

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

ARGOS COMMUNITY SCHOOLS  
MARSHALL COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
03/28/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jennifer Lee	07-01-11 to 06-30-14
Superintendent of Schools	Dr. Jennifer Lucht Julie Lauck	07-01-11 to 06-30-13 07-01-13 to 06-30-16
President of the School Board	Damon E. Harrell Kirk Nellans	07-01-11 to 06-30-12 07-01-12 to 06-30-14



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE ARGOS COMMUNITY SCHOOLS, MARSHALL COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Argos Community Schools (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 March 11, 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

March 11, 2014



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AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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 ARGOS COMMUNITY SCHOOLS, MARSHALL 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 Argos Community Schools (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 March 11, 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

March 11, 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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ARGOS COMMUNITY SCHOOLS  
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			Other Financing Sources (Uses)	Cash and Investments 06-30-12			Other Financing Sources (Uses)	Cash and Investments 06-30-13		
	Receipts	Disbursements		Receipts	Disbursements		Receipts	Disbursements		Receipts	Disbursements
General	\$ 57,612	\$ 4,156,842	\$ 4,093,066	\$ -	\$ 121,388	\$ 4,257,454	\$ 4,296,832	\$ -	\$ 82,010		
Debt Service	120,346	668,022	701,000	-	87,368	711,292	742,500	-	56,160		
Retirement/Severance Bond Debt Service	18,519	56,967	53,782	-	21,704	51,342	52,151	-	20,895		
Capital Projects	320,400	469,132	455,477	(40,000)	294,055	501,094	599,965	-	195,184		
School Transportation	218,632	316,274	330,477	(30,000)	174,429	306,597	333,941	-	147,085		
School Bus Replacement	29,574	46,869	23,116	-	53,327	86,349	51,068	-	88,608		
Rainy Day	97,200	-	40,000	70,000	127,200	-	-	-	127,200		
Construction	8	36,984	36,984	-	8	20,124	20,125	-	7		
School Lunch	99,553	271,931	264,060	-	107,424	253,160	272,457	37	88,164		
Textbook Rental	(36,195)	63,087	65,780	-	(38,888)	58,875	25,235	-	(5,248)		
SAFE School Haven	(4,370)	5,804	3,289	-	(1,855)	4,176	2,959	-	(638)		
Miscellaneous Programs	248	1,380	861	-	767	1,131	1,819	-	79		
Gifted and Talented 2007/2008	6,706	-	-	-	6,706	-	-	-	6,706		
Gifted and Talented 2010/2011	4,656	-	4,655	-	1	-	-	-	1		
Gifted and Talented 2011/2012	-	26,581	20,573	-	6,008	-	6,008	-	-		
Gifted and Talented 2012/2013	-	-	-	-	-	26,863	22,787	-	4,076		
Drug Free Communities	-	-	-	-	-	2,325	995	-	1,330		
Non-English Speaking Grant	-	-	-	-	-	1,241	1,240	-	1		
School Technology	4,964	4,932	6,230	-	3,666	6,269	7,635	-	2,300		
Graduation Rate Incentive	20,000	-	20,000	-	-	-	-	-	-		
Excess PTRC Distributions	-	10,957	-	-	10,957	4,741	-	-	15,698		
Title I 2010/2011	2,244	3,436	5,680	-	-	-	-	-	-		
Title I 2011/2012	-	81,176	88,867	-	(7,691)	15,389	7,698	-	-		
Title I 2012/2013	-	-	-	-	-	148,034	159,763	-	(11,729)		
PL 107-110 Title V Part A	2,598	-	-	-	2,598	-	-	-	2,598		
IDEA Assistive Technology Grant	-	40,279	40,279	-	-	-	-	-	-		
IDEA Special Education 611 Grant	-	-	-	-	-	122,345	140,387	-	(18,042)		
IDEA Special Education 619 Grant	-	-	-	-	-	-	2,001	-	(2,001)		
IDEA Special Education Improvement Grant	-	-	-	-	-	27,024	27,024	-	-		
Career Incentive	-	2,884	2,884	-	-	2,884	2,884	-	-		
Drug Free Schools	1,931	-	619	-	1,312	-	1,011	-	301		
Title IV A 08/09-09/10	-	-	(425)	-	425	-	388	(37)	-		
Marshall County Drug Free	1,477	2,400	2,521	-	1,356	-	1,356	-	-		
Improving Teacher Quality 2011/2012	-	20,249	30,075	-	(9,826)	11,436	1,610	-	-		
Improving Teacher Quality 2012/2013	-	-	-	-	-	32,305	44,422	-	(12,117)		
Technology Literacy Challenge Title III	1,648	-	-	-	1,648	-	-	-	1,648		
Education Jobs	-	-	-	-	-	4,706	4,706	-	-		
Payroll Withholding and Clearing Fund	-	1,007,159	985,829	-	21,330	1,265,401	1,250,342	-	36,389		
<b>Totals</b>	<b>\$ 967,751</b>	<b>\$ 7,293,345</b>	<b>\$ 7,275,679</b>	<b>\$ -</b>	<b>\$ 985,417</b>	<b>\$ 7,922,557</b>	<b>\$ 8,081,309</b>	<b>\$ -</b>	<b>\$ 826,665</b>		

