

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
MADISON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED

08/07/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	10-11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-39
Schedule of Payables and Receivables	40
Schedule of Leases and Debt	41
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	44-46
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	48-49
Notes to Schedule of Expenditures of Federal Awards	50
Schedule of Findings and Questioned Costs	51-75
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	78-81
Corrective Action Plan	82-91
Other Reports.....	92

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Penny Myers	01-01-14 to 12-31-18
Superintendent of Schools	Joseph Buck	07-01-14 to 06-30-19
President of the School Board	Christopher Boots William Hutton Richard Evans Amy McGinnis	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the South Madison Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 5, 2018, 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 solely 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 effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

July 5, 2018



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the South Madison Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated July 5, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

South Madison Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

July 5, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 7,266,809	\$ 27,323,662	\$ 26,329,240	\$ -	\$ 8,261,231	\$ 28,676,337	\$ 28,157,414	\$ -	\$ 8,780,154
Debt Service	2,479,128	7,690,082	7,956,527	-	2,212,683	7,613,416	7,912,160	-	1,913,939
Capital Projects	26,918	1,770,776	1,820,914	-	(23,220)	1,766,754	1,422,415	-	321,119
School Transportation	1,017,250	1,689,291	1,678,727	-	1,027,814	1,746,506	1,557,592	-	1,216,728
School Bus Replacement	81,364	380,351	106,343	-	355,372	393,302	392,547	-	356,127
Retirement/Severance Bond	2,865	-	3,065	-	(200)	-	(200)	-	-
Construction	(46,863)	-	(2,165)	-	(44,698)	-	(33,837)	10,861	-
Construction - Intermediate School	(1,091)	961,876	960,785	-	-	-	-	-	-
Construction - PES-I Remodel	7,302	-	-	-	7,302	-	-	-	7,302
School Lunch	536,356	2,239,935	2,255,665	-	520,626	2,181,733	2,162,848	5,000	544,511
Textbook Rental	722,891	552,102	598,802	-	676,191	526,901	390,409	-	812,683
Self-Insurance	7,019,545	5,235,902	4,465,065	-	7,790,382	5,455,909	4,618,419	-	8,627,872
Child Care Program	181,679	393,315	344,418	-	230,576	420,750	369,435	-	281,891
Educational License Plates	11,725	506	-	-	12,231	375	-	-	12,606
Alternative Education	-	9,380	9,380	-	-	9,753	-	-	9,753
Early Intervention Program	-	-	-	-	-	10,653	9,507	-	1,146
Miscellaneous Programs	3,773	-	(2,058)	-	5,831	-	195	-	5,636
Indiana Next	19	-	-	-	19	-	-	-	19
Kindergarten Camp 2012	51	-	-	-	51	-	51	-	-
Kindergarten Camp 2013	564	-	171	-	393	-	921	-	(528)
Kindergarten Camp 2014	-	17,734	16,344	-	1,390	-	-	-	1,390
Kindergarten Camp 2015	-	-	-	-	-	11,348	9,957	-	1,391
South Madison Community Foundation Grant - Pendleton Players	1,214	-	-	-	1,214	-	-	-	1,214
SMCF-Bullying Grant	-	2,075	1,644	-	431	-	-	-	431
CAPE	6,355	-	-	-	6,355	-	-	-	6,355
Formative Assessment	-	-	-	-	-	40,755	-	-	40,755
Computer Consortium/Ed Tech Advance	216	416,095	416,095	-	216	425,220	425,220	-	216
Early Childhood Intervention (First Steps)	11,318	30	9,914	-	1,434	-	1,404	-	30
High Ability 2014-2015	-	42,592	8,629	-	33,963	-	33,963	-	-
High Ability 2015-2016	-	-	-	-	-	45,055	16,962	-	28,093
Secured Schools Safety Grant	(531)	13,843	37,583	-	(24,271)	27,757	6,348	-	(2,862)
Secured Schools Safety Grant 2015	-	-	-	-	-	-	16,610	-	(16,610)
Non-English Speaking Programs	911	-	-	-	911	-	-	-	911
Non-English Speaking Programs P.L. 273-1999 2008/09	1,172	-	-	-	1,172	-	-	-	1,172
Non-English Speaking Programs P.L. 273-1999 2009/10	3,986	-	-	-	3,986	-	-	-	3,986
Non-English Speaking Programs P.L. 273-1999 2012/13	851	-	-	-	851	-	-	-	851
Non-English Speaking Programs P.L. 273-1999 2013/14	1,709	-	778	-	931	-	931	-	-
Non-English Speaking Programs P.L. 273-1999 2015/16	-	-	-	-	-	6,683	3,486	-	3,197
School Technology	105,428	90,428	114,767	-	81,089	239,817	20,845	-	300,061

