

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION
MONTGOMERY COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
09/11/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Karen Simpson Karla Joyce	07-01-12 to 09-30-13 10-01-13 to 01-12-14
Deputy Treasurer	Karla Joyce Kristin Charles	01-13-14 to 01-31-15 02-01-15 to 06-30-15
Director of Business and Operations	Eric W. Brewer	07-01-13 to 01-12-14
Director of Business and Operations/Treasurer	Eric W. Brewer	01-13-14 to 06-30-15
Superintendent of Schools	Dr. J. Bret Lewis Dr. Robert L. Foreman (Interim) Dr. Shawn E. Greiner	07-01-12 to 12-31-12 01-01-13 to 06-30-13 07-01-13 to 06-30-15
President of the School Board	Michael Hallas Brad Monts	07-01-12 to 12-31-12 01-01-13 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the South Montgomery Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.


Other Information

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 Payables and Receivables, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2015, 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.


Paul D. Joyce, CPA
State Examiner

June 30, 2015



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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 SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION, MONTGOMERY 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 South Montgomery Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated June 30, 2015, 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

South Montgomery Community School Corporation's Response to Findings

The School Corporation's response to the 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 the financial statement and, accordingly, we express no opinion on it.

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

June 30, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 1	\$ 10,859,848	\$ 10,449,711	\$ 16,855	\$ 426,993	\$ 10,739,753	\$ 10,169,345	\$ (118,804)	\$ 878,596
Debt Service	2,080,653	4,576,615	4,287,399	-	2,369,869	4,650,595	4,745,671	1,979,980	4,254,773
Retirement/Severance Bond Debt Service	97,187	386,396	313,125	-	170,458	313,764	312,326	-	171,896
Capital Projects	1,233,665	2,392,200	1,665,894	(749,988)	1,209,983	2,255,300	2,297,665	-	1,167,618
School Transportation	828,710	1,658,083	1,509,673	(170,120)	807,000	1,789,899	1,647,735	-	949,164
School Bus Replacement	178,124	87,424	169,786	-	95,762	168,162	171,462	-	92,462
Rainy Day	301,836	312	851,133	949,988	401,003	-	280,102	-	120,901
Retirement/Severance Bond	509,690	1,041	21,202	-	489,529	951	32,286	118,804	576,998
Construction	44,235	94	-	-	44,329	86	267,628	-	(223,213)
School Lunch	51,820	736,769	725,520	-	63,069	740,706	691,094	-	112,681
Textbook Rental	23,828	231,721	247,624	-	7,925	247,717	220,405	-	35,237
Levy Excess	29,880	-	-	(29,880)	-	-	-	-	-
EMS Fire Science 11-12	6,445	-	6,445	-	-	-	-	-	-
EMS Fire Science 13-14	8,587	-	8,586	-	1	27,380	14,007	-	13,374
EMS Fire Science 12-13	-	25,674	17,295	-	8,379	-	9,685	-	(1,306)
Law Enforcement 12-13	-	37,535	30,315	-	7,220	-	9,866	-	(2,646)
Law Enforcement 13-14	-	-	-	-	-	14,105	26,296	-	(12,191)
Alternative Education	2,353	6,737	9,089	-	1	9,526	-	-	9,527
SAFE School Haven 12-13	-	12,139	14,500	-	(2,361)	2,361	-	-	-
Early Intervention Grant 2013	-	9,068	9,068	-	-	-	-	-	-
Early Intervention 2013-2014	800	-	800	-	-	-	-	-	-
Early Intervention 2012-2013	400	-	-	-	400	-	-	-	400
M.C.E.F. Ryen	-	743	-	-	743	-	598	-	145
M.C.E.F. Gonzarow	72	-	-	-	72	-	-	-	72
M.C.E.F. Ellenberger	-	800	-	-	800	-	750	-	50
M.C.E.F. McCormick/Hoard	3	-	-	-	3	-	-	-	3
M.C.E.F. France/Lewis/	3	-	-	-	3	-	-	-	3
M.C.E.F. Hanlin/Craycraft	24	-	-	-	24	-	-	-	24
M.C.E.F. Selby	700	-	700	-	-	-	-	-	-
M.C.E.F. Vice/Hazlett	850	-	820	-	30	-	60	-	(30)
M.C.E.F. Whalen	300	-	266	-	34	-	-	-	34
M.C.E.F. Chad/Greg/	7	-	-	-	7	-	-	-	7
M.C.E.F. Mosbaugh/Eppley	259	-	259	-	-	-	-	-	-
M.C.E.F. Albertson	5	-	-	-	5	-	-	-	5
M.C.E.F. Michel/Clifton	1	-	-	-	1	-	-	-	1
M.C.E.F. Mills	2	-	-	-	2	-	-	-	2
M.C.E.F. Burkhart	7	-	-	-	7	-	-	-	7
M.C.E.F. Ellingwood/	-	-	-	-	-	500	-	-	500

