

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MACONAQUAH SCHOOL CORPORATION
MIAMI COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/25/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	11
Notes to Financial Statement	12-17
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	20-27
Schedule of Leases and Debt	28
Schedule of Capital Assets	29
Audit Result and Comment: Overdrawn Cash Balance	30
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	32-33
Schedule of Expenditures of Federal Awards	37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-40
Auditee Prepared Schedule: Corrective Action Plan	41
Exit Conference	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina Bonifant	07-01-11 to 06-30-14
Superintendent of Schools	Dr. Douglas Arnold	07-01-11 to 06-30-14
President of the School Board	Brian Troyer Bob Harkema	07-01-11 to 06-30-14 01-01-14 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Maconaquah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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



Paul D. Joyce, CPA
State Examiner

February 27, 2014



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

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Maconaquah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 27, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 27, 2014

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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.

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MACONAQUAH SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 3,254,197	\$ 16,130,101	\$ 15,641,686	\$ 719	\$ 3,743,331	\$ 15,220,303	\$ 15,398,145	\$ -	\$ 3,565,489
Debt Service	660,221	1,085,304	1,007,026	-	738,499	1,333,672	1,234,825	(13,066)	824,280
Capital Projects	892,662	1,377,292	1,593,770	-	676,184	1,485,015	1,622,861	-	538,338
School Transportation	317,561	620,147	799,573	-	138,135	776,269	867,548	-	46,856
School Bus Replacement	245,117	339,174	358,320	-	225,971	418,894	126,077	-	518,788
Rainy Day	553,049	-	-	-	553,049	-	-	-	553,049
Construction	-	394	186,088	400,000	214,306	162	155,629	-	58,839
School Lunch	276,576	1,136,795	1,189,368	-	224,003	1,132,282	1,240,890	-	115,395
Textbook Rental	(58,926)	197,452	193,546	-	(55,020)	211,309	282,034	13,066	(112,679)
Self-Insurance	1,118,179	3,009,698	2,885,256	-	1,242,621	2,860,286	2,468,840	-	1,634,067
Levy Excess	23,484	-	-	-	23,484	-	-	-	23,484
Educational License Plates	346	169	-	-	515	150	514	-	151
Alternative Education	19,436	7,925	19,436	-	7,925	10,721	12,060	-	6,586
Knights of Columbus Donation	1,883	680	311	-	2,252	835	-	-	3,087
Scholarships Miscellaneous	-	-	-	-	-	3,500	1,500	-	2,000
Ruth Bare Scholarship	-	-	-	-	-	548	-	-	548
Audra Hays Scholarship	-	-	-	-	-	4,121	-	-	4,121
Allred Memorial Scholarship	-	-	-	-	-	250	-	-	250
Mills Diversity Scholarship	-	-	-	-	-	6,000	-	-	6,000
High Ability	4,637	33,214	30,182	-	7,669	34,840	35,604	-	6,905
Non-English Speaking Programs	-	-	-	-	-	2,922	2,922	-	-
School Technology Fund	1,028	3,781	4,809	-	-	4,143	4,143	-	-
Elearning Grant Senator David Ford	-	-	2,900	-	(2,900)	36,978	38,003	-	(3,925)
Library Endowment Fund	78,448	-	3,254	-	75,194	-	511	-	74,683
Title I, 10/11	8,683	74,961	83,644	-	-	-	-	-	-
Title I, 11/12	-	296,201	329,666	-	(33,465)	118,407	84,942	-	-
Title I, 12/13	-	-	-	-	-	326,511	367,072	-	(40,561)
(IDEA, Part B) 11/12 LEA Capacity Building (Sliver) Grants	-	60,562	60,562	-	-	-	-	-	-
(IDEA, Part B) 12/13 LEA Capacity Building (Sliver) Grants	-	-	-	-	-	-	50,995	-	(50,995)
Drug Free Title IV	(406)	3,239	2,833	-	-	-	-	-	-
Title II, Part A Improving	229	68,176	85,151	-	(16,746)	79,185	66,602	-	(4,163)
Elearning Grant T2D	-	99,863	99,863	-	-	50,137	50,137	-	-
Special Education Part B	711	16,311	17,022	-	-	-	-	-	-
Special Education Part B Preschool	595	-	595	-	-	-	-	-	-
Education Jobs	-	527,259	527,259	-	-	10,766	10,766	-	-
Clearing	82,475	3,540,201	3,543,995	-	78,681	3,540,277	3,541,234	-	77,724
Totals	\$ 7,480,185	\$ 28,628,899	\$ 28,666,115	\$ 400,719	\$ 7,843,688	\$ 27,668,483	\$ 27,663,854	\$ -	\$ 7,848,317