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
Technology Grants [IC 20-40-15]	-	-	-	-	-	-	246	-	(246)
Autism Advocates of Indiana Grant-Pendleton Elementary	1,702	-	1,565	-	137	-	-	-	137
Autism Advocates of Indiana Grant-East Elementary	2,500	-	2,460	-	40	-	39	-	1
Sensory Grant PHMS	-	-	-	-	-	2,719	2,718	-	1
Monsanto Grant	355	10,000	10,355	-	-	-	-	-	-
Staff Improvement	1,103	(250)	-	-	853	-	-	-	853
Innovative School Improvement Grant	-	-	-	-	-	-	2,500	-	(2,500)
Senator David Ford Technology	1,216	-	-	-	1,216	-	-	-	1,216
Staff Training	8,834	1,509	168	-	10,175	876	2,198	-	8,853
Mentor Certificate Program	3,032	-	-	-	3,032	-	-	-	3,032
Title I 2009-2010	956	-	-	-	956	-	-	-	956
Title I 2010-2011	40,798	(14,558)	26,240	-	-	-	-	-	-
Title I 2011-2012	(14,558)	14,558	-	-	-	-	-	-	-
Title I 2012-2013	(3,837)	-	-	-	(3,837)	-	-	-	(3,837)
Title I 2013-2014	(24,299)	73,252	50,014	-	(1,061)	-	3,763	-	(4,824)
Title I 2014-2015	-	259,764	292,649	-	(32,885)	82,898	54,905	-	(4,892)
Title I 2015-2016	-	-	-	-	-	266,588	306,337	-	(39,749)
Title I 2002-2003	13	-	-	-	13	-	-	-	13
Innovative Education Program Strategies Title V (Part A)	2,376	-	-	-	2,376	-	-	-	2,376
Title V 2005-06	(823)	-	-	-	(823)	-	-	-	(823)
Title V 2006-07	4,278	-	-	-	4,278	-	-	-	4,278
Title V 2007-08	6,091	-	-	-	6,091	-	-	-	6,091
Serve America	98	-	-	-	98	-	-	-	98
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	333	-	-	-	333	-	-	-	333
Title III - Energy Conservation	2,456	-	-	-	2,456	-	-	-	2,456
Improving Teacher Quality, No Child Left, Title II, Part A	6,469	80,548	73,421	-	13,596	77,990	77,326	-	14,260
Title II, Part A Summer E Learning	-	-	-	-	-	-	11,664	-	(11,664)
Title I - Grants to LEAs	5,230	-	5,230	-	-	-	-	-	-
Education Technology	11,973	-	(277)	-	12,250	-	7,492	-	4,758
Payroll Clearing	37,636	5,478,398	5,484,042	-	31,992	5,876,398	5,873,262	-	35,128
Prepaid Food	-	-	-	-	-	1,300,308	1,253,540	-	46,768
Totals	<u>\$ 19,536,846</u>	<u>\$ 54,733,196</u>	<u>\$ 53,076,500</u>	<u>\$ -</u>	<u>\$ 21,193,542</u>	<u>\$ 57,206,801</u>	<u>\$ 55,091,592</u>	<u>\$ 15,861</u>	<u>\$ 23,324,612</u>

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans. Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts. Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

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

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and disbursements which appear as negative entries. This is a result of corrections and reimbursements.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of payments made from grant and construction funds for which repayment has not yet been received, posting errors, and less than anticipated property tax settlement funds received.

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

Note 9. 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 years 2015 and 2016 totaled \$2,925,000 and \$1,737,000, respectively.

The School Corporation has entered into a capital lease with 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 2015 and 2016 totaled \$1,489,500 and \$1,488,500, respectively.

The School Corporation has entered into a capital lease with South Madison 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 2015 and 2016 totaled \$2,186,000 and \$2,198,000, respectively.

