

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

AUDIT REPORT

OF

SOUTH MADISON COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED
03/09/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Penny G. Myers	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Thomas E. Warmke	07-01-08 to 06-30-11
President of the School Board	John Trippeer Mike Gaskill	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Madison Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 7, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 7, 2011



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Madison Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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 statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 7, 2011

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 11,161,724	\$ -	\$ 374,479	\$ (10,787,245)
Support services	10,648,933	1,697,059	747,725	(8,204,149)
Noninstructional services	1,914,359	-	-	(1,914,359)
Facilities acquisition and construction	1,147,867	-	-	(1,147,867)
Debt service	11,190,946	-	-	(11,190,946)
Nonprogrammed charges	6,022,199	-	-	(6,022,199)
Total governmental activities	\$ 42,086,028	\$ 1,697,059	\$ 1,122,204	(39,266,765)
General receipts:				
Property taxes				13,009,263
Other local sources				3,067,041
State aid				17,011,557
Bonds and loans				3,881,420
Grants and contributions not restricted to specific programs				2,535,284
Investment earnings				75,123
Other				34,147
Total general receipts				39,613,835
Change in net assets				347,070
Net assets - beginning				5,331,421
Net assets - ending				\$ 5,678,491
<u>Assets</u>				
Cash and investments				\$ 3,701,390
Restricted assets:				
Cash and investments				1,977,101
Total assets				\$ 5,678,491
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 452,533
Other purposes				1,524,568
Unrestricted				3,701,390
Total net assets				\$ 5,678,491

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 11,360,606	\$ -	\$ 308,134	\$ (11,052,472)
Support services	11,699,122	1,827,304	933,750	(8,938,068)
Noninstructional services	2,010,987	-	-	(2,010,987)
Facilities acquisition and construction	4,882,345	-	-	(4,882,345)
Debt service	15,288,373	-	-	(15,288,373)
Nonprogrammed charges	<u>6,782,503</u>	<u>-</u>	<u>-</u>	<u>(6,782,503)</u>
Total governmental activities	<u>\$ 52,023,936</u>	<u>\$ 1,827,304</u>	<u>\$ 1,241,884</u>	<u>(48,954,748)</u>
General receipts:				
Property taxes				10,346,873
Other local sources				1,659,119
State aid				22,063,991
Bonds and loans				10,896,962
Grants and contributions not restricted to specific programs				2,315,856
Sale of property				2,170
Investment earnings				54,180
Other				<u>161,661</u>
Total general receipts				<u>47,500,812</u>
Change in net assets				(1,453,936)
Net assets - beginning				<u>5,678,492</u>
Net assets - ending				<u>\$ 4,224,556</u>
<u>Assets</u>				
Cash and investments				\$ 3,116,963
Restricted assets:				
Cash and investments				<u>1,107,593</u>
Total assets				<u>\$ 4,224,556</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 236,218
Other purposes				871,375
Unrestricted				<u>3,116,963</u>
Total net assets				<u>\$ 4,224,556</u>

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	School Lunch	Debt Service	Construction	Other	Totals
Receipts:						
Local sources	\$ 6,170,079	\$ 1,101,903	\$ 4,910,569	\$ -	\$ 5,649,384	\$ 17,831,935
Intermediate sources	119	-	-	-	1,463	1,582
State sources	17,381,090	26,764	-	-	452,000	17,859,854
Federal sources	-	548,723	-	-	2,260,470	2,809,193
Temporary loans	-	-	3,200,000	29,000	652,420	3,881,420
Interfund loans	-	-	-	-	9,153	9,153
Other	22,984	834	-	-	10,329	34,147
Total receipts	23,574,272	1,678,224	8,110,569	29,000	9,035,219	42,427,284
Disbursements:						
Current:						
Instruction	9,708,702	-	-	-	1,453,022	11,161,724
Support services	10,666,766	152,639	87	-	4,293,291	15,112,783
Noninstructional services	118,480	1,456,817	-	-	339,062	1,914,359
Facilities acquisition and construction	-	9,421	-	29,499	1,108,947	1,147,867
Debt services	2,000,000	-	8,118,036	-	1,072,910	11,190,946
Nonprogrammed charges	1,123,125	-	-	-	326,261	1,449,386
Interfund loans	-	-	-	-	9,153	9,153
Total disbursements	23,617,073	1,618,877	8,118,123	29,499	8,602,646	41,986,218
Excess (deficiency) of receipts over disbursements	(42,801)	59,347	(7,554)	(499)	432,573	441,066
Other financing sources (uses):						
Transfers in	544,351	-	-	-	30,286	574,637
Transfers out	-	-	-	-	(574,637)	(574,637)
Total other financing sources (uses)	544,351	-	-	-	(544,351)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	501,550	59,347	(7,554)	(499)	(111,778)	441,066
Cash and investments - beginning	105,078	358,741	460,087	2,393,040	395,911	3,712,857
Cash and investments - ending	<u>\$ 606,628</u>	<u>\$ 418,088</u>	<u>\$ 452,533</u>	<u>\$ 2,392,541</u>	<u>\$ 284,133</u>	4,153,923
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:						
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						<u>1,524,568</u>
Net assets of governmental activities						<u>\$ 5,678,491</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 606,628	\$ 418,088	\$ -	\$ 2,392,541	\$ 284,133	\$ 3,701,390
Restricted assets:						
Cash and investments	-	-	452,533	-	-	452,533
Total cash and investment assets - ending	\$ 606,628	\$ 418,088	\$ 452,533	\$ 2,392,541	\$ 284,133	\$ 4,153,923
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 452,533	\$ -	\$ -	\$ 452,533
Unrestricted	606,628	418,088	-	2,392,541	284,133	3,701,390
Total cash and investment fund balance - ending	\$ 606,628	\$ 418,088	\$ 452,533	\$ 2,392,541	\$ 284,133	\$ 4,153,923