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

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up as reimbursable grants. Reimbursements for expenditures made by the School Corporation were not always received by June 30.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with Maconaquah School Building Corporation. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011-2012 and 2012-2013 totaled \$760,000 and \$781,509, respectively.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The School Corporation provides to eligible retirees and their spouses the following benefits: health/dental insurance plan at the following rates: Maconaquah School Corporation contributing 70 percent; the retiree contributing 30 percent. 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 are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

MACONAQUAH 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental	Self-Insurance
Cash and investments - beginning	\$ 3,254,197	\$ 660,221	\$ 892,662	\$ 317,561	\$ 245,117	\$ 553,049	\$ -	\$ 276,576	\$ (58,926)	\$ 1,118,179
Receipts:										
Local sources	79,271	1,085,304	1,376,692	611,981	339,174	-	394	506,978	102,992	149,680
Intermediate sources	445	-	-	-	-	-	-	-	-	-
State sources	15,873,032	-	-	-	-	-	-	6,462	90,987	-
Federal sources	15,099	-	-	-	-	-	-	620,282	-	-
Other	162,254	-	600	8,166	-	-	-	3,073	3,473	2,860,018
Total receipts	16,130,101	1,085,304	1,377,292	620,147	339,174	-	394	1,136,795	197,452	3,009,698
Disbursements:										
Current:										
Instruction	9,105,993	-	-	-	-	-	-	-	-	-
Support services	5,945,892	-	653,830	799,573	358,320	-	-	9,698	141,384	2,764,376
Noninstructional services	223,395	-	-	-	-	-	-	1,059,030	-	-
Facilities acquisition and construction	366,406	-	887,778	-	-	-	186,088	120,640	-	-
Debt services	-	1,007,026	52,162	-	-	-	-	-	52,162	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	120,880
Total disbursements	15,641,686	1,007,026	1,593,770	799,573	358,320	-	186,088	1,189,368	193,546	2,885,256
Excess (deficiency) of receipts over disbursements	488,415	78,278	(216,478)	(179,426)	(19,146)	-	(185,694)	(52,573)	3,906	124,442
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	400,000	-	-	-
Sale of capital assets	719	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	719	-	-	-	-	-	400,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	489,134	78,278	(216,478)	(179,426)	(19,146)	-	214,306	(52,573)	3,906	124,442
Cash and investments - ending	\$ 3,743,331	\$ 738,499	\$ 676,184	\$ 138,135	\$ 225,971	\$ 553,049	\$ 214,306	\$ 224,003	\$ (55,020)	\$ 1,242,621

MACONAQUAH 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)

	Levy Excess	Educational License Plates	Alternative Education	Knights of Columbus Donation	Scholarships Miscellaneous	Ruth Bare Scholarship	Audra Hays Scholarship	Allred Memorial Scholarship	Mills Diversity Scholarship
Cash and investments - beginning	\$ 23,484	\$ 346	\$ 19,436	\$ 1,883	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	680	-	-	-	-	-
Intermediate sources	-	169	-	-	-	-	-	-	-
State sources	-	-	7,925	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>169</u>	<u>7,925</u>	<u>680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	19,436	311	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>19,436</u>	<u>311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>169</u>	<u>(11,511)</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>169</u>	<u>(11,511)</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 23,484</u>	<u>\$ 515</u>	<u>\$ 7,925</u>	<u>\$ 2,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MACONAQUAH 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)