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

	Cash and Investments			Other Financing	Cash and Investments			Other Financing	Cash and Investments
	07-01-12	Receipts	Disbursements	Sources (Uses)	06-30-13	Receipts	Disbursements	Sources (Uses)	06-30-14
M.C.E.F. Ellingwood/Ladoga	-	-	-	-	-	500	-	-	500
M.C.E.F. Ellenberger 2014-2015	-	-	-	-	-	1,000	-	-	1,000
M.C.E.F. Ryan	-	-	-	-	-	298	-	-	298
M.C.E.F. Clifton	-	-	-	-	-	1,000	-	-	1,000
M.C.E.F. Stull	-	-	-	-	-	904	-	-	904
JR High Survey	500	-	-	-	500	-	-	-	500
H.S. Survey 2011	350	-	-	-	350	-	-	-	350
AHEAD Coalition School Officer	1,750	-	-	-	1,750	-	-	-	1,750
Gifted and Talented 12-13	-	32,792	11,586	-	21,206	-	25,032	-	(3,826)
Gifted and Talented 13-14	941	-	941	-	-	31,684	3,426	-	28,258
Gifted and Talented 11-12	11,690	-	11,690	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999	110	-	-	-	110	-	-	-	110
School Technology	(2,470)	5,535	7,898	-	(4,833)	5,532	-	-	699
Child Care	2,347	-	-	-	2,347	-	-	-	2,347
Senator David Ford Technology	13,401	-	13,401	-	-	5,000	44,700	-	(39,700)
Title I 12-13	-	220,958	247,021	-	(26,063)	166,730	143,695	-	(3,028)
Title I	(17,677)	83,156	65,480	-	(1)	225,179	248,799	-	(23,621)
Title I 97-98	16,855	-	-	(16,855)	-	-	-	-	-
Special Education 12-13	-	362,841	397,575	-	(34,734)	154,659	170,564	-	(50,639)
Special Education 11-12	(45,684)	83,567	37,884	-	(1)	-	-	-	(1)
Special Education 13-14	-	-	-	-	-	271,918	238,159	-	33,759
Special Ed Improvement Award	-	68,845	68,844	-	1	-	-	-	1
Tech Assist Professional Development	-	-	-	-	-	-	9,061	-	(9,061)
Federal Assistance Educational Preschool Handicapped 12-13	-	14,567	14,558	-	9	-	-	-	9
Federal Assistance Educational Preschool Handicapped 13-14	-	-	-	-	-	-	13,326	-	(13,326)
Drug Free 09-10	4	-	-	-	4	-	-	-	4
Improving Teaching Quality, No Child Left, Title II, Part A 10-11	(3,841)	10,848	7,007	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 08-09	210	-	109	-	101	-	-	-	101
Improving Teaching Quality, No Child Left, Title II, Part A 12-13	-	36,774	40,232	-	(3,458)	25,200	10,461	-	11,281
Improving Teaching Quality, No Child Left, Title II, Part A 11-12	-	22,522	28,211	-	(5,689)	14,732	18,971	-	(9,928)
E-Learn Conference Grant	-	-	690	-	(690)	15,575	15,251	-	(366)
Rural Schools and Low Income Program - Pass Through State	-	-	-	-	-	3,000	13,100	-	(10,100)
Special Education - Part B	328	-	328	-	-	67,517	-	-	67,517
Payroll Clearing	25,864	3,191,187	3,218,855	-	(1,804)	3,021,130	3,363,936	-	(344,610)
VEBA Medical Trust	1,454,115	32,437	221,267	-	1,265,285	31,319	40,052	-	1,256,552
Revocable Medical Trust	36,782	78	-	-	36,860	54	-	-	36,914
Totals	\$ 6,896,021	\$ 25,189,306	\$ 24,732,787	\$ -	\$ 7,352,540	\$ 25,003,736	\$ 25,255,514	\$ 1,979,980	\$ 9,080,742

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

SOUTH MONTGOMERY COMMUNITY 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.

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

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

E. Disbursements

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

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

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

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

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

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

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

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

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

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.

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.

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

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.

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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

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

Funding Policy and Annual Pension Cost

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

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
One North Capitol, 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 eight funds with deficits in cash on June 30, 2013. Seven of the deficits are a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013. The Payroll Clearing fund also had a deficit balance of \$1,804 at that date. This is a result of paying prepaid insurance from the payroll in advance of withholding the premium from the employee checks.

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

The financial statement contains 15 funds with deficits in cash on June 30, 2014. Thirteen of the deficits are a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014. The Payroll Clearing fund also had a deficit balance of \$334,610 at that date. This is a result of paying prepaid insurance from the payroll in advance of withholding the premium from the employee checks and overpayment of state and federal withholding. The Construction fund also had a negative balance of \$223,213 on June 30, 2014. This is a result of paying preliminary construction costs in advance of the loan proceeds being transferred to the School Corporation.

Note 8. *Holding Corporation*

The School has entered into a capital lease with South Montgomery Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2013 and 2014, totaled \$3,315,000 and \$4,350,000, respectively.

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OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 1	\$ 2,080,653	\$ 97,187	\$ 1,233,665	\$ 828,710	\$ 178,124	\$ 301,836	\$ 509,690	\$ 44,235
Receipts:									
Local sources	26,794	4,548,090	386,396	2,053,101	1,641,852	87,424	-	-	-
Intermediate sources	625	-	-	-	-	-	-	-	-
State sources	10,789,408	-	-	-	-	-	-	-	-
Federal sources	10,087	-	-	-	-	-	-	-	-
Interfund loans	-	28,525	-	-	-	-	-	-	-
Other	32,934	-	-	339,099	16,231	-	312	1,041	94
Total receipts	10,859,848	4,576,615	386,396	2,392,200	1,658,083	87,424	312	1,041	94
Disbursements:									
Current:									
Instruction	7,123,824	-	-	-	-	-	-	-	-
Support services	3,105,078	-	-	855,622	1,509,673	169,786	845,493	21,202	-
Noninstructional services	192,284	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	810,272	-	-	5,640	-	-
Debt services	-	4,287,399	313,125	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	28,525	-	-	-	-	-	-	-	-
Total disbursements	10,449,711	4,287,399	313,125	1,665,894	1,509,673	169,786	851,133	21,202	-
Excess (deficiency) of receipts over disbursements	410,137	289,216	73,271	726,306	148,410	(82,362)	(850,821)	(20,161)	94
Other financing sources (uses):									
Transfers in	16,855	-	-	-	29,880	-	949,988	-	-
Transfers out	-	-	-	(749,988)	(200,000)	-	-	-	-
Total other financing sources (uses)	16,855	-	-	(749,988)	(170,120)	-	949,988	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	426,992	289,216	73,271	(23,682)	(21,710)	(82,362)	99,167	(20,161)	94
Cash and investments - ending	\$ 426,993	\$ 2,369,869	\$ 170,458	\$ 1,209,983	\$ 807,000	\$ 95,762	\$ 401,003	\$ 489,529	\$ 44,239