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	School Lunch	Debt Service	Construction	Other	Totals
Receipts:						
Local sources	\$ 1,057,096	\$ 1,171,172	\$ 6,126,711	\$ 7,196	\$ 5,524,580	\$ 13,886,755
Intermediate sources	67	-	-	-	655	722
State sources	22,368,138	26,254	165,829	-	571,081	23,131,302
Federal sources	-	633,708	-	-	1,856,720	2,490,428
Temporary loans	610,000	-	4,871,000	-	5,415,962	10,896,962
Other	154,728	253	-	-	6,680	161,661
Total receipts	24,190,029	1,831,387	11,163,540	7,196	13,375,678	50,567,830
Disbursements:						
Current:						
Instruction	10,144,339	-	-	-	1,216,267	11,360,606
Support services	11,143,007	185,773	742	-	5,009,399	16,338,921
Noninstructional services	124,650	1,594,386	-	-	291,951	2,010,987
Facilities acquisition and construction	-	5,473	-	1,994,395	2,882,477	4,882,345
Debt services	610,000	-	11,388,573	-	3,289,800	15,288,373
Nonprogrammed charges	1,509,105	-	-	-	(19,594)	1,489,511
Total disbursements	23,531,101	1,785,632	11,389,315	1,994,395	12,670,300	51,370,743
Excess (deficiency) of receipts over disbursements	658,928	45,755	(225,775)	(1,987,199)	705,378	(802,913)
Other financing sources (uses):						
Sale of capital assets	-	1,820	-	-	350	2,170
Transfers in	117,793	-	-	-	-	117,793
Transfers out	-	-	-	-	(117,793)	(117,793)
Total other financing sources (uses)	117,793	1,820	-	-	(117,443)	2,170
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	776,721	47,575	(225,775)	(1,987,199)	587,935	(800,743)
Cash and investments - beginning	606,628	418,088	452,533	2,392,541	284,134	4,153,924
Cash and investments - ending	\$ 1,383,349	\$ 465,663	\$ 226,758	\$ 405,342	\$ 872,069	3,353,181
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:						
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						871,375
Net assets of governmental activities						<u>\$ 4,224,556</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,383,349	\$ 465,663	\$ -	\$ 405,342	\$ 862,609	\$ 3,116,963
Restricted assets:						
Cash and investments	-	-	226,758	-	9,460	236,218
Total cash and investment assets - ending	\$ 1,383,349	\$ 465,663	\$ 226,758	\$ 405,342	\$ 872,069	\$ 3,353,181
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 226,758	\$ -	\$ 9,460	\$ 236,218
Unrestricted	1,383,349	465,663	-	405,342	862,609	3,116,963
Total cash and investment fund balance - ending	\$ 1,383,349	\$ 465,663	\$ 226,758	\$ 405,342	\$ 872,069	\$ 3,353,181

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 4,463,850
Miscellaneous	14,967
Total operating receipts	4,478,817
Operating disbursements:	
Insurance claims and expense	4,572,813
Change in net assets	(93,996)
Cash and investment fund balance - beginning	1,618,564
Cash and investment fund balance - ending	\$ 1,524,568
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 1,524,568
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 1,524,568

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ <u>4,639,799</u>
Operating disbursements:	
Insurance claims and expense	<u>5,292,992</u>
Change in net assets	(653,193)
Cash and investment fund balance - beginning	<u>1,524,568</u>
Cash and investment fund balance - ending	<u>\$ 871,375</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 871,375</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 871,375</u>

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Private-Purpose Trust Fund	Agency Fund
Additions:			
Contributions:			
Other	\$ -	\$ 750	
Investment earnings:			
Interest	5	-	
Total additions	5	750	
Deductions:			
Benefits	39,024	-	
Administrative and general	-	19,867	
Total deductions	39,024	19,867	
Deficiency of total additions over total deductions	(39,019)	(19,117)	
Cash and investment fund balance - beginning	143,863	166,355	
Cash and investment fund balance - ending	\$ 104,844	\$ 147,238	\$ 81,029
Net assets:			
Cash and investments	\$ 104,844	\$ 147,238	\$ 81,029
Total net assets - cash and investment basis held in trust	\$ 104,844	\$ 147,238	\$ 81,029

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Pension Trust Fund	Private-Purpose Trust Fund	Agency Fund
Additions:			
Contributions:			
Other	\$ -	\$ 150	
Deductions:			
Benefits	38,679	-	
Administrative and general	-	14,673	
Total deductions	38,679	14,673	
Deficiency of total additions over total deductions	(38,679)	(14,523)	
Cash and investment fund balance - beginning	104,844	147,238	
Cash and investment fund balance - ending	\$ 66,165	\$ 132,715	\$ 58,792
Net assets:			
Cash and investments	\$ 66,165	\$ 132,715	\$ 58,792
Total net assets - cash and investment basis held in trust	\$ 66,165	\$ 132,715	\$ 58,792

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: South Madison Community School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with the Community School Corporation of Southern Hancock County, Community School Corporation of Eastern Hancock County, Mt. Vernon Community School Corporation, and Greenfield-Central School Corporation in a joint venture to operate the Hancock South Madison Joint Services Center, which was created to provide educational programs for multiple handicapped, hard of hearing, deaf and visually impaired children. The School Corporation is billed every quarter for their portion of the joint venture expenses based on their percentage of students attending. Complete financial statements for the Hancock South Madison Joint Services Center can be obtained from Greenfield-Central Community School Corporation, 110 West North Street, Greenfield, IN 46140.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

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

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The school lunch fund accounts for receipts and disbursements related to the food service program.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The construction fund accounts for planned construction, repair, replacement or remodeling of building projects.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for risk financing for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits) and is provided to other departments on a cost reimbursement basis.

The pension trust fund accounts for the activities of the retirement/severance benefits which accumulate resources for severance payments as authorized by statute.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the school corporation or students who attend the school corporation.

The agency fund account for assets held by the School Corporation as an agent for payroll related withholdings and serve as control accounts for certain cash transactions during the time they are a liability to the school corporation; that is, from the time they are withheld from the employees' wages until they are transmitted to the proper payee for the purpose withheld.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. 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. Taxable property is assessed at 100% 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
- 4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and

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

business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Transportation Operating	\$ 511,388	\$ -
Education Technology	28,702	328,453
Retirement Severance Bond	43,181	-
Capital Projects	-	61,374
School Bus Replacement	-	85,611

Deficits were due to the delay in the property tax distributions.