Note 10. Other Postemployment Benefits

The School Corporation provides to eligible retirees the following benefits: postemployment life insurance benefits to certified employee retirees until age 65. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/Severance Bond	Construction	Construction - Intermediate School
Cash and investments - beginning	\$ 7,266,809	\$ 2,479,128	\$ 26,918	\$ 1,017,250	\$ 81,364	\$ 2,865	\$ (46,863)	\$ (1,091)
Receipts:								
Local sources	207,434	7,690,082	1,759,312	1,689,053	380,351	-	-	-
Intermediate sources	367	-	-	-	-	-	-	-
State sources	27,093,772	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	961,876
Other receipts	22,089	-	11,464	238	-	-	-	-
Total receipts	27,323,662	7,690,082	1,770,776	1,689,291	380,351	-	-	961,876
Disbursements:								
Instruction	18,020,324	-	-	-	-	-	-	-
Support services	7,849,816	-	934,610	1,678,727	106,343	3,065	-	-
Noninstructional services	223,181	-	-	-	-	-	-	-
Facilities acquisition and construction	235,919	-	886,304	-	-	-	(2,165)	960,785
Debt service	-	7,956,527	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	26,329,240	7,956,527	1,820,914	1,678,727	106,343	3,065	(2,165)	960,785
Excess (deficiency) of receipts over disbursements	994,422	(266,445)	(50,138)	10,564	274,008	(3,065)	2,165	1,091
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	994,422	(266,445)	(50,138)	10,564	274,008	(3,065)	2,165	1,091
Cash and investments - ending	\$ 8,261,231	\$ 2,212,683	\$ (23,220)	\$ 1,027,814	\$ 355,372	\$ (200)	\$ (44,698)	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Construction - PES-I Remodel	School Lunch	Textbook Rental	Self- Insurance	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 7,302	\$ 536,356	\$ 722,891	\$ 7,019,545	\$ 181,679	\$ 11,725	\$ -
Receipts:							
Local sources	-	1,300,826	434,166	5,235,902	393,315	-	-
Intermediate sources	-	-	-	-	-	506	-
State sources	-	24,826	117,736	-	-	-	9,380
Federal sources	-	914,143	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	140	200	-	-	-	-
Total receipts	-	2,239,935	552,102	5,235,902	393,315	506	9,380
Disbursements:							
Instruction	-	-	-	-	-	-	9,380
Support services	-	39,715	598,802	-	-	-	-
Noninstructional services	-	2,197,945	-	-	344,418	-	-
Facilities acquisition and construction	-	18,005	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	4,465,065	-	-	-
Total disbursements	-	2,255,665	598,802	4,465,065	344,418	-	9,380
Excess (deficiency) of receipts over disbursements	-	(15,730)	(46,700)	770,837	48,897	506	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(15,730)	(46,700)	770,837	48,897	506	-
Cash and investments - ending	\$ 7,302	\$ 520,626	\$ 676,191	\$ 7,790,382	\$ 230,576	\$ 12,231	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Early Intervention Program	Miscellaneous Programs	Indiana Next	Kindergarten Camp 2012	Kindergarten Camp 2013	Kindergarten Camp 2014	Kindergarten Camp 2015
Cash and investments - beginning	\$ -	\$ 3,773	\$ 19	\$ 51	\$ 564	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	17,734	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	17,734	-
Disbursements:							
Instruction	-	-	-	-	171	16,344	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	(2,058)	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	(2,058)	-	-	171	16,344	-
Excess (deficiency) of receipts over disbursements	-	2,058	-	-	(171)	1,390	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,058	-	-	(171)	1,390	-
Cash and investments - ending	\$ -	\$ 5,831	\$ 19	\$ 51	\$ 393	\$ 1,390	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	South Madison Community Foundation Grant - Pendleton Players	SMCF- Bullying Grant	CAPE	Formative Assessment	Computer Consortium/ Ed Tech Advance	Early Childhood Intervention (First Steps)	High Ability 2014-2015
Cash and investments - beginning	\$ 1,214	\$ -	\$ 6,355	\$ -	\$ 216	\$ 11,318	\$ -
Receipts:							
Local sources	-	2,075	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	30	42,592
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	416,095	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	2,075	-	-	416,095	30	42,592
Disbursements:							
Instruction	-	1,644	-	-	-	9,914	8,629
Support services	-	-	-	-	416,095	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	1,644	-	-	416,095	9,914	8,629
Excess (deficiency) of receipts over disbursements	-	431	-	-	-	(9,884)	33,963
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	431	-	-	-	(9,884)	33,963
Cash and investments - ending	\$ 1,214	\$ 431	\$ 6,355	\$ -	\$ 216	\$ 1,434	\$ 33,963

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	High Ability 2015-2016	Secured Schools Safety Grant	Secured Schools Safety Grant 2015	Non-English Speaking Programs	Non-English Speaking Programs P.L. 273-1999 2008/09	Non-English Speaking Programs P.L. 273-1999 2009/10	Non-English Speaking Programs P.L. 273-1999 2012/13
Cash and investments - beginning	\$ -	\$ (531)	\$ -	\$ 911	\$ 1,172	\$ 3,986	\$ 851
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	13,843	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	13,843	-	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	37,583	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	37,583	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	(23,740)	-	-	-	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(23,740)	-	-	-	-	-
Cash and investments - ending	\$ -	\$ (24,271)	\$ -	\$ 911	\$ 1,172	\$ 3,986	\$ 851

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Non-English Speaking Programs P.L. 273-1999 2013/14	Non-English Speaking Programs P.L. 273-1999 2015/16	School Technology	Technology Grants [IC 20-40-15]	Autism Advocates of Indiana Grant-Pendleton Elementary	Autism Advocates of Indiana Grant-East Elementary	Sensory Grant PHMS
Cash and investments - beginning	\$ 1,709	\$ -	\$ 105,428	\$ -	\$ 1,702	\$ 2,500	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	90,428	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	90,428	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	1,565	2,460	-
Support services	778	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	114,767	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	778	-	114,767	-	1,565	2,460	-
Excess (deficiency) of receipts over disbursements	(778)	-	(24,339)	-	(1,565)	(2,460)	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(778)	-	(24,339)	-	(1,565)	(2,460)	-
Cash and investments - ending	\$ 931	\$ -	\$ 81,089	\$ -	\$ 137	\$ 40	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Monsanto Grant	Staff Improvement	Innovative School Improvement Grant	Senator David Ford Technology	Staff Training	Mentor Certificate Program	Title I 2009-2010
Cash and investments - beginning	\$ 355	\$ 1,103	\$ -	\$ 1,216	\$ 8,834	\$ 3,032	\$ 956
Receipts:							
Local sources	-	(250)	-	-	1,509	-	-
Intermediate sources	10,000	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	10,000	(250)	-	-	1,509	-	-
Disbursements:							
Instruction	10,355	-	-	-	-	-	-
Support services	-	-	-	-	168	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	10,355	-	-	-	168	-	-
Excess (deficiency) of receipts over disbursements	(355)	(250)	-	-	1,341	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(355)	(250)	-	-	1,341	-	-
Cash and investments - ending	\$ -	\$ 853	\$ -	\$ 1,216	\$ 10,175	\$ 3,032	\$ 956