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

ARGOS COMMUNITY SCHOOLS  
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.

ARGOS COMMUNITY SCHOOLS  
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:

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.

ARGOS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

ARGOS COMMUNITY SCHOOLS  
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.

ARGOS COMMUNITY SCHOOLS  
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 includes a deficit at June 30, 2012 and at June 30, 2013, in the Textbook Rental Fund of \$38,888 and \$5,248, respectively. Other deficit balances are in various reimbursable grant funds for which the reimbursement of expenditures was not received by June 30, 2012 or June 30, 2013.

**Note 8. Holding Corporation**

The School Corporation has entered into three capital leases with the Argos Community Schools Building Corporation (Roof/HVAC-2006 lease; Building Additions-2008 lease; and HVAC/Technology-2011 lease). 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 ended June 30, 2012, and June 30, 2013, totaled \$701,000 and \$742,500, respectively.

## 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.

ARGOS COMMUNITY SCHOOLS  
 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	Rainy Day	Construction
Cash and investments - beginning	\$ 57,612	\$ 120,346	\$ 18,519	\$ 320,400	\$ 218,632	\$ 29,574	\$ 97,200	\$ 8
Receipts:								
Local sources	25,317	668,022	56,967	469,132	315,274	46,869	-	36,984
Intermediate sources	19	-	-	-	-	-	-	-
State sources	4,107,228	-	-	-	-	-	-	-
Federal sources	2,430	-	-	-	-	-	-	-
Other	21,848	-	-	-	1,000	-	-	-
Total receipts	4,156,842	668,022	56,967	469,132	316,274	46,869	-	36,984
Disbursements:								
Current:								
Instruction	2,971,765	-	-	-	-	-	40,000	-
Support services	1,007,876	-	-	240,888	330,477	23,116	-	-
Noninstructional services	113,425	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	214,589	-	-	-	36,984
Debt services	-	701,000	53,782	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	4,093,066	701,000	53,782	455,477	330,477	23,116	40,000	36,984
Excess (deficiency) of receipts over disbursements	63,776	(32,978)	3,185	13,655	(14,203)	23,753	(40,000)	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	70,000	-
Transfers out	-	-	-	(40,000)	(30,000)	-	-	-
Total other financing sources (uses)	-	-	-	(40,000)	(30,000)	-	70,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	63,776	(32,978)	3,185	(26,345)	(44,203)	23,753	30,000	-
Cash and investments - ending	\$ 121,388	\$ 87,368	\$ 21,704	\$ 294,055	\$ 174,429	\$ 53,327	\$ 127,200	\$ 8

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

	School Lunch	Textbook Rental	SAFE School Haven	Miscellaneous Programs	Gifted and Talented 2007/2008	Gifted and Talented 2010/2011	Gifted and Talented 2011/2012	Gifted and Talented 2012/2013
Cash and investments - beginning	\$ 99,553	\$ (36,195)	\$ (4,370)	\$ 248	\$ 6,706	\$ 4,656	\$ -	\$ -
Receipts:								
Local sources	102,531	36,420	-	1,380	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	3,364	26,667	5,804	-	-	-	26,581	-
Federal sources	166,036	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	271,931	63,087	5,804	1,380	-	-	26,581	-
Disbursements:								
Current:								
Instruction	-	-	831	-	-	4,655	20,573	-
Support services	-	65,780	2,458	861	-	-	-	-
Noninstructional services	264,060	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	264,060	65,780	3,289	861	-	4,655	20,573	-
Excess (deficiency) of receipts over disbursements	7,871	(2,693)	2,515	519	-	(4,655)	6,008	-
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	7,871	(2,693)	2,515	519	-	(4,655)	6,008	-
Cash and investments - ending	\$ 107,424	\$ (38,888)	\$ (1,855)	\$ 767	\$ 6,706	\$ 1	\$ 6,008	\$ -