	High Ability	Non-English Speaking Programs	School Technology Fund	Elearning Grant Senator David Ford	Library Endowment Fund	Title I 10/11	Title I 11/12	Title I 12/13	(IDEA, Part B) 11/12 LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ 4,637	\$ -	\$ 1,028	\$ -	\$ 78,448	\$ 8,683	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	33,214	-	3,781	-	-	-	-	-	-
Federal sources	-	-	-	-	-	74,961	296,201	-	60,562
Other	-	-	-	-	-	-	-	-	-
Total receipts	33,214	-	3,781	-	-	74,961	296,201	-	60,562
Disbursements:									
Current:									
Instruction	30,182	-	-	-	3,254	53,335	258,403	-	60,562
Support services	-	-	4,809	2,900	-	28,867	69,516	-	-
Noninstructional services	-	-	-	-	-	1,442	1,747	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	30,182	-	4,809	2,900	3,254	83,644	329,666	-	60,562
Excess (deficiency) of receipts over disbursements	3,032	-	(1,028)	(2,900)	(3,254)	(8,683)	(33,465)	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,032	-	(1,028)	(2,900)	(3,254)	(8,683)	(33,465)	-	-
Cash and investments - ending	\$ 7,669	\$ -	\$ -	\$ (2,900)	\$ 75,194	\$ -	\$ (33,465)	\$ -	\$ -

MACONAQUAH 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)

	(IDEA, Part B) 12/13 LEA Capacity Building (Sliver) Grants	Drug Free Title IV	Title II Part A Improving	Elearning Grant T2D	Special Education Part B	Special Education Part B Preschool	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ -	\$ (406)	\$ 229	\$ -	\$ 711	\$ 595	\$ -	\$ 82,475	\$ 7,480,185
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,253,146
Intermediate sources	-	-	-	-	-	-	-	-	614
State sources	-	-	-	-	-	-	-	-	16,015,401
Federal sources	-	3,239	68,176	99,863	16,311	-	527,259	-	1,781,953
Other	-	-	-	-	-	-	-	3,540,201	6,577,785
Total receipts	-	3,239	68,176	99,863	16,311	-	527,259	3,540,201	28,628,899
Disbursements:									
Current:									
Instruction	-	2,833	84,862	-	17,022	595	527,259	-	10,164,047
Support services	-	-	289	99,863	-	-	-	-	10,879,317
Noninstructional services	-	-	-	-	-	-	-	-	1,285,614
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,560,912
Debt services	-	-	-	-	-	-	-	-	1,111,350
Nonprogrammed charges	-	-	-	-	-	-	-	3,543,995	3,664,875
Total disbursements	-	2,833	85,151	99,863	17,022	595	527,259	3,543,995	28,666,115
Excess (deficiency) of receipts over disbursements	-	406	(16,975)	-	(711)	(595)	-	(3,794)	(37,216)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	400,000
Sale of capital assets	-	-	-	-	-	-	-	-	719
Total other financing sources (uses)	-	-	-	-	-	-	-	-	400,719
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	406	(16,975)	-	(711)	(595)	-	(3,794)	363,503
Cash and investments - ending	\$ -	\$ -	\$ (16,746)	\$ -	\$ -	\$ -	\$ -	\$ 78,681	\$ 7,843,688