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Title I 2010-2011	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Title I 2015-2016	Title I 2002-2003
Cash and investments - beginning	\$ 40,798	\$ (14,558)	\$ (3,837)	\$ (24,299)	\$ -	\$ -	\$ 13
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	(14,558)	14,558	-	73,252	259,764	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	(14,558)	14,558	-	73,252	259,764	-	-
Disbursements:							
Instruction	206	-	-	2,759	145,357	-	-
Support services	22,110	-	-	39,896	145,148	-	-
Noninstructional services	3,924	-	-	7,359	2,144	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	26,240	-	-	50,014	292,649	-	-
Excess (deficiency) of receipts over disbursements	(40,798)	14,558	-	23,238	(32,885)	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40,798)	14,558	-	23,238	(32,885)	-	-
Cash and investments - ending	\$ -	\$ -	\$ (3,837)	\$ (1,061)	\$ (32,885)	\$ -	\$ 13

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Innovative Education Program Strategies Title V (Part A)	Title V 2005-06	Title V 2006-07	Title V 2007-08	Serve America	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title III - Energy Conservation
Cash and investments - beginning	\$ 2,376	\$ (823)	\$ 4,278	\$ 6,091	\$ 98	\$ 333	\$ 2,456
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	-
Cash and investments - ending	\$ 2,376	\$ (823)	\$ 4,278	\$ 6,091	\$ 98	\$ 333	\$ 2,456

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2015

	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A Summer E Learning	Title I - Grants to LEAs	Education Technology	Payroll Clearing	Prepaid Food	Totals
Cash and investments - beginning	\$ 6,469	\$ -	\$ 5,230	\$ 11,973	\$ 37,636	\$ -	\$ 19,536,846
Receipts:							
Local sources	-	-	-	-	-	-	19,093,775
Intermediate sources	-	-	-	-	-	-	10,873
State sources	-	-	-	-	-	-	27,410,341
Federal sources	80,548	-	-	-	-	-	1,327,707
Temporary loans	-	-	-	-	-	-	1,377,971
Other receipts	-	-	-	-	5,478,398	-	5,512,529
Total receipts	80,548	-	-	-	5,478,398	-	54,733,196
Disbursements:							
Instruction	-	-	3,355	-	-	-	18,232,463
Support services	73,421	-	1,875	(277)	-	-	11,947,875
Noninstructional services	-	-	-	-	-	-	2,776,913
Facilities acquisition and construction	-	-	-	-	-	-	2,213,615
Debt service	-	-	-	-	-	-	7,956,527
Nonprogrammed charges	-	-	-	-	5,484,042	-	9,949,107
Total disbursements	73,421	-	5,230	(277)	5,484,042	-	53,076,500
Excess (deficiency) of receipts over disbursements	7,127	-	(5,230)	277	(5,644)	-	1,656,696
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,127	-	(5,230)	277	(5,644)	-	1,656,696
Cash and investments - ending	\$ 13,596	\$ -	\$ -	\$ 12,250	\$ 31,992	\$ -	\$ 21,193,542