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

	Drug Free Communities	Non-English Speaking Grant	School Technology	Graduation Rate Incentive	Excess PTRC Distributions	Title I 2010/2011	Title I 2011/2012	Title I 2012/2013
Cash and investments - beginning	\$ -	\$ -	\$ 4,964	\$ 20,000	\$ -	\$ 2,244	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	4,932	-	10,957	-	-	-
Federal sources	-	-	-	-	-	3,436	81,176	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	4,932	-	10,957	3,436	81,176	-
Disbursements:								
Current:								
Instruction	-	-	5,830	20,000	-	5,680	88,867	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	400	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	6,230	20,000	-	5,680	88,867	-
Excess (deficiency) of receipts over disbursements	-	-	(1,298)	(20,000)	10,957	(2,244)	(7,691)	-
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	-	-	(1,298)	(20,000)	10,957	(2,244)	(7,691)	-
Cash and investments - ending	\$ -	\$ -	\$ 3,666	\$ -	\$ 10,957	\$ -	\$ (7,691)	\$ -

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

	PL 107-110 Title V Part A	IDEA Assistive Technology Grant	IDEA Special Education 611 Grant	IDEA Special Education 619 Grant	IDEA Special Education Improvement Grant	Career Incentive	Drug Free Schools	Title IV A 08/09-09/10
Cash and investments - beginning	\$ 2,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,931	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	40,279	-	-	-	2,884	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	40,279	-	-	-	2,884	-	-
Disbursements:								
Current:								
Instruction	-	40,279	-	-	-	-	619	(425)
Support services	-	-	-	-	-	2,884	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	40,279	-	-	-	2,884	619	(425)
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	(619)	425
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	-	-	-	-	-	-	(619)	425
Cash and investments - ending	\$ 2,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,312	\$ 425

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

	Marshall County Drug Free	Improving Teacher Quality 2011/2012	Improving Teacher Quality 2012/2013	Technology Literacy Challenge Title III	Education Jobs	Payroll Withholding and Clearing Fund	Totals
Cash and investments - beginning	\$ 1,477	\$ -	\$ -	\$ 1,648	\$ -	\$ -	\$ 967,751
Receipts:							
Local sources	2,400	-	-	-	-	-	1,761,296
Intermediate sources	-	-	-	-	-	-	19
State sources	-	-	-	-	-	-	4,185,533
Federal sources	-	20,249	-	-	-	-	316,490
Other	-	-	-	-	-	1,007,159	1,030,007
Total receipts	<u>2,400</u>	<u>20,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,007,159</u>	<u>7,293,345</u>
Disbursements:							
Current:							
Instruction	2,521	30,075	-	-	3,898	-	3,235,168
Support services	-	-	-	-	(3,898)	-	1,670,442
Noninstructional services	-	-	-	-	-	-	377,485
Facilities acquisition and construction	-	-	-	-	-	-	251,973
Debt services	-	-	-	-	-	-	754,782
Nonprogrammed charges	-	-	-	-	-	985,829	985,829
Total disbursements	<u>2,521</u>	<u>30,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>985,829</u>	<u>7,275,679</u>
Excess (deficiency) of receipts over disbursements	<u>(121)</u>	<u>(9,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,330</u>	<u>17,666</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	70,000
Transfers out	-	-	-	-	-	-	(70,000)
Total other financing sources (uses)	<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>(121)</u>	<u>(9,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,330</u>	<u>17,666</u>
Cash and investments - ending	<u>\$ 1,356</u>	<u>\$ (9,826)</u>	<u>\$ -</u>	<u>\$ 1,648</u>	<u>\$ -</u>	<u>\$ 21,330</u>	<u>\$ 985,417</u>