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

	School Lunch	Textbook Rental	Levy Excess	EMS Fire Science 11-12	EMS Fire Science 13-14	EMS Fire Science 12-13	Law Enforcement 12-13	Law Enforcement 13-14	Alternative Education
Cash and investments - beginning	\$ 51,820	\$ 23,828	\$ 29,880	\$ 6,445	\$ 8,587	\$ -	\$ -	\$ -	\$ 2,353
Receipts:									
Local sources	357,691	179,171	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	52,550	-	-	-	25,674	37,535	-	6,737
Federal sources	379,078	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>736,769</u>	<u>231,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,674</u>	<u>37,535</u>	<u>-</u>	<u>6,737</u>
Disbursements:									
Current:									
Instruction	-	-	-	6,445	8,586	17,295	30,315	-	9,089
Support services	11,193	247,624	-	-	-	-	-	-	-
Noninstructional services	714,327	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>725,520</u>	<u>247,624</u>	<u>-</u>	<u>6,445</u>	<u>8,586</u>	<u>17,295</u>	<u>30,315</u>	<u>-</u>	<u>9,089</u>
Excess (deficiency) of receipts over disbursements	<u>11,249</u>	<u>(15,903)</u>	<u>-</u>	<u>(6,445)</u>	<u>(8,586)</u>	<u>8,379</u>	<u>7,220</u>	<u>-</u>	<u>(2,352)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(29,880)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(29,880)</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>11,249</u>	<u>(15,903)</u>	<u>(29,880)</u>	<u>(6,445)</u>	<u>(8,586)</u>	<u>8,379</u>	<u>7,220</u>	<u>-</u>	<u>(2,352)</u>
Cash and investments - ending	<u>\$ 63,069</u>	<u>\$ 7,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 8,379</u>	<u>\$ 7,220</u>	<u>\$ -</u>	<u>\$ 1</u>

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

	SAFE School Haven 12-13	Early Intervention Grant 2013	Early Intervention 2013-2014	Early Intervention 2012-2013	M.C.E.F. Ryen	M.C.E.F. Gonzarow	M.C.E.F. Ellenberger	M.C.E.F. McCormick/Hoard	M.C.E.F. France/Lewis/
Cash and investments - beginning	\$ -	\$ -	\$ 800	\$ 400	\$ -	\$ 72	\$ -	\$ 3	\$ 3
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	12,139	9,068	-	-	743	-	800	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	12,139	9,068	-	-	743	-	800	-	-
Disbursements:									
Current:									
Instruction	14,500	9,068	800	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	14,500	9,068	800	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(2,361)	-	(800)	-	743	-	800	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,361)	-	(800)	-	743	-	800	-	-
Cash and investments - ending	\$ (2,361)	\$ -	\$ -	\$ 400	\$ 743	\$ 72	\$ 800	\$ 3	\$ 3

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

	M.C.E.F. Hanlin/Craycraft	M.C.E.F. Selby	M.C.E.F. Vice/Hazlett	M.C.E.F. Whalen	M.C.E.F. Chad/Greg/	M.C.E.F. Mosbaugh/Eppley	M.C.E.F. Albertson	M.C.E.F. Michel/Clifton
Cash and investments - beginning	\$ 24	\$ 700	\$ 850	\$ 300	\$ 7	\$ 259	\$ 5	\$ 1
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-
Disbursements:								
Current:								
Instruction	-	700	820	266	-	259	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	700	820	266	-	259	-	-
Excess (deficiency) of receipts over disbursements	-	(700)	(820)	(266)	-	(259)	-	-
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	-	(700)	(820)	(266)	-	(259)	-	-
Cash and investments - ending	\$ 24	\$ -	\$ 30	\$ 34	\$ 7	\$ -	\$ 5	\$ 1

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

	M.C.E.F. Mills	M.C.E.F. Burkhart	M.C.E.F. Ellingwood/ Ellingwood/Ladoga	M.C.E.F. Ellenberger 2014-2015	M.C.E.F. Ryan	M.C.E.F. Clifton	M.C.E.F. Stull
Cash and investments - beginning	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Cash and investments - ending	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -

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

	JR High Survey	H.S. Survey 2011	AHEAD Coalition School Officer	Gifted and Talented 12-13	Gifted and Talented 13-14	Gifted and Talented 11-12	Non-English Speaking Programs P.L. 273-1999	School Technology
Cash and investments - beginning	\$ 500	\$ 350	\$ 1,750	\$ -	\$ 941	\$ 11,690	\$ 110	\$ (2,470)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	32,792	-	-	-	5,535
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	32,792	-	-	-	5,535
Disbursements:								
Current:								
Instruction	-	-	-	11,586	941	11,690	-	-
Support services	-	-	-	-	-	-	-	7,898
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	11,586	941	11,690	-	7,898
Excess (deficiency) of receipts over disbursements	-	-	-	21,206	(941)	(11,690)	-	(2,363)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	21,206	(941)	(11,690)	-	(2,363)
Cash and investments - ending	\$ 500	\$ 350	\$ 1,750	\$ 21,206	\$ -	\$ -	\$ 110	\$ (4,833)