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/Severance Bond	Construction	Construction - Intermediate School
Cash and investments - beginning	\$ 8,261,231	\$ 2,212,683	\$ (23,220)	\$ 1,027,814	\$ 355,372	\$ (200)	\$ (44,698)	\$ -
Receipts:								
Local sources	157,697	7,613,416	1,754,320	1,746,483	393,302	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	28,378,552	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	140,088	-	12,434	23	-	-	-	-
Total receipts	28,676,337	7,613,416	1,766,754	1,746,506	393,302	-	-	-
Disbursements:								
Instruction	18,932,705	-	-	-	-	-	-	-
Support services	8,509,915	-	746,053	1,557,592	392,547	(200)	-	-
Noninstructional services	189,140	-	-	-	-	-	-	-
Facilities acquisition and construction	525,654	-	676,362	-	-	-	(33,837)	-
Debt service	-	7,912,160	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	28,157,414	7,912,160	1,422,415	1,557,592	392,547	(200)	(33,837)	-
Excess (deficiency) of receipts over disbursements	518,923	(298,744)	344,339	188,914	755	200	33,837	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	10,861	-
Total other financing sources (uses)	-	-	-	-	-	-	10,861	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	518,923	(298,744)	344,339	188,914	755	200	44,698	-
Cash and investments - ending	\$ 8,780,154	\$ 1,913,939	\$ 321,119	\$ 1,216,728	\$ 356,127	\$ -	\$ -	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Construction - PES-I Remodel	School Lunch	Textbook Rental	Self- Insurance	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 7,302	\$ 520,626	\$ 676,191	\$ 7,790,382	\$ 230,576	\$ 12,231	\$ -
Receipts:							
Local sources	-	1,271,680	412,678	5,455,909	420,549	-	-
Intermediate sources	-	-	-	-	-	375	-
State sources	-	24,151	114,023	-	-	-	9,753
Federal sources	-	885,507	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	395	200	-	201	-	-
Total receipts	-	2,181,733	526,901	5,455,909	420,750	375	9,753
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	26,525	390,409	-	-	-	-
Noninstructional services	-	2,099,478	-	-	369,435	-	-
Facilities acquisition and construction	-	36,845	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	4,618,419	-	-	-
Total disbursements	-	2,162,848	390,409	4,618,419	369,435	-	-
Excess (deficiency) of receipts over disbursements	-	18,885	136,492	837,490	51,315	375	9,753
Other financing sources (uses):							
Sale of capital assets	-	5,000	-	-	-	-	-
Total other financing sources (uses)	-	5,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	23,885	136,492	837,490	51,315	375	9,753
Cash and investments - ending	\$ 7,302	\$ 544,511	\$ 812,683	\$ 8,627,872	\$ 281,891	\$ 12,606	\$ 9,753

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Early Intervention Program	Miscellaneous Programs	Indiana Next	Kindergarten Camp 2012	Kindergarten Camp 2013	Kindergarten Camp 2014	Kindergarten Camp 2015
Cash and investments - beginning	\$ -	\$ 5,831	\$ 19	\$ 51	\$ 393	\$ 1,390	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	10,653	-	-	-	-	-	11,348
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	10,653	-	-	-	-	-	11,348
Disbursements:							
Instruction	9,507	-	-	51	921	-	9,957
Support services	-	-	-	-	-	-	-
Noninstructional services	-	195	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,507	195	-	51	921	-	9,957
Excess (deficiency) of receipts over disbursements	1,146	(195)	-	(51)	(921)	-	1,391
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,146	(195)	-	(51)	(921)	-	1,391
Cash and investments - ending	\$ 1,146	\$ 5,636	\$ 19	\$ -	\$ (528)	\$ 1,390	\$ 1,391

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	South Madison Community Foundation Grant - Pendleton Players	SMCF- Bullying Grant	CAPE	Formative Assessment	Computer Consortium/ Ed Tech Advance	Early Childhood Intervention (First Steps)	High Ability 2014-2015
Cash and investments - beginning	\$ 1,214	\$ 431	\$ 6,355	\$ -	\$ 216	\$ 1,434	\$ 33,963
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	40,755	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	425,220	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	40,755	425,220	-	-
Disbursements:							
Instruction	-	-	-	-	-	1,404	33,963
Support services	-	-	-	-	425,220	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	425,220	1,404	33,963
Excess (deficiency) of receipts over disbursements	-	-	-	40,755	-	(1,404)	(33,963)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	40,755	-	(1,404)	(33,963)
Cash and investments - ending	\$ 1,214	\$ 431	\$ 6,355	\$ 40,755	\$ 216	\$ 30	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	High Ability 2015-2016	Secured Schools Safety Grant	Secured Schools Safety Grant 2015	Non-English Speaking Programs	Non-English Speaking Programs P.L. 273-1999 2008/09	Non-English Speaking Programs P.L. 273-1999 2009/10	Non-English Speaking Programs P.L. 273-1999 2012/13
Cash and investments - beginning	\$ -	\$ (24,271)	\$ -	\$ 911	\$ 1,172	\$ 3,986	\$ 851
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	45,055	27,757	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	45,055	27,757	-	-	-	-	-
Disbursements:							
Instruction	16,962	-	-	-	-	-	-
Support services	-	6,348	16,610	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	16,962	6,348	16,610	-	-	-	-
Excess (deficiency) of receipts over disbursements	28,093	21,409	(16,610)	-	-	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,093	21,409	(16,610)	-	-	-	-
Cash and investments - ending	\$ 28,093	\$ (2,862)	\$ (16,610)	\$ 911	\$ 1,172	\$ 3,986	\$ 851

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Non-English Speaking Programs P.L. 273-1999 2013/14	Non-English Speaking Programs P.L. 273-1999 2015/16	School Technology	Technology Grants [IC 20-40-15]	Autism Advocates of Indiana Grant-Pendleton Elementary	Autism Advocates of Indiana Grant-East Elementary	Sensory Grant PHMS
Cash and investments - beginning	\$ 931	\$ -	\$ 81,089	\$ -	\$ 137	\$ 40	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	2,719
Intermediate sources	-	-	-	-	-	-	-
State sources	-	6,683	239,817	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	6,683	239,817	-	-	-	2,719
Disbursements:							
Instruction	-	441	-	-	-	39	2,718
Support services	931	3,045	-	246	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	20,845	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	931	3,486	20,845	246	-	39	2,718
Excess (deficiency) of receipts over disbursements	(931)	3,197	218,972	(246)	-	(39)	1
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(931)	3,197	218,972	(246)	-	(39)	1
Cash and investments - ending	\$ -	\$ 3,197	\$ 300,061	\$ (246)	\$ 137	\$ 1	\$ 1