ARGOS COMMUNITY SCHOOLS  
 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 121,388	\$ 87,368	\$ 21,704	\$ 294,055	\$ 174,429	\$ 53,327	\$ 127,200	\$ 8
Receipts:								
Local sources	172,832	711,292	51,342	501,094	306,431	86,349	-	20,124
Intermediate sources	94	-	-	-	-	-	-	-
State sources	4,069,304	-	-	-	-	-	-	-
Federal sources	5,320	-	-	-	-	-	-	-
Other	9,904	-	-	-	166	-	-	-
Total receipts	<u>4,257,454</u>	<u>711,292</u>	<u>51,342</u>	<u>501,094</u>	<u>306,597</u>	<u>86,349</u>	<u>-</u>	<u>20,124</u>
Disbursements:								
Current:								
Instruction	2,989,949	-	-	-	-	-	-	-
Support services	1,184,736	-	-	470,661	333,941	51,068	-	-
Noninstructional services	122,147	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	129,304	-	-	-	20,125
Debt services	-	742,500	52,151	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>4,296,832</u>	<u>742,500</u>	<u>52,151</u>	<u>599,965</u>	<u>333,941</u>	<u>51,068</u>	<u>-</u>	<u>20,125</u>
Excess (deficiency) of receipts over disbursements	<u>(39,378)</u>	<u>(31,208)</u>	<u>(809)</u>	<u>(98,871)</u>	<u>(27,344)</u>	<u>35,281</u>	<u>-</u>	<u>(1)</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>(39,378)</u>	<u>(31,208)</u>	<u>(809)</u>	<u>(98,871)</u>	<u>(27,344)</u>	<u>35,281</u>	<u>-</u>	<u>(1)</u>
Cash and investments - ending	<u>\$ 82,010</u>	<u>\$ 56,160</u>	<u>\$ 20,895</u>	<u>\$ 195,184</u>	<u>\$ 147,085</u>	<u>\$ 88,608</u>	<u>\$ 127,200</u>	<u>\$ 7</u>

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

	School Lunch	Textbook Rental	SAFE School Haven	Miscellaneous Programs	Gifted and Talented 2007/2008	Gifted and Talented 2010/2011	Gifted and Talented 2011/2012	Gifted and Talented 2012/2013
Cash and investments - beginning	\$ 107,424	\$ (38,888)	\$ (1,855)	\$ 767	\$ 6,706	\$ 1	\$ 6,008	\$ -
Receipts:								
Local sources	101,370	33,590	-	1,131	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	3,245	25,285	4,176	-	-	-	-	26,863
Federal sources	146,634	-	-	-	-	-	-	-
Other	1,911	-	-	-	-	-	-	-
Total receipts	253,160	58,875	4,176	1,131	-	-	-	26,863
Disbursements:								
Current:								
Instruction	-	-	2,959	-	-	-	6,008	22,787
Support services	-	25,235	-	1,819	-	-	-	-
Noninstructional services	272,457	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	272,457	25,235	2,959	1,819	-	-	6,008	22,787
Excess (deficiency) of receipts over disbursements	(19,297)	33,640	1,217	(688)	-	-	(6,008)	4,076
Other financing sources (uses):								
Transfers in	37	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	37	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,260)	33,640	1,217	(688)	-	-	(6,008)	4,076
Cash and investments - ending	\$ 88,164	\$ (5,248)	\$ (638)	\$ 79	\$ 6,706	\$ 1	\$ -	\$ 4,076

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

	Drug Free Communities	Non-English Speaking Grant	School Technology	Graduation Rate Incentive	Excess PTRC Distributions	Title I 2010/2011	Title I 2011/2012	Title I 2012/2013
Cash and investments - beginning	\$ -	\$ -	\$ 3,666	\$ -	\$ 10,957	\$ -	\$ (7,691)	\$ -
Receipts:								
Local sources	-	-	1,778	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	2,325	1,241	4,491	-	4,741	-	-	-
Federal sources	-	-	-	-	-	-	15,389	148,034
Other	-	-	-	-	-	-	-	-
Total receipts	2,325	1,241	6,269	-	4,741	-	15,389	148,034
Disbursements:								
Current:								
Instruction	995	422	6,735	-	-	-	7,698	145,926
Support services	-	818	-	-	-	-	-	13,754
Noninstructional services	-	-	-	-	-	-	-	83
Facilities acquisition and construction	-	-	900	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	995	1,240	7,635	-	-	-	7,698	159,763
Excess (deficiency) of receipts over disbursements	1,330	1	(1,366)	-	4,741	-	7,691	(11,729)
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	1,330	1	(1,366)	-	4,741	-	7,691	(11,729)
Cash and investments - ending	\$ 1,330	\$ 1	\$ 2,300	\$ -	\$ 15,698	\$ -	\$ -	\$ (11,729)