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental	Self-Insurance
Cash and investments - beginning	\$ 3,743,331	\$ 738,499	\$ 676,184	\$ 138,135	\$ 225,971	\$ 553,049	\$ 214,306	\$ 224,003	\$ (55,020)	\$ 1,242,621
Receipts:										
Local sources	115,394	1,333,672	1,485,015	767,781	417,543	-	162	502,452	116,490	124,583
Intermediate sources	445	-	-	-	-	-	-	-	-	-
State sources	15,039,747	-	-	-	-	-	-	6,165	90,021	-
Federal sources	49,215	-	-	-	-	-	-	620,861	-	-
Other	15,502	-	-	8,488	1,351	-	-	2,804	4,798	2,735,703
Total receipts	15,220,303	1,333,672	1,485,015	776,269	418,894	-	162	1,132,282	211,309	2,860,286
Disbursements:										
Current:										
Instruction	9,021,762	-	-	-	-	-	-	-	-	-
Support services	5,784,032	-	892,816	867,548	126,077	-	-	3,666	137,505	14,322
Noninstructional services	231,410	-	-	-	-	-	-	1,120,718	-	-
Facilities acquisition and construction	360,941	-	585,516	-	-	-	155,629	116,506	-	-
Debt services	-	1,234,825	144,529	-	-	-	-	-	144,529	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	2,454,518
Total disbursements	15,398,145	1,234,825	1,622,861	867,548	126,077	-	155,629	1,240,890	282,034	2,468,840
Excess (deficiency) of receipts over disbursements	(177,842)	98,847	(137,846)	(91,279)	292,817	-	(155,467)	(108,608)	(70,725)	391,446
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	13,066	-
Transfers out	-	(13,066)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(13,066)	-	-	-	-	-	-	13,066	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(177,842)	85,781	(137,846)	(91,279)	292,817	-	(155,467)	(108,608)	(57,659)	391,446
Cash and investments - ending	\$ 3,565,489	\$ 824,280	\$ 538,338	\$ 46,856	\$ 518,788	\$ 553,049	\$ 58,839	\$ 115,395	\$ (112,679)	\$ 1,634,067

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Levy Excess	Educational License Plates	Alternative Education	Knights of Columbus Donation	Scholarships Miscellaneous	Ruth Bare Scholarship	Audra Hays Scholarship	Allred Memorial Scholarship	Mills Diversity Scholarship
Cash and investments - beginning	\$ 23,484	\$ 515	\$ 7,925	\$ 2,252	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	835	3,500	548	4,121	250	6,000
Intermediate sources	-	150	-	-	-	-	-	-	-
State sources	-	-	10,721	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>150</u>	<u>10,721</u>	<u>835</u>	<u>3,500</u>	<u>548</u>	<u>4,121</u>	<u>250</u>	<u>6,000</u>
Disbursements:									
Current:									
Instruction	-	-	12,060	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	514	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,500	-	-	-	-
Total disbursements	<u>-</u>	<u>514</u>	<u>12,060</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(364)</u>	<u>(1,339)</u>	<u>835</u>	<u>2,000</u>	<u>548</u>	<u>4,121</u>	<u>250</u>	<u>6,000</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>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(364)</u>	<u>(1,339)</u>	<u>835</u>	<u>2,000</u>	<u>548</u>	<u>4,121</u>	<u>250</u>	<u>6,000</u>
Cash and investments - ending	<u>\$ 23,484</u>	<u>\$ 151</u>	<u>\$ 6,586</u>	<u>\$ 3,087</u>	<u>\$ 2,000</u>	<u>\$ 548</u>	<u>\$ 4,121</u>	<u>\$ 250</u>	<u>\$ 6,000</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	High Ability	Non-English Speaking Programs	School Technology Fund	Elearning Grant Senator David Ford	Library Endowment Fund	Title I 10/11	Title I 11/12	Title I 12/13	(IDEA, Part B) 11/12 LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ 7,669	\$ -	\$ -	\$ (2,900)	\$ 75,194	\$ -	\$ (33,465)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	34,840	2,922	4,143	36,978	-	-	-	-	-
Federal sources	-	-	-	-	-	-	118,407	326,511	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>34,840</u>	<u>2,922</u>	<u>4,143</u>	<u>36,978</u>	<u>-</u>	<u>-</u>	<u>118,407</u>	<u>326,511</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	35,604	2,922	-	1,750	511	-	63,858	311,817	-
Support services	-	-	4,143	36,253	-	-	20,797	51,498	-
Noninstructional services	-	-	-	-	-	-	287	3,757	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>35,604</u>	<u>2,922</u>	<u>4,143</u>	<u>38,003</u>	<u>511</u>	<u>-</u>	<u>84,942</u>	<u>367,072</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(764)</u>	<u>-</u>	<u>-</u>	<u>(1,025)</u>	<u>(511)</u>	<u>-</u>	<u>33,465</u>	<u>(40,561)</u>	<u>-</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>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(764)</u>	<u>-</u>	<u>-</u>	<u>(1,025)</u>	<u>(511)</u>	<u>-</u>	<u>33,465</u>	<u>(40,561)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 6,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,925)</u>	<u>\$ 74,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,561)</u>	<u>\$ -</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	(IDEA, Part B) 12/13 LEA Capacity Building (Sliver) Grants	Drug Free Title IV	Title II Part A Improving	Elearning Grant T2D	Special Education Part B	Special Education Part B Preschool	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (16,746)	\$ -	\$ -	\$ -	\$ -	\$ 78,681	\$ 7,843,688
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,878,346
Intermediate sources	-	-	-	-	-	-	-	-	595
State sources	-	-	-	-	-	-	-	-	15,225,537
Federal sources	-	-	79,185	50,137	-	-	10,766	-	1,255,082
Other	-	-	-	-	-	-	-	3,540,277	6,308,923
Total receipts	-	-	79,185	50,137	-	-	10,766	3,540,277	27,668,483
Disbursements:									
Current:									
Instruction	50,995	-	43,838	-	-	-	10,766	-	9,555,883
Support services	-	-	22,764	50,137	-	-	-	-	8,011,558
Noninstructional services	-	-	-	-	-	-	-	-	1,356,686
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,218,592
Debt services	-	-	-	-	-	-	-	-	1,523,883
Nonprogrammed charges	-	-	-	-	-	-	-	3,541,234	5,997,252
Total disbursements	50,995	-	66,602	50,137	-	-	10,766	3,541,234	27,663,854
Excess (deficiency) of receipts over disbursements	(50,995)	-	12,583	-	-	-	-	(957)	4,629
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	13,066
Transfers out	-	-	-	-	-	-	-	-	(13,066)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(50,995)	-	12,583	-	-	-	-	(957)	4,629
Cash and investments - ending	\$ (50,995)	\$ -	\$ (4,163)	\$ -	\$ -	\$ -	\$ -	\$ 77,724	\$ 7,848,317