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Monsanto Grant	Staff Improvement	Innovative School Improvement Grant	Senator David Ford Technology	Staff Training	Mentor Certificate Program	Title I 2009-2010
Cash and investments - beginning	\$ -	\$ 853	\$ -	\$ 1,216	\$ 10,175	\$ 3,032	\$ 956
Receipts:							
Local sources	-	-	-	-	876	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	876	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	2,500	-	2,198	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	2,500	-	2,198	-	-
Excess (deficiency) of receipts over disbursements	-	-	(2,500)	-	(1,322)	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(2,500)	-	(1,322)	-	-
Cash and investments - ending	\$ -	\$ 853	\$ (2,500)	\$ 1,216	\$ 8,853	\$ 3,032	\$ 956

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Title I 2010-2011	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Title I 2015-2016	Title I 2002-2003
Cash and investments - beginning	\$ -	\$ -	\$ (3,837)	\$ (1,061)	\$ (32,885)	\$ -	\$ 13
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	82,898	266,588	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	82,898	266,588	-
Disbursements:							
Instruction	-	-	-	-	25,778	185,958	-
Support services	-	-	-	3,763	28,330	118,256	-
Noninstructional services	-	-	-	-	797	2,123	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	3,763	54,905	306,337	-
Excess (deficiency) of receipts over disbursements	-	-	-	(3,763)	27,993	(39,749)	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(3,763)	27,993	(39,749)	-
Cash and investments - ending	\$ -	\$ -	\$ (3,837)	\$ (4,824)	\$ (4,892)	\$ (39,749)	\$ 13

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Innovative Education Program Strategies Title V (Part A)	Title V 2005-06	Title V 2006-07	Title V 2007-08	Serve America	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title III - Energy Conservation
Cash and investments - beginning	\$ 2,376	\$ (823)	\$ 4,278	\$ 6,091	\$ 98	\$ 333	\$ 2,456
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	-
Cash and investments - ending	\$ 2,376	\$ (823)	\$ 4,278	\$ 6,091	\$ 98	\$ 333	\$ 2,456

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A Summer E Learning	Title I - Grants to LEAs	Education Technology	Payroll Clearing	Prepaid Food	Totals
Cash and investments - beginning	\$ 13,596	\$ -	\$ -	\$ 12,250	\$ 31,992	\$ -	\$ 21,193,542
Receipts:							
Local sources	-	-	-	-	-	-	19,229,629
Intermediate sources	-	-	-	-	-	-	375
State sources	-	-	-	-	-	-	28,908,547
Federal sources	77,990	-	-	-	-	-	1,312,983
Temporary loans	-	-	-	-	-	-	425,220
Other receipts	-	-	-	-	5,876,398	1,300,308	7,330,047
Total receipts	77,990	-	-	-	5,876,398	1,300,308	57,206,801
Disbursements:							
Instruction	-	-	-	-	-	-	19,220,404
Support services	77,326	-	-	7,492	-	-	12,315,106
Noninstructional services	-	-	-	-	-	-	2,661,168
Facilities acquisition and construction	-	11,664	-	-	-	-	1,237,533
Debt service	-	-	-	-	-	-	7,912,160
Nonprogrammed charges	-	-	-	-	5,873,262	1,253,540	11,745,221
Total disbursements	77,326	11,664	-	7,492	5,873,262	1,253,540	55,091,592
Excess (deficiency) of receipts over disbursements	664	(11,664)	-	(7,492)	3,136	46,768	2,115,209
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	15,861
Total other financing sources (uses)	-	-	-	-	-	-	15,861
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	664	(11,664)	-	(7,492)	3,136	46,768	2,131,070
Cash and investments - ending	\$ 14,260	\$ (11,664)	\$ -	\$ 4,758	\$ 35,128	\$ 46,768	\$ 23,324,612

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 2,685,848</u>	<u>\$ 137,107</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
South Madison Elementary School Building Corporation	New Elementary	\$ 1,490,500	12/31/08	12/31/19
South Madison Community School Building Corporation	Elementary Remodel/HS Refi/PHHS Cafeteria	1,737,000	12/31/15	12/31/27
South Madison Middle School Building Corporation	New Middle School	<u>2,454,000</u>	06/30/16	12/31/28
Total of annual lease payments		<u>\$ 5,681,500</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	Purchase of Land		\$ 105,000	\$ 107,153
Notes and loans payable	Common School Loans-Technology/Remodel		<u>10,475,632</u>	<u>1,644,709</u>
Totals			<u>\$ 10,580,632</u>	<u>\$ 1,751,862</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the South Madison Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2016-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with its Child Nutrition Cluster regarding Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

As described in item 2016-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with the requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that Program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of its Child Nutrition Cluster regarding Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and except for the noncompliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraphs, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in items 2016-007 and 2016-008 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with its Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking and Reporting. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of its Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking and Reporting described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Special Education Cluster (IDEA) for the period of July 1, 2014 to June 30, 2016.