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

III. Detailed Notes on All Funds

A. Deposits

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$7,894,643.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
Other Governmental Funds	General Fund	\$ 544,351	\$ 117,793
Other Governmental Funds	Other Governmental Funds	<u>30,286</u>	<u>-</u>
Totals		<u>\$ 574,637</u>	<u>\$ 117,793</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is 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.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund,

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

where assets are set aside for claim settlements. The School Corporation purchases commercial insurance for claims in excess of coverage provided by the fund. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into a capital lease with South Madison Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years 2009 and 2010 totaled \$1,867,000 and \$1,907,500, respectively.

The School Corporation has entered into a capital lease with Second South Madison Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$1,495,500 and \$1,495,000, respectively.

The School Corporation has entered into a capital lease with South Madison New Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$815,000 and \$1,013,000, respectively.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$303,925.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plans

a. Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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 member's contributions, set by state statute at 3% 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.

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy

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

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

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.

The School Corporation's contributions to the plan during the period were \$1,652,507.

b. 403b Retirement Plan

The School Corporation makes matching contributions of up to 3% of the employee's income to a 403(b) retirement plan. Then 403(b) retirement plan allows employees to make contributions up to limits established by the Internal Revenue Service. The employee chooses the investment options provided by the plan administrator.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Transportation Operating	Special Education Preschool	Textbook Rental	Levy Excess	Child Care Program	Extended Day Kindergarten
Receipts:						
Local sources	\$ 1,255,595	\$ 14,353	\$ 395,896	\$ -	\$ 516,669	\$ 4,250
Intermediate sources	-	-	-	-	-	-
State sources	-	226,313	172,239	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	205,000	-	-	-	-	-
Interfund loans	-	-	9,153	-	-	-
Other	271	-	2,431	-	-	-
Total receipts	1,460,866	240,666	579,719	-	516,669	4,250
Disbursements:						
Current:						
Instruction	-	112,750	-	-	205,461	-
Support services	1,440,969	-	670,706	-	-	-
Noninstructional services	-	-	-	-	331,447	-
Facilities acquisition and construction	-	-	2,799	-	18	-
Debt services	170,000	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	9,153	-	-	-
Total disbursements	1,610,969	112,750	682,658	-	536,926	-
Excess (deficiency) of receipts over disbursements	(150,103)	127,916	(102,939)	-	(20,257)	4,250
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(544,351)	-	-
Total other financing sources (uses)	-	-	-	(544,351)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(150,103)	127,916	(102,939)	(544,351)	(20,257)	4,250
Cash and investments - beginning	(361,285)	(10,123)	273,712	544,351	4,565	-
Cash and investments - ending	<u>\$ (511,388)</u>	<u>\$ 117,793</u>	<u>\$ 170,773</u>	<u>\$ -</u>	<u>\$ (15,692)</u>	<u>\$ 4,250</u>
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	<u>\$ (511,388)</u>	<u>\$ 117,793</u>	<u>\$ 170,773</u>	<u>\$ -</u>	<u>\$ (15,692)</u>	<u>\$ 4,250</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	(511,388)	117,793	170,773	-	(15,692)	4,250
Total cash and investment fund balance - ending	<u>\$ (511,388)</u>	<u>\$ 117,793</u>	<u>\$ 170,773</u>	<u>\$ -</u>	<u>\$ (15,692)</u>	<u>\$ 4,250</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Education License Plate	Alternative Education	Safe School Haven	Gifted Talented 06/07	Gifted Talented 08/09	Education Technology
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	1,463	-	-	-	-	-
State sources	-	9,016	-	-	-	-
Federal sources	-	-	-	-	43,093	-
Temporary loans	-	-	-	-	-	102,420
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	1,463	9,016	-	-	43,093	102,420
Disbursements:						
Current:						
Instruction	-	16,955	(4,700)	27,834	14,748	-
Support services	-	-	-	-	-	131,267
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	16,955	(4,700)	27,834	14,748	131,267
Excess (deficiency) of receipts over disbursements	1,463	(7,939)	4,700	(27,834)	28,345	(28,847)
Other financing sources (uses):						
Transfers in	-	-	-	24,703	-	-
Transfers out	-	-	-	-	(24,703)	-
Total other financing sources (uses)	-	-	-	24,703	(24,703)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,463	(7,939)	4,700	(3,131)	3,642	(28,847)
Cash and investments - beginning	7,525	16,955	(4,700)	3,131	-	145
Cash and investments - ending	<u>\$ 8,988</u>	<u>\$ 9,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,642</u>	<u>\$ (28,702)</u>
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	<u>\$ 8,988</u>	<u>\$ 9,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,642</u>	<u>\$ (28,702)</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>8,988</u>	<u>9,016</u>	<u>-</u>	<u>-</u>	<u>3,642</u>	<u>(28,702)</u>
Total cash and investment fund balance - ending	<u>\$ 8,988</u>	<u>\$ 9,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,642</u>	<u>\$ (28,702)</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Non-English Speaking Programs	Non-English Speaking Programs 08/09	School Technology	Staff Improvement	Staff Training	Mentor Certification
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 250	\$ 506	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	4,947	-	39,485	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	4,947	-	39,485	250	506	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	3,893	6,085	-	132	309	1,096
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	1,374	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	3,893	6,085	1,374	132	309	1,096
Excess (deficiency) of receipts over disbursements	1,054	(6,085)	38,111	118	197	(1,096)
Other financing sources (uses):						
Transfers in	-	4,947	-	-	-	-
Transfers out	(4,947)	-	-	-	-	-
Total other financing sources (uses)	(4,947)	4,947	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,893)	(1,138)	38,111	118	197	(1,096)
Cash and investments - beginning	4,804	-	71,087	453	2,392	2,412
Cash and investments - ending	\$ 911	\$ (1,138)	\$ 109,198	\$ 571	\$ 2,589	\$ 1,316
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ 911	\$ (1,138)	\$ 109,198	\$ 571	\$ 2,589	\$ 1,316
Cash and Investment Fund Balance - Ending						
Unrestricted	911	(1,138)	109,198	571	2,589	1,316
Total cash and investment fund balance - ending	\$ 911	\$ (1,138)	\$ 109,198	\$ 571	\$ 2,589	\$ 1,316