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Governmental activities:				Annual	Lease	Lease	Ending	Principal and
Lessor	Type	Description	Purpose	Lease	Beginning	Ending	Principal	Interest Due
				Payment	Date	Date	Balance	Within One
								Year
Maconaquah School Building Corporation	Lease	2010 Renovation Project - HS & MS	Update electrical needs	\$ 723,000	07-01-10	07-01-18	\$ 3,515,000	\$ 711,000
	Bonds	2007 Pipe Creek Renovation Project	Building addition	244,805	07-15-07	01-15-18	1,100,000	142,000
Maconaquah School Building Corp	Lease	2012 Mechanical Project	Heating/cooling units	371,261	01-15-13	01-15-26	3,985,000	223,246
	Loan	2011 Elementary Wireless Project	Wireless capability	78,000	07-15-12	01-15-16	200,000	54,000
	Loan	Energy Savings Contract	Energy conservation materials	331,955	01-01-05	01-01-14	316,148	331,956
	Loan	Computer Loan #1	Middle School student computers	104,325	07-01-11	01-01-14	102,123	104,325
	Loan	Computer Loan #2	PC, ME, & HS student computers	184,733	07-01-12	01-15-16	526,062	184,733
Total Governmental activities debt:				<u>\$ 2,038,079</u>			<u>\$ 9,744,333</u>	<u>\$ 1,751,260</u>

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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	\$ 194,300
Buildings	24,550,118
Improvements other than buildings	948,575
Machinery, equipment, and vehicles	<u>5,079,675</u>
Total capital assets	<u>\$ 30,772,668</u>

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The financial statement presented in this report included the following fund with an overdrawn cash balance at June 30, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Textbook Rental	<u>\$ 112,679</u>

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Maconaquah 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, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

February 27, 2014

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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.