Unmodified Opinion on Title I Grants to Local Educational Agencies

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Title I Grants to Local Educational Agencies identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2014 to June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2016-006 and 2016-010. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Report on Internal Control over Compliance

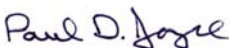
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2019-009, and 2016-010 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

July 5, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	PassedThrough to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2014-2015	\$ -	\$ 117,847	\$ -	\$ -
			FY 2015-2016	-	-	-	116,946
Total - School Breakfast Program				-	117,847	-	116,946
National School Lunch Program	Indiana Department of Education	10.555	FY 2014-2015	-	759,025	-	-
			FY 2015-2016	-	-	-	713,175
National School Lunch Program - Commodities			FY 2014-2015	-	138,622	-	-
			FY 2015-2016	-	-	-	106,982
Total - National Program School Lunch Program				-	897,647	-	820,157
Special Milk Program for Children	Indiana Department of Education	10.556	FY 2014-2015	-	990	-	-
			FY 2015-2016	-	-	-	955
Total - Special Milk Program for Children				-	990	-	955
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2014-2015	-	35,989	-	-
			FY 2015-2016	-	-	-	54,957
Total - Summer Food Service Program for Children				-	35,989	-	54,957
Total - Child Nutrition Cluster				-	1,052,473	-	993,015
Total - Department of Agriculture				-	1,052,473	-	993,015
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	14213-027-PN01	-	4,043	-	-
			14214-027-PN01	-	194,394	-	2,301
			14215-027-PN01	-	719,962	-	251,256
			14216-027-PN01	-	-	-	864,753
			99914-027-TA01	-	3,547	-	880
Total - Special Education Grants to States				-	921,946	-	1,119,190

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	PassedThrough to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Special Education Preschool Grants	Indiana Department of Education	84.173	45713-027-PN01	-	441	-	-
			45714-027-PN01	-	11,071	-	4,083
			45715-027-PN01	-	35,951	-	8,477
			45716-027-PN01	-	-	-	44,400
Total - Special Education Preschool Grants				-	47,463	-	56,960
Total - Special Education Cluster (IDEA)				-	969,409	-	1,176,150
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	14-5255	-	54,602	-	-
			15-5255	-	278,413	-	82,898
			16-5255	-	-	-	266,588
Total - Title I Grants to Local Educational Agencies				-	333,015	-	349,486
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	12-5255	-	29,322	-	-
			13-5255	-	51,227	-	-
			14-5255	-	-	-	19,723
			15-5255	-	-	-	56,098
			16-5255	-	-	-	2,169
Total - Supporting Effective Instruction State Grants				-	80,549	-	77,990
Total - Department of Education				-	1,382,973	-	1,603,626
Total federal awards expended				\$ -	\$ 2,435,446	\$ -	\$ 2,596,641

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 3. Special Education Cooperative

The School Corporation is a member of the Hancock Madison Shelby Educational Services (HMSES). As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the HMSES.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified - Child Nutrition Cluster, Special Education Cluster (IDEA); Unmodified - Title I Grants to Local Educational Agencies
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2014-001.

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

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA)

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was understated by \$58,942 and \$107,508 for the periods ending June 30, 2015 and 2016, respectively. Included in the Child Nutrition Cluster understatement was the omission of the National School Lunch Program Commodities.
2. The Special Education Preschool Grants amount was understated by \$47,022 for the period ending June 30, 2015.
3. The Special Education Cluster (IDEA) passed through to subrecipient amounts were overstated by \$945,272 for the period ending June 30, 2015.
4. The Title I Grants to Local Educational Agencies expenditures were allocated incorrectly between grant programs for the period ending June 30, 2015 and 2016.
5. Not all CFDA numbers, program names, grants, and pass-through identifying numbers were correct or listed.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of adequate segregation of duties as the School Corporation had not separated incompatible activities related to cash and investments and receipts.

1. Cash and Investments: Monthly reconciliements were adequately detailed and summarized but were prepared by one individual without a proper system of oversight or review.
2. Receipts: One individual prepared the deposit slip for all receipts and compared the total on the deposit slip to the corresponding receipt edit. There was no evidence of a proper oversight, review, or approval process.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls that segregated key functions.

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

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting related to cash and investments and receipts.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-003

Subject: Child Nutrition Cluster - Cash Management, Procurement
and Suspension and Debarment, and Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch
Program, Special Milk Program for Children,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Procurement and Suspension
and Debarment, Program Income

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Program Income compliance requirements.

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation had not established procedures to monitor the School Lunch fund monthly cash balances (net cash resources) to ensure that it was limited to the three months average expenditures. A review process was not established to document the monitoring of the cash balances (net cash resources).

Procurement and Suspension and Debarment

This compliance requirement was primarily handled by the Central Indiana Educational Service Center (CIESC). The School Corporation had a control in place in which any vendor recommended by CIESC was to be approved by the School Board; however, the recommended vendors were not approved by the School Board. The lack of review and approval indicated that there was not an effective control over procurement and suspension and debarment.