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

	Child Care	Senator David Ford Technology	Title I 12-13	Title I	Title I 97-98	Special Education 12-13	Special Education 11-12	Special Education 13-14
Cash and investments - beginning	\$ 2,347	\$ 13,401	\$ -	\$ (17,677)	\$ 16,855	\$ -	\$ (45,684)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	220,958	83,156	-	362,841	83,567	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	220,958	83,156	-	362,841	83,567	-
Disbursements:								
Current:								
Instruction	-	-	239,481	61,057	-	397,575	37,884	-
Support services	-	13,401	7,540	4,423	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	13,401	247,021	65,480	-	397,575	37,884	-
Excess (deficiency) of receipts over disbursements	-	(13,401)	(26,063)	17,676	-	(34,734)	45,683	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(16,855)	-	-	-
Total other financing sources (uses)	-	-	-	-	(16,855)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(13,401)	(26,063)	17,676	(16,855)	(34,734)	45,683	-
Cash and investments - ending	\$ 2,347	\$ -	\$ (26,063)	\$ (1)	\$ -	\$ (34,734)	\$ (1)	\$ -

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

	Special Ed Improvement Award	Tech Assist Professional Development	Federal Assistance Educational Preschool Handicapped 12-13	Federal Assistance Educational Preschool Handicapped 13-14	Drug Free 09-10	Improving Teaching Quality, No Child Left, Title II, Part A 10-11	Improving Teaching Quality, No Child Left, Title II, Part A 08-09	Improving Teaching Quality, No Child Left, Title II, Part A 12-13
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ (3,841)	\$ 210	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	14,567	-	-	-	-	-
Federal sources	68,845	-	-	-	-	10,848	-	36,774
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	68,845	-	14,567	-	-	10,848	-	36,774
Disbursements:								
Current:								
Instruction	68,844	-	14,558	-	-	7,007	109	40,232
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	68,844	-	14,558	-	-	7,007	109	40,232
Excess (deficiency) of receipts over disbursements	1	-	9	-	-	3,841	(109)	(3,458)
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	-	9	-	-	3,841	(109)	(3,458)
Cash and investments - ending	\$ 1	\$ -	\$ 9	\$ -	\$ 4	\$ -	\$ 101	\$ (3,458)