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title I FY 08/09	Title I FY 02/03	Title V FY 08/09	Title V Part A	Title V Part A 06/07	Special Education
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	225,231	-	594	-	-	7,841
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	225,231	-	594	-	-	7,841
Disbursements:						
Current:						
Instruction	120,301	-	-	-	-	6,851
Support services	14,721	-	-	58	408	990
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	135,022	-	-	58	408	7,841
Excess (deficiency) of receipts over disbursements	90,209	-	594	(58)	(408)	-
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	90,209	-	594	(58)	(408)	-
Cash and investments - beginning	-	13	-	-	5,144	-
Cash and investments - ending	\$ 90,209	\$ 13	\$ 594	\$ (58)	\$ 4,736	\$ -
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ 90,209	\$ 13	\$ 594	\$ (58)	\$ 4,736	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	90,209	13	594	(58)	4,736	-
Total cash and investment fund balance - ending	\$ 90,209	\$ 13	\$ 594	\$ (58)	\$ 4,736	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Drug Free Schools	Safe & Drug Free Schools	Title III - Energy Conservation	Improving Teacher Quality	Stimulus Fiscal Stabilization	Retirement Severance Bond
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516,704
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	1,108	5,619	-	61,868	1,915,116	-
Temporary loans	-	-	-	-	-	280,000
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	1,108	5,619	-	61,868	1,915,116	796,704
Disbursements:						
Current:						
Instruction	10,500	3,110	-	90,000	849,212	-
Support services	2,334	-	60	14,173	732,028	-
Noninstructional services	-	-	-	-	7,615	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	842,910
Nonprogrammed charges	-	-	-	-	326,261	-
Interfund loans	-	-	-	-	-	-
Total disbursements	12,834	3,110	60	104,173	1,915,116	842,910
Excess (deficiency) of receipts over disbursements	(11,726)	2,509	(60)	(42,305)	-	(46,206)
Other financing sources (uses):						
Transfers in	636	-	-	-	-	-
Transfers out	-	(636)	-	-	-	-
Total other financing sources (uses)	636	(636)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,090)	1,873	(60)	(42,305)	-	(46,206)
Cash and investments - beginning	12,219	-	-	128,849	-	3,025
Cash and investments - ending	<u>\$ 1,129</u>	<u>\$ 1,873</u>	<u>\$ (60)</u>	<u>\$ 86,544</u>	<u>\$ -</u>	<u>\$ (43,181)</u>
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	<u>\$ 1,129</u>	<u>\$ 1,873</u>	<u>\$ (60)</u>	<u>\$ 86,544</u>	<u>\$ -</u>	<u>\$ (43,181)</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	1,129	1,873	(60)	86,544	-	(43,181)
Total cash and investment fund balance - ending	<u>\$ 1,129</u>	<u>\$ 1,873</u>	<u>\$ (60)</u>	<u>\$ 86,544</u>	<u>\$ -</u>	<u>\$ (43,181)</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Capital Projects	School Bus Replacement	Construction FY 08/09	SMCF-Carnegie Renovating/Repairs	Totals
Receipts:					
Local sources	\$ 2,433,840	\$ 509,511	\$ -	\$ 1,810	\$ 5,649,384
Intermediate sources	-	-	-	-	1,463
State sources	-	-	-	-	452,000
Federal sources	-	-	-	-	2,260,470
Temporary loans	-	65,000	-	-	652,420
Interfund loans	-	-	-	-	9,153
Other	2,847	4,780	-	-	10,329
Total receipts	2,436,687	579,291	-	1,810	9,035,219
Disbursements:					
Current:					
Instruction	-	-	-	-	1,453,022
Support services	864,506	409,556	-	-	4,293,291
Noninstructional services	-	-	-	-	339,062
Facilities acquisition and construction	1,102,195	-	751	1,810	1,108,947
Debt services	-	60,000	-	-	1,072,910
Nonprogrammed charges	-	-	-	-	326,261
Interfund loans	-	-	-	-	9,153
Total disbursements	1,966,701	469,556	751	1,810	8,602,646
Excess (deficiency) of receipts over disbursements	469,986	109,735	(751)	-	432,573
Other financing sources (uses):					
Transfers in	-	-	-	-	30,286
Transfers out	-	-	-	-	(574,637)
Total other financing sources (uses)	-	-	-	-	(544,351)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	469,986	109,735	(751)	-	(111,778)
Cash and investments - beginning	(293,944)	(14,819)	-	-	395,911
Cash and investments - ending	<u>\$ 176,042</u>	<u>\$ 94,916</u>	<u>\$ (751)</u>	<u>\$ -</u>	<u>\$ 284,133</u>
Cash and Investment Assets - Ending					
Total cash and investment assets - ending	<u>\$ 176,042</u>	<u>\$ 94,916</u>	<u>\$ (751)</u>	<u>\$ -</u>	<u>\$ 284,133</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>176,042</u>	<u>94,916</u>	<u>(751)</u>	<u>-</u>	<u>284,133</u>
Total cash and investment fund balance - ending	<u>\$ 176,042</u>	<u>\$ 94,916</u>	<u>\$ (751)</u>	<u>\$ -</u>	<u>\$ 284,133</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Transportation Operating	Special Education Preschool	Textbook Rental	Levy Excess	Child Care Program	Extended Day Kindergarten	Education License Plate
Receipts:							
Local sources	\$ 1,566,091	\$ -	\$ 464,445	\$ 42,370	\$ 438,337	\$ 106,759	\$ -
Intermediate sources	-	-	-	-	-	-	655
State sources	42,398	112,750	273,788	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	1,472,000	-	-	-	-	-	-
Other	10	-	2,305	-	-	-	-
Total receipts	3,080,499	112,750	740,538	42,370	438,337	106,759	655
Disbursements:							
Current:							
Instruction	-	112,750	-	-	140,084	-	-
Support services	1,131,954	-	626,905	-	-	-	-
Noninstructional services	-	-	-	-	287,074	-	-
Facilities acquisition and construction	-	-	-	-	28	-	-
Debt services	1,135,000	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,266,954	112,750	626,905	-	427,186	-	-
Excess (deficiency) of receipts over disbursements	813,545	-	113,633	42,370	11,151	106,759	655
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers out	-	(117,793)	-	-	-	-	-
Total other financing sources (uses)	-	(117,793)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	813,545	(117,793)	113,633	42,370	11,151	106,759	655
Cash and investments - beginning	(511,388)	117,793	170,773	-	(15,692)	4,250	8,989
Cash and investments - ending	\$ 302,157	\$ -	\$ 284,406	\$ 42,370	\$ (4,541)	\$ 111,009	\$ 9,644
Cash and Investment Assets - Ending							
Cash and investments	\$ 302,157	\$ -	\$ 284,406	\$ 42,370	\$ (4,541)	\$ 111,009	\$ 9,644
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 302,157	\$ -	\$ 284,406	\$ 42,370	\$ (4,541)	\$ 111,009	\$ 9,644
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	302,157	-	284,406	42,370	(4,541)	111,009	9,644
Total cash and investment fund balance - ending	\$ 302,157	\$ -	\$ 284,406	\$ 42,370	\$ (4,541)	\$ 111,009	\$ 9,644