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

	PL 107-110 Title V Part A	IDEA Assistive Technology Grant	IDEA Special Education 611 Grant	IDEA Special Education 619 Grant	IDEA Special Education Improvement Grant	Career Incentive	Drug Free Schools	Title IV A 08/09-09/10
Cash and investments - beginning	\$ 2,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,312	\$ 425
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	122,345	-	27,024	2,884	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	122,345	-	27,024	2,884	-	-
Disbursements:								
Current:								
Instruction	-	-	85,724	-	27,024	-	1,011	388
Support services	-	-	54,663	2,001	-	2,884	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	140,387	2,001	27,024	2,884	1,011	388
Excess (deficiency) of receipts over disbursements	-	-	(18,042)	(2,001)	-	-	(1,011)	(388)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(37)
Total other financing sources (uses)	-	-	-	-	-	-	-	(37)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(18,042)	(2,001)	-	-	(1,011)	(425)
Cash and investments - ending	\$ 2,598	\$ -	\$ (18,042)	\$ (2,001)	\$ -	\$ -	\$ 301	\$ -

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

	Marshall County Drug Free	Improving Teacher Quality 2011/2012	Improving Teacher Quality 2012/2013	Technology Literacy Challenge Title III	Education Jobs	Payroll Withholding and Clearing Fund	Totals
Cash and investments - beginning	\$ 1,356	\$ (9,826)	\$ -	\$ 1,648	\$ -	\$ 21,330	\$ 985,417
Receipts:							
Local sources	-	-	-	-	-	-	1,987,333
Intermediate sources	-	-	-	-	-	-	94
State sources	-	-	-	-	-	-	4,141,671
Federal sources	-	11,436	32,305	-	4,706	-	516,077
Other	-	-	-	-	-	1,265,401	1,277,382
Total receipts	-	11,436	32,305	-	4,706	1,265,401	7,922,557
Disbursements:							
Current:							
Instruction	1,356	1,610	44,422	-	4,706	-	3,349,720
Support services	-	-	-	-	-	-	2,141,580
Noninstructional services	-	-	-	-	-	-	394,687
Facilities acquisition and construction	-	-	-	-	-	-	150,329
Debt services	-	-	-	-	-	-	794,651
Nonprogrammed charges	-	-	-	-	-	1,250,342	1,250,342
Total disbursements	1,356	1,610	44,422	-	4,706	1,250,342	8,081,309
Excess (deficiency) of receipts over disbursements	(1,356)	9,826	(12,117)	-	-	15,059	(158,752)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	37
Transfers out	-	-	-	-	-	-	(37)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,356)	9,826	(12,117)	-	-	15,059	(158,752)
Cash and investments - ending	\$ -	\$ -	\$ (12,117)	\$ 1,648	\$ -	\$ 36,389	\$ 826,665

ARGOS COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

Description of Debt		Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Lessor	Purpose			
Governmental activities:				
Capital leases:				
Argos Community Schools Building Corporation	Roof/HVAC-2006	\$ 181,540	07-05-06	01-05-19
Argos Community Schools Building Corporation	Building Additions-2008	485,500	07-10-08	01-10-19
Argos Community Schools Building Corporation	HVAC/Technology-2011	<u>67,720</u>	09-08-11	01-15-21
Total of annual lease payments		<u>\$ 734,760</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
General obligation bonds:			
Taxable general obligation pension bonds, Series 2004	School teacher pension buyout	<u>\$ 340,000</u>	<u>\$ 50,475</u>

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ARGOS COMMUNITY SCHOOLS  
 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.

	Ending Balance
Governmental activities:	
Land	\$ 6,170
Buildings	12,232,633
Improvements other than buildings	548,950
Machinery, equipment, and vehicles	3,999,049
Total capital assets	\$ 16,786,802

ARGOS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

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

The Argos Community Schools (School Corporation) paid penalties and interest to the Internal Revenue Service in the amount of \$10,119 because the School Corporation did not remit federal withholding payments on a timely basis for the 2nd and 3rd quarters of 2013. Payment was made on February 13, 2014, and the School Corporation is negotiating for a refund of some of the amount paid. It was also noted that the School Corporation paid late fees to the Town of Argos because the School Corporation paid some utility bills late.