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

	Improving Teaching Quality, No Child Left, Title II, Part A 11-12	E-Learn Conference Grant	Rural Schools and Low Income Program - Pass Through State	Special Education - Part B	Payroll Clearing	VEBA Medical Trust	Revocable Medical Trust	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 328	\$ 25,864	\$ 1,454,115	\$ 36,782	\$ 6,896,021
Receipts:								
Local sources	-	-	-	-	-	32,437	78	9,313,034
Intermediate sources	-	-	-	-	-	-	-	625
State sources	-	-	-	-	-	-	-	10,987,548
Federal sources	22,522	-	-	-	-	-	-	1,278,676
Interfund loans	-	-	-	-	-	-	-	28,525
Other	-	-	-	-	3,191,187	-	-	3,580,898
Total receipts	<u>22,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,191,187</u>	<u>32,437</u>	<u>78</u>	<u>25,189,306</u>
Disbursements:								
Current:								
Instruction	28,211	-	-	328	-	-	-	8,141,470
Support services	-	690	-	-	-	-	-	6,799,623
Noninstructional services	-	-	-	-	-	-	-	906,611
Facilities acquisition and construction	-	-	-	-	-	-	-	815,912
Debt services	-	-	-	-	-	-	-	4,600,524
Nonprogrammed charges	-	-	-	-	3,218,855	221,267	-	3,440,122
Interfund loans	-	-	-	-	-	-	-	28,525
Total disbursements	<u>28,211</u>	<u>690</u>	<u>-</u>	<u>328</u>	<u>3,218,855</u>	<u>221,267</u>	<u>-</u>	<u>24,732,787</u>
Excess (deficiency) of receipts over disbursements	<u>(5,689)</u>	<u>(690)</u>	<u>-</u>	<u>(328)</u>	<u>(27,668)</u>	<u>(188,830)</u>	<u>78</u>	<u>456,519</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	996,723
Transfers out	-	-	-	-	-	-	-	(996,723)
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>(5,689)</u>	<u>(690)</u>	<u>-</u>	<u>(328)</u>	<u>(27,668)</u>	<u>(188,830)</u>	<u>78</u>	<u>456,519</u>
Cash and investments - ending	<u>\$ (5,689)</u>	<u>\$ (690)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,804)</u>	<u>\$ 1,265,285</u>	<u>\$ 36,860</u>	<u>\$ 7,352,540</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 426,993	\$ 2,369,869	\$ 170,458	\$ 1,209,983	\$ 807,000	\$ 95,762	\$ 401,003	\$ 489,529	\$ 44,329
Receipts:									
Local sources	27,346	4,648,489	313,764	2,249,032	1,782,975	168,162	-	-	-
Intermediate sources	26	-	-	-	-	-	-	-	-
State sources	10,554,164	-	-	-	-	-	-	-	-
Federal sources	9,056	-	-	-	-	-	-	-	-
Other	149,161	2,106	-	6,268	6,924	-	-	951	86
Total receipts	<u>10,739,753</u>	<u>4,650,595</u>	<u>313,764</u>	<u>2,255,300</u>	<u>1,789,899</u>	<u>168,162</u>	<u>-</u>	<u>951</u>	<u>86</u>
Disbursements:									
Current:									
Instruction	6,702,136	-	-	-	-	-	-	-	-
Support services	3,247,744	-	-	705,006	1,626,819	171,462	280,102	32,286	-
Noninstructional services	219,465	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,592,659	20,916	-	-	-	267,628
Debt services	-	4,745,671	312,326	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>10,169,345</u>	<u>4,745,671</u>	<u>312,326</u>	<u>2,297,665</u>	<u>1,647,735</u>	<u>171,462</u>	<u>280,102</u>	<u>32,286</u>	<u>267,628</u>
Excess (deficiency) of receipts over disbursements	<u>570,408</u>	<u>(95,076)</u>	<u>1,438</u>	<u>(42,365)</u>	<u>142,164</u>	<u>(3,300)</u>	<u>(280,102)</u>	<u>(31,335)</u>	<u>(267,542)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	1,979,980	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	3,688,034	-	-	-	-	-	-	122,834	-
Transfers out	(3,806,838)	-	-	-	-	-	-	(4,030)	-
Total other financing sources (uses)	<u>(118,804)</u>	<u>1,979,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,804</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>451,603</u>	<u>1,884,904</u>	<u>1,438</u>	<u>(42,365)</u>	<u>142,164</u>	<u>(3,300)</u>	<u>(280,102)</u>	<u>87,469</u>	<u>(267,542)</u>
Cash and investments - ending	<u>\$ 878,596</u>	<u>\$ 4,254,773</u>	<u>\$ 171,896</u>	<u>\$ 1,167,618</u>	<u>\$ 949,164</u>	<u>\$ 92,462</u>	<u>\$ 120,901</u>	<u>\$ 576,998</u>	<u>\$ (223,213)</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	EMS Fire Science 11-12	EMS Fire Science 13-14	EMS Fire Science 12-13	Law Enforcement 12-13	Law Enforcement 13-14	Alternative Education
Cash and investments - beginning	\$ 63,069	\$ 7,925	\$ -	\$ -	\$ 1	\$ 8,379	\$ 7,220	\$ -	\$ 1
Receipts:									
Local sources	368,795	196,846	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	9,461	50,871	-	-	27,380	-	-	14,105	9,526
Federal sources	362,450	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>740,706</u>	<u>247,717</u>	<u>-</u>	<u>-</u>	<u>27,380</u>	<u>-</u>	<u>-</u>	<u>14,105</u>	<u>9,526</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	14,007	9,685	9,866	26,296	-
Support services	691,094	220,405	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>691,094</u>	<u>220,405</u>	<u>-</u>	<u>-</u>	<u>14,007</u>	<u>9,685</u>	<u>9,866</u>	<u>26,296</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>49,612</u>	<u>27,312</u>	<u>-</u>	<u>-</u>	<u>13,373</u>	<u>(9,685)</u>	<u>(9,866)</u>	<u>(12,191)</u>	<u>9,526</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
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>49,612</u>	<u>27,312</u>	<u>-</u>	<u>-</u>	<u>13,373</u>	<u>(9,685)</u>	<u>(9,866)</u>	<u>(12,191)</u>	<u>9,526</u>
Cash and investments - ending	<u>\$ 112,681</u>	<u>\$ 35,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,374</u>	<u>\$ (1,306)</u>	<u>\$ (2,646)</u>	<u>\$ (12,191)</u>	<u>\$ 9,527</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	SAFE School Haven 12-13	Early Intervention Grant 2013	Early Intervention 2013-2014	Early Intervention 2012-2013	M.C.E.F. Ryen	M.C.E.F. Gonzarow	M.C.E.F. Ellenberger	M.C.E.F. McCormick/Hoard	M.C.E.F. France/Lewis/
Cash and investments - beginning	\$ (2,361)	\$ -	\$ -	\$ 400	\$ 743	\$ 72	\$ 800	\$ 3	\$ 3
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	2,361	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	2,361	-	-	-	-	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	598	-	750	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	598	-	750	-	-
Excess (deficiency) of receipts over disbursements	2,361	-	-	-	(598)	-	(750)	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,361	-	-	-	(598)	-	(750)	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 400	\$ 145	\$ 72	\$ 50	\$ 3	\$ 3

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	M.C.E.F. Hanlin/Craycraft	M.C.E.F. Selby	M.C.E.F. Vice/Hazlett	M.C.E.F. Whalen	M.C.E.F. Chad/Greg/	M.C.E.F. Mosbaugh/Eppley	M.C.E.F. Albertson	M.C.E.F. Michel/Clifton
Cash and investments - beginning	\$ 24	\$ -	\$ 30	\$ 34	\$ 7	\$ -	\$ 5	\$ 1
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-
Disbursements:								
Current:								
Instruction	-	-	60	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	60	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	(60)	-	-	-	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(60)	-	-	-	-	-
Cash and investments - ending	\$ 24	\$ -	\$ (30)	\$ 34	\$ 7	\$ -	\$ 5	\$ 1

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	M.C.E.F. Mills	M.C.E.F. Burkhart	M.C.E.F. Ellingwood/ Ellingwood/Ladoga	M.C.E.F. Ellenberger 2014-2015	M.C.E.F. Ryan	M.C.E.F. Clifton	M.C.E.F. Stull
Cash and investments - beginning	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	500	500	1,000	298	1,000
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	500	500	1,000	298	1,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	500	500	1,000	298	1,000
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	500	500	1,000	298	1,000
Cash and investments - ending	\$ 2	\$ 7	\$ 500	\$ 500	\$ 1,000	\$ 298	\$ 1,000