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Alternative Education	Gifted Talented 08/09	Education Technology	Gifted/Talented High Ability Grant	Non-English Speaking Programs	Non-English Speaking Programs 08/09	School Technology
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	10,479	-	-	-	3,986	-	47,831
Federal sources	-	-	-	43,152	-	-	-
Temporary loans	-	-	85,658	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>10,479</u>	<u>-</u>	<u>85,658</u>	<u>43,152</u>	<u>3,986</u>	<u>-</u>	<u>47,831</u>
Disbursements:							
Current:							
Instruction	19,495	4,050	-	20,703	-	-	-
Support services	-	-	385,409	-	-	(2,576)	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	23,299
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>19,495</u>	<u>4,050</u>	<u>385,409</u>	<u>20,703</u>	<u>-</u>	<u>(2,576)</u>	<u>23,299</u>
Excess (deficiency) of receipts over disbursements	<u>(9,016)</u>	<u>(4,050)</u>	<u>(299,751)</u>	<u>22,449</u>	<u>3,986</u>	<u>2,576</u>	<u>24,532</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9,016)</u>	<u>(4,050)</u>	<u>(299,751)</u>	<u>22,449</u>	<u>3,986</u>	<u>2,576</u>	<u>24,532</u>
Cash and investments - beginning	<u>9,016</u>	<u>3,642</u>	<u>(28,702)</u>	<u>-</u>	<u>911</u>	<u>(1,138)</u>	<u>109,198</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (408)</u>	<u>\$ (328,453)</u>	<u>\$ 22,449</u>	<u>\$ 4,897</u>	<u>\$ 1,438</u>	<u>\$ 133,730</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ (408)	\$ (328,453)	\$ 22,449	\$ 4,897	\$ 1,438	\$ 133,730
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ (408)</u>	<u>\$ (328,453)</u>	<u>\$ 22,449</u>	<u>\$ 4,897</u>	<u>\$ 1,438</u>	<u>\$ 133,730</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	(408)	(328,453)	22,449	4,897	1,438	133,730
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (408)</u>	<u>\$ (328,453)</u>	<u>\$ 22,449</u>	<u>\$ 4,897</u>	<u>\$ 1,438</u>	<u>\$ 133,730</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Staff Improvement	Staff Training	Mentor Certification	Title I FY 08/09	Title I FY 09/10	Title I FY 02/03
Receipts:						
Local sources	\$ 72	\$ 1,929	\$ 7,500	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	26,400	220,273	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>72</u>	<u>1,929</u>	<u>7,500</u>	<u>26,400</u>	<u>220,273</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	-	-	-	38,369	46,584	-
Support services	-	300	1,621	98,842	24,008	-
Noninstructional services	-	-	-	-	1,905	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>300</u>	<u>1,621</u>	<u>137,211</u>	<u>72,497</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>72</u>	<u>1,629</u>	<u>5,879</u>	<u>(110,811)</u>	<u>147,776</u>	<u>-</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>72</u>	<u>1,629</u>	<u>5,879</u>	<u>(110,811)</u>	<u>147,776</u>	<u>-</u>
Cash and investments - beginning	<u>571</u>	<u>2,589</u>	<u>1,316</u>	<u>90,209</u>	<u>-</u>	<u>13</u>
Cash and investments - ending	<u>\$ 643</u>	<u>\$ 4,218</u>	<u>\$ 7,195</u>	<u>\$ (20,602)</u>	<u>\$ 147,776</u>	<u>\$ 13</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 643	\$ 4,218	\$ 7,195	\$ (20,602)	\$ 147,776	\$ 13
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 643</u>	<u>\$ 4,218</u>	<u>\$ 7,195</u>	<u>\$ (20,602)</u>	<u>\$ 147,776</u>	<u>\$ 13</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>643</u>	<u>4,218</u>	<u>7,195</u>	<u>(20,602)</u>	<u>147,776</u>	<u>13</u>
Total cash and investment fund balance - ending	<u>\$ 643</u>	<u>\$ 4,218</u>	<u>\$ 7,195</u>	<u>\$ (20,602)</u>	<u>\$ 147,776</u>	<u>\$ 13</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title V FY 08/09	Title V Part A	Title V Part A 06/07	Learn & Serve Indiana	Drug Free Schools	Safe & Drug Free Schools
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	7,873	-	-	8,000	-	10,546
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	7,873	-	-	8,000	-	10,546
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	458	3,766	-	323
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	458	3,766	-	323
Excess (deficiency) of receipts over disbursements	7,873	-	(458)	4,234	-	10,223
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,873	-	(458)	4,234	-	10,223
Cash and investments - beginning	594	(58)	4,736	-	1,129	1,873
Cash and investments - ending	\$ 8,467	\$ (58)	\$ 4,278	\$ 4,234	\$ 1,129	\$ 12,096
Cash and Investment Assets - Ending						
Cash and investments	\$ 8,467	\$ (58)	\$ 4,278	\$ 4,234	\$ 1,129	\$ 12,096
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 8,467	\$ (58)	\$ 4,278	\$ 4,234	\$ 1,129	\$ 12,096
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	8,467	(58)	4,278	4,234	1,129	12,096
Total cash and investment fund balance - ending	\$ 8,467	\$ (58)	\$ 4,278	\$ 4,234	\$ 1,129	\$ 12,096