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)

***OVERDRAWN CASH BALANCES***

The financial statement presented in this report includes overdrawn cash balances in the Textbook Rental Fund at June 30, 2012, and June 30, 2013, in the amounts of \$38,888 and \$5,248, respectively. A similar comment has appeared in prior reports.

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



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

TO: THE OFFICIALS OF THE ARGOS COMMUNITY SCHOOLS, MARSHALL COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the Argos Community Schools' (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 a material weakness.

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 a material weakness.

The School Corporation's response to the internal control over compliance finding 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

March 11, 2014

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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ARGOS COMMUNITY SCHOOLS  
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>DEPARTMENT OF AGRICULTURE - USDA</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	SY 2011-2012	\$ 24,089	\$ -
			SY 2012-2013	-	20,608
Total - School Breakfast Program				<u>24,089</u>	<u>20,608</u>
National School Lunch Program	Indiana Department of Education	10.555	SY 2011-2012	160,112	-
			SY 2012-2013	-	137,035
Total - National School Lunch Program				<u>160,112</u>	<u>137,035</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559	Summer 2011	753	-
			Summer 2012	-	12,795
Total - Summer Food Service Program				<u>753</u>	<u>12,795</u>
Total - Department of Agriculture - USDA				<u>184,954</u>	<u>170,438</u>
<u>DEPARTMENT OF EDUCATION - DOE</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	11-5470	3,436	-
			12-5470	81,176	15,389
			13-5470	-	148,034
Total - Title I Part A Cluster				<u>84,612</u>	<u>163,423</u>
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027		40,279	-
Part B Special Education Technology Grant				-	122,345
Part B Special Education 611 Grant				-	27,024
Part B Special Education Improvement Grant				<u>-</u>	<u>27,024</u>
Total - Special Education Cluster (IDEA)				<u>40,279</u>	<u>149,369</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	11-5470	20,249	11,436
			12-5470	-	32,305
Total - Improving Teacher Quality State Grants				<u>20,249</u>	<u>43,741</u>
Education Jobs Fund	Indiana Department of Education	84.410	SY 2012-2013	-	4,706
Total - Department of Education - DOE				<u>145,140</u>	<u>361,239</u>
Total federal awards expended				<u>\$ 330,094</u>	<u>\$ 531,677</u>

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

ARGOS COMMUNITY SCHOOLS  
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 Argos Community Schools (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	\$ 2,742	\$ 3,177
National School Lunch Program	10.555	18,225	21,127

ARGOS COMMUNITY SCHOOLS  
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:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Special Education Cluster

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.

ARGOS COMMUNITY SCHOOLS  
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 CHILD NUTRITION CLUSTER**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program

National School Lunch Program

Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2011/2012, FY 2012/2013

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over the Reporting compliance requirement.

There is no documentation to indicate that there is oversight over the reporting process. Currently, the work being performed by the individual compiling the information for the monthly reimbursement claims is not being reviewed by anyone before they are submitted to the Indiana Department of Education.

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 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 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 programs.

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

**FINDING 2010-001 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE CHILD NUTRITION CLUSTER**

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program

Federal Program: National School Lunch Program

Federal Program: Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 11/12 and FY 12/13

Pass-Through Entity: Indiana Department of Education

Management of the Argos Community Schools has not established an effective internal control system over the Reporting compliance requirement.

There is no documentation to indicate that there is oversight over the reporting process. Currently, the work being performed by the individual compiling the information for the monthly reimbursement claims is not being reviewed by anyone before they are submitted to the State.

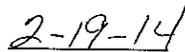
**Corrective Action 2013-001:**

To ensure an effective internal control system over the reporting compliance requirement, the Superintendent of the Argos Community Schools and the Director of Finance will review and sign all required reporting prior to submission.



Julie Lauck, Ed.S.

Superintendent

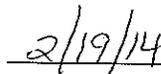


Date



Jennifer Lee

Director of Finance



Date

ARGOS COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 11, 2014, with Jennifer Lee, Treasurer; Julie Lauck, Superintendent of Schools; and Kirk Nellans, President of the School Board.