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	JR High Survey	H.S. Survey 2011	AHEAD Coalition School Officer	Gifted and Talented 12-13	Gifted and Talented 13-14	Gifted and Talented 11-12	Non-English Speaking Programs P.L. 273-1999	School Technology
Cash and investments - beginning	\$ 500	\$ 350	\$ 1,750	\$ 21,206	\$ -	\$ -	\$ 110	\$ (4,833)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	31,684	-	-	5,532
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	31,684	-	-	5,532
Disbursements:								
Current:								
Instruction	-	-	-	25,032	3,426	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	25,032	3,426	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	(25,032)	28,258	-	-	5,532
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(25,032)	28,258	-	-	5,532
Cash and investments - ending	\$ 500	\$ 350	\$ 1,750	\$ (3,826)	\$ 28,258	\$ -	\$ 110	\$ 699

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Child Care	Senator David Ford Technology	Title I 12-13	Title I	Title I 97-98	Special Education 12-13	Special Education 11-12	Special Education 13-14
Cash and investments - beginning	\$ 2,347	\$ -	\$ (26,063)	\$ (1)	\$ -	\$ (34,734)	\$ (1)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	5,000	-	-	-	-	-	-
Federal sources	-	-	166,730	225,179	-	154,659	-	271,918
Other	-	-	-	-	-	-	-	-
Total receipts	-	5,000	166,730	225,179	-	154,659	-	271,918
Disbursements:								
Current:								
Instruction	-	-	77,479	244,523	-	170,564	-	238,159
Support services	-	44,700	65,456	4,276	-	-	-	-
Noninstructional services	-	-	760	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	44,700	143,695	248,799	-	170,564	-	238,159
Excess (deficiency) of receipts over disbursements	-	(39,700)	23,035	(23,620)	-	(15,905)	-	33,759
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(39,700)	23,035	(23,620)	-	(15,905)	-	33,759
Cash and investments - ending	\$ 2,347	\$ (39,700)	\$ (3,028)	\$ (23,621)	\$ -	\$ (50,639)	\$ (1)	\$ 33,759

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Special Ed Improvement Award	Tech Assist Professional Development	Federal Assistance Educational Preschool Handicapped 12-13	Federal Assistance Educational Preschool Handicapped 13-14	Drug Free 09-10	Improving Teaching Quality, No Child Left, Title II, Part A 10-11	Improving Teaching Quality, No Child Left, Title II, Part A 08-09	Improving Teaching Quality, No Child Left, Title II, Part A 12-13
Cash and investments - beginning	\$ 1	\$ -	\$ 9	\$ -	\$ 4	\$ -	\$ 101	\$ (3,458)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	25,200
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	25,200
Disbursements:								
Current:								
Instruction	-	-	-	13,326	-	-	-	10,461
Support services	-	9,061	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	9,061	-	13,326	-	-	-	10,461
Excess (deficiency) of receipts over disbursements	-	(9,061)	-	(13,326)	-	-	-	14,739
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(9,061)	-	(13,326)	-	-	-	14,739
Cash and investments - ending	\$ 1	\$ (9,061)	\$ 9	\$ (13,326)	\$ 4	\$ -	\$ 101	\$ 11,281

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Improving Teaching Quality, No Child Left, Title II, Part A 11-12	E-Learn Conference Grant	Rural Schools and Low Income Program - Pass Through State	Special Education - Part B	Payroll Clearing	VEBA Medical Trust	Revocable Medical Trust	Totals
Cash and investments - beginning	\$ (5,689)	\$ (690)	\$ -	\$ -	\$ (1,804)	\$ 1,265,285	\$ 36,860	\$ 7,352,540
Receipts:								
Local sources	-	-	-	-	-	31,319	54	9,786,782
Intermediate sources	-	-	-	-	-	-	-	26
State sources	-	-	-	-	-	-	-	10,714,286
Federal sources	14,732	15,575	3,000	67,517	-	-	-	1,316,016
Other	-	-	-	-	3,021,130	-	-	3,186,626
Total receipts	<u>14,732</u>	<u>15,575</u>	<u>3,000</u>	<u>67,517</u>	<u>3,021,130</u>	<u>31,319</u>	<u>54</u>	<u>25,003,736</u>
Disbursements:								
Current:								
Instruction	18,971	-	-	-	-	-	-	7,565,339
Support services	-	15,251	13,100	-	-	-	-	7,126,762
Noninstructional services	-	-	-	-	-	-	-	220,225
Facilities acquisition and construction	-	-	-	-	-	-	-	1,881,203
Debt services	-	-	-	-	-	-	-	5,057,997
Nonprogrammed charges	-	-	-	-	3,363,936	40,052	-	3,403,988
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>18,971</u>	<u>15,251</u>	<u>13,100</u>	<u>-</u>	<u>3,363,936</u>	<u>40,052</u>	<u>-</u>	<u>25,255,514</u>
Excess (deficiency) of receipts over disbursements	<u>(4,239)</u>	<u>324</u>	<u>(10,100)</u>	<u>67,517</u>	<u>(342,806)</u>	<u>(8,733)</u>	<u>54</u>	<u>(251,778)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,979,980
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	3,810,868
Transfers out	-	-	-	-	-	-	-	(3,810,868)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,979,980</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(4,239)</u>	<u>324</u>	<u>(10,100)</u>	<u>67,517</u>	<u>(342,806)</u>	<u>(8,733)</u>	<u>54</u>	<u>1,728,202</u>
Cash and investments - ending	<u>\$ (9,928)</u>	<u>\$ (366)</u>	<u>\$ (10,100)</u>	<u>\$ 67,517</u>	<u>\$ (344,610)</u>	<u>\$ 1,256,552</u>	<u>\$ 36,914</u>	<u>\$ 9,080,742</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 665,556</u>	<u>\$ 412,951</u>

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: South Montgomery Community School Building Corporation	High school remodel	<u>\$ 4,343,125</u>	7/15/2004	7/15/2018

Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds of 2013	Capital Infrastructure Improvements	\$ 1,775,000	\$ 1,561,725
Revenue bonds	Pension funding	<u>1,785,000</u>	<u>1,873,465</u>
Total governmental activities		<u>\$ 3,560,000</u>	<u>\$ 3,435,190</u>

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SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

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:	
Infrastructure	\$ 10
Buildings	57,761,230
Improvements other than buildings	15,000
Machinery, equipment, and vehicles	997,628
Books and other	<u>235,000</u>
Total capital assets	<u>\$ 59,008,868</u>

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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 SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the South Montgomery Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. 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, 2012 to June 30, 2014.