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title III - Energy Conservation	Improving Teacher Quality	Stimulus Fiscal Stabilization	Stimulus Title I Grants to LEA	Stimulus Special Education B	Stimulus Special Education Preschool
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	1,565	108,795	842,315	88,766	421,120	16,609
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	1,565	108,795	842,315	88,766	421,120	16,609
Disbursements:						
Current:						
Instruction	-	-	388,119	67,570	370,440	8,103
Support services	-	13,574	471,818	16,506	1,980	-
Noninstructional services	-	-	1,972	1,000	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	(19,594)	-	-	-
Total disbursements	-	13,574	842,315	85,076	372,420	8,103
Excess (deficiency) of receipts over disbursements	1,565	95,221	-	3,690	48,700	8,506
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,565	95,221	-	3,690	48,700	8,506
Cash and investments - beginning	(60)	86,544	-	-	-	-
Cash and investments - ending	\$ 1,505	\$ 181,765	\$ -	\$ 3,690	\$ 48,700	\$ 8,506
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,505	\$ 181,765	\$ -	\$ 3,690	\$ 48,700	\$ 8,506
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,505	\$ 181,765	\$ -	\$ 3,690	\$ 48,700	\$ 8,506
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,505	181,765	-	3,690	48,700	8,506
Total cash and investment fund balance - ending	\$ 1,505	\$ 181,765	\$ -	\$ 3,690	\$ 48,700	\$ 8,506

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Stimulus Education Technology	Retirement Severance Bond	Capital Projects	School Bus Replacement	Construction FY 08/09	Totals
Receipts:						
Local sources	\$ -	\$ 574,411	\$ 2,002,852	\$ 319,814	\$ -	\$ 5,524,580
Intermediate sources	-	-	-	-	-	655
State sources	-	63,430	-	16,419	-	571,081
Federal sources	61,306	-	-	-	-	1,856,720
Temporary loans	-	399,600	1,005,000	362,800	2,090,904	5,415,962
Other	-	-	4,365	-	-	6,680
Total receipts	61,306	1,037,441	3,012,217	699,033	2,090,904	13,375,678
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,216,267
Support services	43,214	-	1,476,737	714,560	-	5,009,399
Noninstructional services	-	-	-	-	-	291,951
Facilities acquisition and construction	-	-	768,246	-	2,090,904	2,882,477
Debt services	-	984,800	1,005,000	165,000	-	3,289,800
Nonprogrammed charges	-	-	-	-	-	(19,594)
Total disbursements	43,214	984,800	3,249,983	879,560	2,090,904	12,670,300
Excess (deficiency) of receipts over disbursements	18,092	52,641	(237,766)	(180,527)	-	705,378
Other financing sources (uses):						
Sale of capital assets	-	-	350	-	-	350
Transfers out	-	-	-	-	-	(117,793)
Total other financing sources (uses)	-	-	350	-	-	(117,443)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,092	52,641	(237,416)	(180,527)	-	587,935
Cash and investments - beginning	-	(43,181)	176,042	94,916	(751)	284,134
Cash and investments - ending	\$ 18,092	\$ 9,460	\$ (61,374)	\$ (85,611)	\$ (751)	\$ 872,069
Cash and Investment Assets - Ending						
Cash and investments	\$ 18,092	\$ -	\$ (61,374)	\$ (85,611)	\$ (751)	\$ 862,609
Restricted assets:						
Cash and investments	-	9,460	-	-	-	9,460
Total cash and investment assets - ending	\$ 18,092	\$ 9,460	\$ (61,374)	\$ (85,611)	\$ (751)	\$ 872,069
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ 9,460	\$ -	\$ -	\$ -	\$ 9,460
Unrestricted	18,092	-	(61,374)	(85,611)	(751)	862,609
Total cash and investment fund balance - ending	\$ 18,092	\$ 9,460	\$ (61,374)	\$ (85,611)	\$ (751)	\$ 872,069

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	After School Study Table Program	Charlies Fund For Children	Community Education	Indiana Next	Donation SMCF Pendleton Player	PHMS After School 06/07	Cape Grant	Totals
Additions:								
Contributions:								
Other	\$ -	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ 750
Total additions	-	-	750	-	-	-	-	750
Deductions:								
Administrative and general	3,308	3,956	653	-	-	5,000	6,950	19,867
Excess (deficiency) of total additions over total deductions	(3,308)	(3,956)	97	-	-	(5,000)	(6,950)	(19,117)
Cash and investment fund balance - beginning	-	4,437	13,650	127	5,110	5,000	138,031	166,355
Cash and investments - June 30	<u>\$ (3,308)</u>	<u>\$ 481</u>	<u>\$ 13,747</u>	<u>\$ 127</u>	<u>\$ 5,110</u>	<u>\$ -</u>	<u>\$ 131,081</u>	<u>\$ 147,238</u>
Net assets:								
Cash and investments	\$ (3,308)	\$ 481	\$ 13,747	\$ 127	\$ 5,110	\$ -	\$ 131,081	\$ 147,238
Total net assets - cash and investment basis held in trust	<u>\$ (3,308)</u>	<u>\$ 481</u>	<u>\$ 13,747</u>	<u>\$ 127</u>	<u>\$ 5,110</u>	<u>\$ -</u>	<u>\$ 131,081</u>	<u>\$ 147,238</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	After School Study Table Program	Charles Fund For Children	Community Education	Indiana Next	Donation SMCF Pendleton Player	Cape Grant	Totals
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ -	\$ 150
Total additions	-	-	150	-	-	-	150
Deductions:							
Administrative and general	3,321	481	458	-	3,896	6,517	14,673
Deficiency of total additions over total deductions	(3,321)	(481)	(308)	-	(3,896)	(6,517)	(14,523)
Cash and investment fund balance - beginning	(3,308)	481	13,747	127	5,110	131,081	147,238
Cash and investments - June 30	<u>\$ (6,629)</u>	<u>\$ -</u>	<u>\$ 13,439</u>	<u>\$ 127</u>	<u>\$ 1,214</u>	<u>\$ 124,564</u>	<u>\$ 132,715</u>
Net assets:							
Cash and investments	\$ (6,629)	\$ -	\$ 13,439	\$ 127	\$ 1,214	\$ 124,564	\$ 132,715
Total net assets - cash and investment basis held in trust	<u>\$ (6,629)</u>	<u>\$ -</u>	<u>\$ 13,439</u>	<u>\$ 127</u>	<u>\$ 1,214</u>	<u>\$ 124,564</u>	<u>\$ 132,715</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2009

