10.553	9,888	9,385

SOUTH MONTGOMERY 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?	yes
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
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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.410	Child Nutrition Cluster Special Education Cluster (IDEA) 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**

**FINDING 2012-1 - 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:

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.

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

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 Corporation 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 the 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. Numerous adjustments were required to be made to the SEFA due to the preparation of the SEFA being inadequate.
4. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board 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 properly 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)

We recommended that the School Corporation implement and maintain an effective system of internal control.

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

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

**FINDING 2012-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EDUCATION JOBS FUND**

Federal Agency: U.S. Department of Education

Federal Program: Education Jobs Fund

CFDA Number: 84.410

Federal Award Number and Year (or Other Identifying Number): FY2010/2012

Pass-Through Entity: Indiana Department of Education

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; activities allowed, allowable costs, cash management, level of effort, period of availability and reporting. 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 (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.

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 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS  
THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD NUTRITION CLUSTER***

Federal Agency: US Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2010/2011, FY 2011/2012

Pass-Through Entity: Indiana Department of Education

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 some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; activities allowed, allowable costs, cash management, eligibility, procurement, program income, 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 (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. Non-compliance 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 2012-4 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO SPECIAL EDUCATION CLUSTER***

Federal Agency: U.S. Department of Education  
Federal Program: Special Education - Grants to States, Special Education - Preschool Grants, ARRA Special Education - Grants to States, Special Education - Preschool Grants  
CFDA Number: 84.027, 84.173, 84.391, 84.392  
Federal Award Number and Year (or Other Identifying Number): 14211-62-PN01, 14212-082-PN01, 45710-62-PN01, 45711-62-PN01, 45712-082-PN01, PN33310-SN01, 44410-SN01.  
Pass-Through Entity: Indiana Department of Education

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 some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; activities allowed, allowable costs, cash management, level of effort, period of availability, procurement, reporting and special tests and provisions. The failure to establish an effective internal control system places the School 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 (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. Non-compliance 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 2012-5 - SPECIAL EDUCATION CLUSTER CASH MANAGEMENT**

Federal Agency: Department of Education

Federal Program: Special Education, Part B (IDEA) and Special Education - Grants to States, Recovery Act  
CFDA Number: 84.027, 84.391

Federal Award Number and Year (or Other Identifying Number): 14211-62-PN01, PN33310-SN01

Pass-Through Entity: Indiana Department of Education

For Special Education, Part B (IDEA) (CFDA 84.027) a reimbursement form was filed with the Indiana Department of Education for the period May 1 to June 30, 2011. The amount included on the form for expenditures equaled the amount posted to the Special Education Fund 5200 for that period. It was dated May 26, 2011. The last posting to the fund was dated June 17, 2011. This reimbursement was filed 21 days prior to the final expenditure for the period covered by the reimbursement form.

For Special Education- Grants to States, Recovery Act (CFDA 84.391) a reimbursement form was filed for November 1 through November 30, 2010, in the amount of \$15,254.60, \$3,030.14 more than the expenditures for the month which totaled \$12,224.46. A reimbursement was requested for the period May 1, 2011 to June 30, 2011, for \$46,427.77. Expenditures for that period were \$45,676.83, \$750.94 less than the amount claimed for reimbursement. One claim for reimbursement was erroneously filed with the Indiana Department of Education instead of the LEA, Crawfordsville Community School Corporation. This funding was recovered thirteen months later.

34 CFR 80.21 states in part:

"(d) Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

Failure to comply with federal program requirements and the requirements of the State pass-through agency could cause the School Corporation to forfeit federal funds already received and jeopardize approval of future funding under federal assistance programs.

We recommend that reimbursements claims be submitted for amounts expended for the program prior to filing of the claim. We also recommend that reimbursement claims be filed timely.

South Montgomery Community School Corporation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.

Fiscal Year 2009 & 2010

Auditee Contact Person: Dr. Robert L. Foreman  
Title of Contact Person: Interim Superintendent  
Phone Number: 765-866-0203

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

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to Internal Controls over Compliance Requirements that have a Direct & Material Effect to the Special Education Cluster 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.

Status of Finding 2010-3 Cash Management

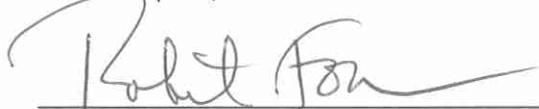
This finding has been corrected.

Status of Finding 2010-4 Reporting

This finding has been corrected.

  
\_\_\_\_\_  
Karen Simpson, Treasurer

  
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Brad Monts, Board President

  
\_\_\_\_\_  
Robert Foreman, Interim Superintendent

South Montgomery Community School Corporation

CORRECTIVE ACTION PLAN

February 13, 2013

Contact Person: Mr. Eric W. Brewer  
Title: Assistant Superintendent

Finding 2012-1 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.

Finding 2012-2 Internal Controls over Compliance Requirements that have a Direct and Material Effect to Education Jobs Fund.

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to internal controls over compliance requirements that have a direct and material effect to education jobs fund 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.

Finding 2012-3 Internal Controls over Compliance Requirements that have a Direct and Material Effect to Child Nutrition Cluster.

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to internal controls over compliance requirements that have a direct and material effect to child nutrition cluster 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.

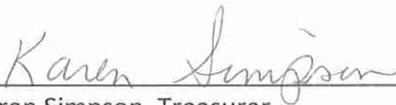
Finding 2012-4 Internal Controls over Compliance Requirement that have a Direct and Material Effect to Special Education Cluster.

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to internal controls over compliance requirement that have a direct and material effect to special education cluster.

- 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.

Finding 2012-5 Special Education Cluster Cash Management

The treasurer and special education grant administrator will work together to make sure that all financial reports and reimbursements of funds are done properly and in a timely manner.

  
\_\_\_\_\_  
Karen Simpson, Treasurer

  
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Brad Monts, Board President

  
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Eric W. Brewer, Assistant Superintendent

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2013, with Karen Simpson, Treasurer; Dr. Robert L. Foreman, Interim Superintendent of Schools; Brad Monts, President of the School Board; Eric W. Brewer, Assistant Superintendent of Schools; and Rhonda L. Wright, Deputy Treasurer. The officials concurred with our audit findings.