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 items 2014-003 and 2014-004 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

June 30, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2012-2013	\$ 80,724	\$ 78,912
National School Lunch Program	Indiana Department of Education	10.555	FY 2012-2013	342,941	328,649
Total - Department of Agriculture				<u>423,665</u>	<u>407,561</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies					
FY 2010-2011	Indiana Department of Education	84.010	S10A110014	92,134	-
FY 2011-2012		84.010	S10A120014	211,981	165,869
FY 2012-2013		84.010	S10A130014	-	226,040
Total - Title I, Part A Cluster				<u>304,115</u>	<u>391,909</u>
Special Education Cluster (IDEA)					
Special Education_Grants to States					
FY 2011-2012	Indiana Department of Education	84.027	H027A100084	152,412	-
FY 2012-2013		84.027	H027A120084	362,841	81,731
FY 2013-2014		84.027	H027A130135	-	344,847
Total - Special Education_Grants to States				<u>515,253</u>	<u>426,578</u>
Special Education Preschool Grants					
		84.173	H173A120104	-	14,567
Total - Special Education Cluster (IDEA)				<u>515,253</u>	<u>441,145</u>
Rural Education					
FY 2013-2014	Indiana Department of Education	84.358	S358B120014	-	3,000
Improving Teacher Quality State Grants					
FY 2010- 2011	Indiana Department of Education	84.367	S367A100013	10,848	-
FY 2011-2012		84.367	S367A110013	22,522	14,732
FY 2012-2013		84.367	S367A120013	36,774	25,200
Total - Improving Teacher Quality State Grants				<u>70,144</u>	<u>39,932</u>
Total - Department of Education				<u>889,512</u>	<u>875,986</u>
Total federal awards expended				<u>\$ 1,313,177</u>	<u>\$ 1,283,547</u>

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 54,528	\$ 45,111

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

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>Name of Federal Program or Cluster</u>
Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

The School Corporation omitted the School Breakfast Program, the National School Lunch Program, Rural Education, and the Improving Teacher Quality State Grants from the SEFA presented for audit. These programs accounted for a total of \$945,002 in federal expenditures that were not originally reported. In addition, federal awards that were reported lacked the required detailed information. In some instances, the SEFA did not include the awarding agency, the pass-through agency, the proper federal program name, or the correct Catalog of Federal Domestic Assistance (CFDA) number.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

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

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-002 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

The School Corporation has not established effective controls to allow for accurate reporting of the School Corporation's receipts, disbursements, and cash and investment balances. The School Corporation established a procedure to have a review of the monthly reconciliements; however, the reviews were not effective and did not prevent or detect errors in the financial transactions and cash and investment balances.

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for the year July 1, 2013 to June 30, 2014. The School Corporation had multiple bank accounts but did not perform consolidated bank reconciliements by comparing the total cash and investments in all banks to the total reported in all funds in the ledger. They cleared bank transactions in the accounting system, but this was not a reconciliation. In addition, outstanding check lists were not presented for audit. Errors in receipts and disbursements transactions, and the cash and investment balances occurred and were not detected because proper reconciliements were not performed. As a result, receipts, disbursements, and cash and investment balances were overstated in the financial statement presented for audit.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in this report.

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

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

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - PROGRAM INCOME

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program and National School Lunch Program
CFDA Numbers: 10.553 and 10.555
Federal Award Numbers: FY 2012-2013 and FY 2013-2014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Program Income that have a direct and material effect on the programs. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Program Income requirements. A monitoring or review process has not been established to ensure that receipts generated from cafeteria sales are collected and recorded properly. A proper receipt trail was not maintained and proper monthly reconciliements were not performed for the School Lunch fund. During the second year of the audit period, the School Corporation implemented new food service software. The School Corporation continued to track the point of sale receipts in the extra-curricular ledger and tried to mirror those receipts in the School Corporation fund ledger, even though the cash receipts were not deposited into their bank account. The School Corporation did not have procedures in place to reconcile the fund ledger totals to the cash totals after implementation of the new software.

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 ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 the Program Income compliance requirements of the programs.

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

FINDING 2014-004 - REPORTING

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Years: S10A110014, S10A120014, and S10A130014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Reporting that have a direct and material effect on the program. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The School Corporation has not designed or implemented effective policies and procedures to ensure that required reports are accurately prepared and submitted. Reports are independently prepared and submitted by the School Corporation Treasurer without oversight, review, or approval.

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 program.

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 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. Noncompliance with the grant agreement or the compliance requirements 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 the Reporting compliance requirements of the program.

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AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



**SOUTH
MONTGOMERY
SCHOOLS**
Doing What's Best For Kids

Dr. Shawn Greiner
Superintendent
Mr. Eric W. Brewer
Director of Business & Operations
Mr. Brett Higgins
Director of Technology & Curriculum

PO Box 8, New Market, IN 47965
T: 765-866-0203 | F: 765-866-0736
www.southmont.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-2

Original Assigned SBA Audit Report Number: B41981
Report Period: 07/01/2010 to 06/30/2012
Pass-Through Entity or Federal Grantor Agency:
Contact Person Responsible for Corrective Action: Eric W. Brewer, Director of Business and Operations
Contact Phone Number: 765-866-0203

Status of Audit Finding:

Corrections have been made to address the lack of segregation of duties.