	<u>Payroll Withholdings</u>
Additions: Agency fund additions	\$ <u>4,755,898</u>
Deductions: Agency fund deductions	<u>4,735,145</u>
Excess of total additions over total deductions	20,753
Cash and investment fund balance - beginning	<u>60,276</u>
Cash and investment fund balance - ending	\$ <u><u>81,029</u></u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2010

	Payroll Withholdings
Additions: Agency fund additions	\$ <u>4,746,509</u>
Deductions: Agency fund deductions	<u>4,768,746</u>
Deficiency of total additions over total deductions	(22,237)
Cash and investment fund balance - beginning	<u>81,029</u>
Cash and investment fund balance - ending	\$ <u><u>58,792</u></u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 14,148,126
Buildings	155,715,870
Machinery and equipment	<u>12,707,965</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 182,571,961</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
EES, PES, MS & PHHS W/97 PHHS Refinance	\$ 23,555,000	\$ 1,973,500
Maple Ridge Elementary (Refinance)	11,455,000	1,490,000
New Middle School	33,765,000	2,087,000
Notes and loans payable:		
Common School Loans:		
South Elementary - A0316	75,000	77,812
PHHS - A0417	9,330,375	978,055
Technology - A1127	11,715	11,773
Technology - A1190	27,922	18,847
Technology - A1243	16,438	16,520
Technology - A1300	71,694	21,150
Technology - A1136	85,658	29,485
Technology - A1380	377,000	41,470
Intermediate Remodel	2,186,126	-
Veteran's Memorial:		
South Elementary	3,400	3,434
Bus Loans:		
Bus Loan	215,963	218,343
Bus Loan	97,073	50,179
Bonds payable:		
General obligation bonds:		
Purchase of Middle School Land	1,220,000	217,205
Bus Coral/Fueling Station	305,000	91,790
Pension Bonds:		
Pension Bond	205,000	211,099
Pension Bond	70,000	72,020
Total governmental activities debt	<u>\$ 83,073,364</u>	<u>\$ 7,609,682</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the Transportation Operating Fund, Child Care Program Fund, Education Technology Fund, Gifted Talented 05/06 Fund, Title V 05/06 Fund, Title III - Energy Conservation Fund, Retirement/Severance Bond Fund and Construction 08/09 Fund were overdrawn on June 30, 2009.

The cash balances of the Child Care Program Fund, Gifted Talented 08/09 Fund, Education Technology Fund, Title I 08/09 Fund, Title V 05/06 Fund, Capital Projects Fund, School Bus Replacement Fund, and Construction 08/09 Fund were overdrawn on June 30, 2010.

A similar comment appeared in prior Report B34458.

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

OFFICIAL BOND

The School Corporation Treasurer, Assistant Treasurer, and Food Service Director were each separately bonded. Various other employees whom handle money were insured through a \$10,000 blanket bond (\$200,000 in the aggregate). Only one of these bonds was recorded in the County Recorder's Office. Additionally, the School Corporation's official bonds are continuation certificates and not annual bonds.

A similar comment appeared in prior Report B34458.

The official bonds of treasurers, corporation or extra-curricular, must be written for a period of one (1) year, the term of office of the respective treasurer. Bonds may be for a shorter period for a person appointed to complete the term of a treasurer who resigned or is deceased. The bonds shall be payable to the State of Indiana as required by IC 5-4-1-10; and, after approval, shall be filed and recorded in the office of the recorder of the county wherein the treasurer resides as provided in IC 5-4-1-5.1 as well as with Board of School Trustees. No charge shall be made by the recorder of the county for recording the official bonds of any public officer, deputy, appointee or employee (IC 36-2-7-10).

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates or renewals should not be used in lieu of obtaining a new bond. (The School Administrator, March 2010, Volume 189)

INVESTMENT REGISTER (Applies to East Elementary School)

East Elementary School has a certificate of deposit and is not using the Prescribed Investment Register, General Form 350.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

EXCESSIVE OR UNREASONABLE COSTS (Applies to East Elementary School and Pendleton Heights Middle School)

East Elementary School purchased \$325.53 from the Interest Fund during the audit period for cakes, a water cooler, and registration workers.

Additionally, the disbursements examined at Pendleton Heights Middle School identified purchases totaling \$447.36 during the audit period for staff cakes, workroom supplies, paper towel holders for conference room, beverages for staff lunch/training, and payments to registration workers from the Interest Fund.

A similar comment appeared in prior Report B34458.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 11)

INVESTMENT MATURITY LIMITATIONS (Applies to East Elementary School)

East Elementary School has purchased a certificate of deposit which has a stated maturity in excess of two years.

IC 5-13-9-5.6 states in part: ". . . investments made under this chapter must have a stated final maturity of not more than . . . (3) two (2) years . . . after the date of purchase . . ."

OLD OUTSTANDING CHECKS (WARRANTS) (Applies to Pendleton Heights High School)

Our review of the bank reconcilements as of June 30 of 2009 and 2010, identified checks outstanding in excess of two years at Pendleton Heights High School. Some of these checks have been outstanding since 2005.

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

IC 5-11-10.5-3 states:

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

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

IC 5-11-10.5-5 states:

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

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

RECEIPT ISSUANCE (Applies to Pendleton Heights High School)

Receipts were not always issued on the day the funds were received but rather receipted on the day of the deposit.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the South Madison Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-1 and 2010-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 7, 2011

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 73,713	\$ -
		FY 2008-09	-	91,386
		FY 2009-10	-	-
National School Lunch Program	10.555		558,519	-
		FY 2008-09	-	664,531
		FY 2009-10	-	-
Total for cluster and federal grantor agency			<u>632,232</u>	<u>755,917</u>
<u>U.S. DEPARTMENT OF ENERGY</u>				
Pass-Through Indiana Department of Education ARRA - State Energy Program Title III - Energy Conservation	81.041		60	-
		FY 2008-09	-	-
Total for federal grantor agency			<u>60</u>	<u>-</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Cluster Title I Grants to Local Educational Agencies Compensatory Education	84.010		135,023	-
		FY 2008-09	-	137,211
		FY 2009-10	-	72,497
Compensatory Education		FY 2009-10	-	-
Total for program			<u>135,023</u>	<u>209,708</u>
ARRA - Title I Grants to Local Education Agencies, Recovery Act	84.389		-	85,076
		FY 2009-10	-	-
Total for cluster			<u>135,023</u>	<u>294,784</u>
Pass-Through Elwood Community Schools Special Education Cluster Special Education - Grants to States Part B IDEA	84.027		7,841	-
		14209-027-PN01	-	-
ARRA - Special Education - Grants to States	84.391		-	372,420
		FY 2009-2010	-	-
ARRA - Special Education - Preschool Grants Preschool	84.392		-	8,103
		4410-0275N01	-	-
Total for cluster			<u>7,841</u>	<u>380,523</u>
Educational Technology State Grants Cluster ARRA - Education Technology State Grants, Recovery Act	84.386		-	43,214
		FY 2009-2010	-	-