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MACONAQUAH SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster	Indiana Department of Education				
School Breakfast Program		10.553		\$ 139,685	\$ 128,414
National School Lunch Program		10.555		536,859	554,170
Total - U.S. Department of Agriculture				<u>676,544</u>	<u>682,584</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Title I, Part A Cluster	Indiana Department of Education				
Title I Grants to Local Educational Agencies		84.010	FY 2010-2011	74,963	-
			FY 2011-2012	296,203	118,407
			FY 2012-2013	-	326,511
Total - Title I, Part A Cluster				<u>371,166</u>	<u>444,918</u>
Special Education Cluster (IDEA)	Indiana Department of Education				
Special Education Grants to States		84.027	FY 2011-2012	60,562	-
ARRA - Special Education Grants to States, Recovery Act	Kokomo Center Township Consolidated School Corp	84.391	FY 2011-2012	17,023	-
ARRA - Special Education Preschool Grants, Recovery Act	Kokomo Center Township Consolidated School Corp	84.392	FY 2011-2012	595	-
Total - Special Education Cluster (IDEA)				<u>78,180</u>	<u>-</u>
Impact Aid Cluster	Direct Grant				
Impact Aid		84.041	FY 2011-2012	15,099	-
			FY 2012-2013	-	49,215
Total - Impact Aid Cluster				<u>15,099</u>	<u>49,215</u>
Educational Technology State Grants Cluster	Indiana Department of Education				
Education Technology State Grants		84.318	2011-2012	99,863	-
			2012-2013	-	50,137
Total - Educational Technology State Grants Cluster				<u>99,863</u>	<u>50,137</u>
Safe and Drug-Free Schools and Communities - State Grants	Indiana Department of Education	84.186	FY2009-5615	3,239	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FY2009-5615	3,192	-
			FY2010-2011	52,212	29,681
			FY2011-2012	12,772	49,504
Total - Improving Teacher Quality State Grants				<u>68,176</u>	<u>79,185</u>
Education Jobs Fund	Indiana Department of Education	84.410	FY 2011-2012	527,260	-
			FY 2012-2013	-	10,766
Total - Education Jobs Fund				<u>527,260</u>	<u>10,766</u>
Total - U.S. Department of Education				<u>1,162,983</u>	<u>634,221</u>
Total federal awards expended				<u>\$ 1,839,527</u>	<u>\$ 1,316,805</u>

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

MACONAQUAH 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 Maconaquah 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, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 11,616	\$ 11,612
National School Lunch Program	10.555	44,646	50,111

MACONAQUAH 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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.410	Child Nutrition Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-001 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE SCHOOL BREAKFAST PROGRAM AND NATIONAL SCHOOL LUNCH PROGRAM

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year: FY2012 and FY 2013

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, related to the grant agreement and certain compliance requirements that have a direct and material effect to the programs. This includes the following compliance requirements: Eligibility and Reporting. With regard to the Eligibility compliance requirement, the School Corporation had established internal control procedures, but did not monitor those procedures to ensure that they were followed. As a result, instances of failure to follow established procedures were not detected and corrected. With regard to the Reporting compliance requirement, the School Corporation did not establish duties that segregated report review from report preparation. The failure to establish an effective internal control system places the School Corporation at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish adequate 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 establish and monitor controls, including segregation of duties, related to the Eligibility and Reporting compliance requirements of the programs.

MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold
Superintendent
Ext. 1000

Dr. James M. Callane
Assistant Superintendent
Ext. 1050

February 27, 2014

Corrective Action Plan

Federal award finding 2013-001- Internal controls over compliance requirements for school lunch/breakfast program

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2011 through June 30, 2013, and we offer the following corrective actions:

Lack of segregation of duties- The treasurer has discussed with the building level bookkeepers and principals regarding the proper oversight of the school lunch and school breakfast programs. The bookkeeper performs the original calculations of the free/reduced applications and then the principal checks the calculations and signs the applications. The bookkeeper will now sign the application, in addition to the principal, to verify the proper oversight of the calculation and application information.

Sincerely,



Tina M. Bonifant

Corporation Treasurer

IN PURSUIT OF EXCELLENCE

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

MACONAQUAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2014, with Dr. Douglas Arnold, Superintendent of Schools; Tina Bonifant, Treasurer; Dr. James Callane, Assistant Superintendent of Schools; Corie Armes, Deputy Treasurer; and Bob Harkema, President of the School Board.