FINDING 2012-3

Original Assigned SBA Audit Report Number: B41981
Report Period: 07/01/2010 to 06/30/2012
Pass-Through Entity or Federal Grantor Agency:
Contact Person Responsible for Corrective Action: Eric W. Brewer, Director of Business and Operations
Contact Phone Number: 765-866-0203

Status of Audit Finding:

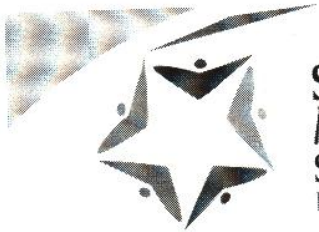
Corrections have been made to address the lack of segregation of duties.

FINDING 2012-4

Original Assigned SBA Audit Report Number: B41981
Report Period: 07/01/2010 to 06/30/2012
Pass-Through Entity or Federal Grantor Agency:
Contact Person Responsible for Corrective Action: Eric W. Brewer, Director of Business and Operations
Contact Phone Number: 765-866-0203

Status of Audit Finding:

Corrections have been made to address the lack of segregation of duties.



**SOUTH
MONTGOMERY
SCHOOLS**
Doing What's Best For Kids

Superintendent
Mr. Eric W. Brewer
Director of Business & Operations
Mr. Brett Higgins
Director of Technology & Curriculum

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Finding 2012-5 Special Education Cluster Cash Management

Original Assigned SBA Audit Report Number: B41981

Report Period: 07/01/2010 to 06/30/2012

Pass-Through Entity or Federal Grantor Agency:

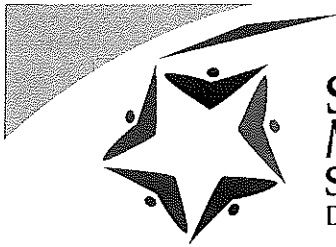
Contact Person Responsible for Corrective Action: Eric W. Brewer, Director of Business and Operations

Contact Phone Number: 765-866-0203

Status of Audit Finding:

Corrections have been made.

Eric W. Brewer
Director of Business and Operations
May 1, 2015



**SOUTH
MONTGOMERY
SCHOOLS**
Doing What's Best For Kids

Dr. Shawn Greiner

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Corrective Action Plan

June 11, 2015

Contact Person: Mr. Eric W. Brewer
Title: Director of Business and Operations
Phone Number: (765) 866-0203

FINDING 2014-001

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to financial transactions and reporting on June 11, 2015. As of that date South Montgomery Community School Corporation is addressing the listed concerns as follows:

- 1) **Lack of Internal Controls** – South Montgomery Community School Corporation is aware of the potential risks associated with the lack of internal controls. South Montgomery Community School Corporation will continue to assess the risks and weigh that against any future improvement in the financial condition of the school corporation. Review of input information into Gateway will be reviewed and verified by multiple staff in regards to reporting grant information. South Montgomery Community School Corporation anticipates correction to occur by October 1, 2015.

FINDING 2014-002

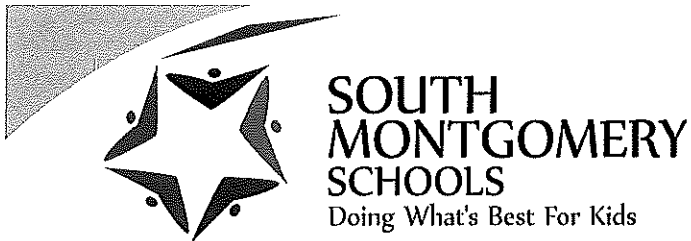
South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to internal controls over Financial Transactions and Reporting on June 11, 2015. As of that date South Montgomery Community School Corporation is addressing the listed concerns as follows:

- 1) **Internal Control/Compliance** – South Montgomery Community School Corporation is aware of the potential risks associated with not reconciling bank accounts to the ledger funds to ensure the balance of funds. South Montgomery Community School Corporation will continue to assess the risks and weigh that against any future improvement in the financial condition of the school corporation. South Montgomery Community School Corporation will consolidate and reconcile statements to the ledger for internal control and compliance. The anticipated completion date will occur on December 31, 2015.

FINDING 2014-003

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to internal controls over compliance requirements that have a direct and material effect to Child Nutrition Cluster on June 11, 2015. As of that date South Montgomery Community School Corporation is addressing the listed concerns as follows:

- 1) **Lack of Segregation of Duties** – South Montgomery Community School Corporation is aware of the potential risks associated with limited staff and has determined at this time that it is not economically feasible to hire additional staff in order to have account functions performed by different employees. South Montgomery Community School Corporation will continue to assess the risks and weigh that against any future improvement in the financial condition of the school corporation. South Montgomery Community School Corporation will



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review and implement a system of internal control that will manage receipts and reconciliations to the ledger with the Komputrol Software program and segregation of duties. Anticipated date of occurrence will be October 1, 2015.

FINDING 2014-004

South Montgomery Community School Corporation was made aware of deficiencies in their internal system relating to internal controls over compliance requirement that have a direct and material effect to Title I, Part A Cluster.

- 1) **Lack of Segregation of Duties** – South Montgomery Community School Corporation is aware of the potential risks associated with not reviewing reports required for federal grant funds. South Montgomery Community School Corporation will continue to assess the risks and weight that against any future improvement in the financial condition of the school corporation. South Montgomery Community School Corporation will review and implement a system of pre and post verification for reimbursement and receipts with includes segregation of duties. Anticipated date of occurrence will be July 1, 2015.


Eric W. Brewer

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.