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 2009-10	1,915,116	842,315
Safe & Drug-Free Schools & Communities - State Grants	84.186			
Title IV Part A - Safe & Drug Free Schools		08-5255	12,834	-
Project Peace		09-5255	3,746	323
Total for program			<u>16,580</u>	<u>323</u>
Pass-Through Indiana Department of Workforce Development State Grants for Innovative Programs	84.298			
Title V		FY 2008-09	466	-
		FY 2009-10	-	458
Total for program			<u>466</u>	<u>458</u>
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367			
Title II Part A		FY 2008-09	104,173	-
		FY 2009-10	-	13,574
Total for program			<u>104,173</u>	<u>13,574</u>
Total for federal grantor agency			<u>2,179,199</u>	<u>1,575,191</u>
<u>CORPORATION FOR NATIONAL SERVICE</u>				
Pass-Through Indiana Department of Education Learn & Serve America - School & Community Based Programs	94.004			
Learn & Serve Indiana		FY 2009-2010	-	3,766
Total for federal grantor agency			<u>-</u>	<u>3,766</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
Disaster #1766		095-UA0IE-00	8,403	3,746
Total for federal grantor agency			<u>8,403</u>	<u>3,746</u>
Total federal awards expended			<u>\$ 2,819,894</u>	<u>\$ 2,338,620</u>

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Madison Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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 the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 10,302	\$ 14,334
National School Lunch Program	10.555	78,849	115,181

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

Name of Federal Program or Cluster

Title I Cluster
Special Education Cluster
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010 and 84.389
Pass-through Entity: Indiana Department of Education

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

Amounts received by the School Corporation for the Title I Cluster Grant were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant funds. The cash balance of the grant exceeded the allowable cash balance of 1.5% of the average monthly expenditure, for 19 of the 24 months during the audit period. The cash balance of the grant at June 30, 2010, as reported on the fourth quarter report submitted to the Indiana Department of Education, was \$130,865, which was approximately 26% of the total grant awarded during the audit period. The estimated cash needs in the few months subsequent to the audit period did not substantiate the need for the amount of cash balance. Cash drawdown requests were not revised to ensure there would not be excess cash on hand.

EDGAR 80.20(b)(7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

FINDING 2010-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Special Education to States and Preschool Grant
CFDA Number: 84.027, 84.391, & 84.392
Pass-through Entity: Indiana Department of Education

Amounts received by the School Corporation for the Special Education to the States and Preschool Grant were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant funds. The cash balance of the grant exceeded the allowable cash balance of 1.5% of the average monthly expenditure, for 9 of the 24 months during the audit period. The cash balance of the grant at June 30, 2010, as reported on the Form 9 report submitted to the Indiana Department of Education, was \$57,206, which was approximately 13% of the total grant awarded during the audit period. The estimated cash needs in the 9 of the 24 months of the audit period did not substantiate the need for the amount of cash balance. Cash drawdown requests were not revised to ensure there would not be excess cash on hand.

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

EDGAR 80.20(b)(7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.



OUTH MADISON

COMMUNITY SCHOOL CORPORATION

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

BOARD OF SCHOOL TRUSTEES

Terry L. Auker
Chris J. Boots
Richard C. Evans
Michael R. Gaskill
Amy S. McGinnis
Joel P. Sandefur
Marilea A. Wyatt

ADMINISTRATION

Dr. Thomas E. Warmke
Superintendent

Joseph A. Buck
Chief Financial Officer

Sandra K. Hudson
Director of School Improvement

Laura M. Miller
Director of Instruction and Staff Development

Mark W. Matlock
Director of Support Services

Todd E. Trehearne
Director of Information Technology

CORRECTIVE ACTION PLAN

FINDING 2010-1 Cash Management

Federal Agency:	U.S. Department of Education
Federal Program:	Title I Cluster
CFDA Number:	84.010 and 84.389
Auditee Contact Person:	Penny Myers
Title of Contact Person:	Corporation Treasurer
Expected Completion Date:	Corrective Action Plan has been implemented prior to the Exit Conference.

Based on the procedural changes at the Indiana Department of Education, distributions of Title I Funds are no longer received on a drawdown method, but on a reimbursement basis. Therefore, the cash management issue described above no longer exists. South Madison Community School Corporation is currently making every effort to comply with the reimbursement method.



 Signature and Title
 Corp. Treasurer



 Date

SOUTH MADISON



COMMUNITY SCHOOL CORPORATION

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Director of Information Technology

CORRECTIVE ACTION PLAN

FINDING 2010-2 Cash Management

Federal Agency: U.S. Department of Education

Federal Program: Special Education Cluster

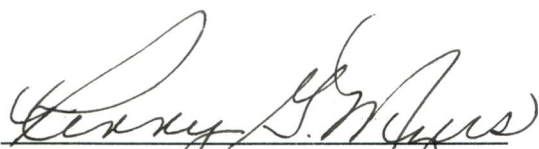
CFDA Number: 84.027, 84.391, and 84.392

Auditee Contact Person: Penny Myers

Title of Contact Person: Corporation Treasurer

Expected Completion Date: Corrective Action Plan has been implemented prior to the Exit Conference.

Based on the procedural changes at the Indiana Department of Education, distributions of Special Education Funds are no longer received on a drawdown method, but on a reimbursement basis. Therefore, the cash management issue described above no longer exists. South Madison Community School Corporation is currently making every effort to comply with the reimbursement method.



Signature and Title
Corp. Treasurer



Date

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2011, with Penny G. Myers, Treasurer; Dr. Thomas E. Warmke, Superintendent of Schools; and Joe Buck, Chief Financial Officer. The officials concurred with our audit findings.