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

Program Income

The School Corporation had not established an effective internal control over verifying the proper determination and recording of program income. The School Corporation did not provide evidence of a review of the daily cafeteria sales reports for all of its schools to ensure that all program income was properly determined and recorded in the School Corporation ledger.

The School Corporation had not established an effective internal control over verifying the transfers from Clearing Account Number 8400 to School Lunch Fund Account Number 800 were accurate.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management, Procurement and Suspension and Debarment, and Program Income compliance requirements.

Effect

The failure to establish an effective internal control system, which would have included segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Program Income compliance requirements.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Program Income compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-004

Subject: Child Nutrition Cluster - Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

It could not be determined if the School Corporation complied with the requirements of Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The School Corporation failed to retain applications for free and reduced price school meals and supporting documentation of the applications selected for the verification of free and reduced price school meals for preparation of the School Food Authority (SFA) Verification Collection Report for the school year 2014-2015. Due to the lack of maintaining records, the requirements for the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) could not be verified.

Context

The lack of controls occurred during the 2014-2015 school year. Records were not available to determine compliance with the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements for the 2014-2015 school year.

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure appropriate supporting documentation will be retained and provided for audit relating to the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP) compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-005

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effective controls were not in place to ensure that only applicable employees were paid from program funds. The School Corporation paid \$42,628 of central office salaries/wages that were allocated to the school lunch based on fixed percentages. There was no supporting documentation to indicate how these amounts were determined.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

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

OMB Circular A-87, Attachment B, Section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- a. More than one Federal award,
- b. A Federal award and a non-Federal award, . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; . . .
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

The \$42,628 of the central office salaries/wages allocated to the School Lunch fund was considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-006

Subject: Child Nutrition Cluster - Equipment and Real Property Management

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Special Milk Program for Children, Summer Food Service
Program for Children

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2014-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation's property records did not contain the acquisition date and cost of the equipment.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.32(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

2 CFR 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the equipment requirements of the Equipment and Real Property Management compliance requirement.

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-007

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-027-TA01, 14214-027-PN01,
45714-027-PN01, 14215-027-PN01,
45715-027-PN01, 14216-027-PN01,
45716-027-PN01, 14213-027-PN01,
45713-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort, and Earmarking compliance requirement.

Supporting documentation, such as the expenditure ledger detail of the amounts shown on the Maintenance of Effort portion of the fiscal year 2016 and 2017 grant applications was not provided for audit. Expenditure totals shown on the fiscal year 2017 grant application for particular years did not agree with the totals shown for the same years on the prior fiscal year 2016 grant application.

Context

The lack of controls was a systematic issue, which occurred throughout the audit period. Additionally, the lack of supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirement.

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

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

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. . . ."

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . .

(b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records): . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and funding accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 299.5(a) states:

"*General.* An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year."

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

Cause

Management had not developed a system of internal controls that would have ensured supporting documentation was maintained and provided for audit relating to the Matching, Level of Effort, and Earmarking compliance requirement.

Effect

The failure to maintain and provide supporting documentation prevented the determination of compliance with the grant agreement and the Matching, Level of Effort, and Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure supporting documentation will be maintained and provided for audit relating to the grant agreement and the Matching, Level of Effort, and Earmarking compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-008

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-027-TA01, 14214-027-PN01,
45714-027-PN01, 14215-027-PN01,
45715-027-PN01, 14216-027-PN01,
45716-027-PN01, 14213-027-PN01,
45713-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the requirements related to the grant agreement and the Reporting compliance requirement.

There was no approval process involving another individual at the School Corporation to ensure the Data Collection Reports were accurate for fiscal years 2015 and 2016.

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

The following issues were noted relating to the reporting requirements:

1. Quarterly Proportionate Share Monitoring Report for July 1, 2013 to September 30, 2015: Supporting documentation was not provided for audit of the Proportionate Share of Actual Expenses for the 611 Allocation presented on this report, nor the December 1, 2012 Child Count for the 619 Allocation presented on this report.
2. Quarterly Proportionate Share Monitoring Report for October 1, 2014 to December 31, 2014: Supporting documentation was not provided for audit of the December 1, 2012 Child Count for the 619 Allocation presented on this report.
3. Child Count Report for fiscal year 2016 Period 2: Supporting documentation was presented for audit; however, some child counts tested by exceptionalities or grade did not agree with the final submitted report.
4. Data Collections Reports for fiscal years 2015 and 2016: Supporting documentation such as a student listing was not provided for audit for either report.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. Additionally, the lack of supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirement.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. . . ."

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

(b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records): . . ."

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

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not developed a system of internal controls that would have ensured supporting documentation was maintained and provided for audit relating to the Reporting compliance requirement.

Effect

The failure to maintain and provide supporting documentation prevented the determination of compliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure supporting documentation will be maintained and provided for audit relating to the Reporting compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-009

Subject: Special Education Cluster (IDEA) - Cash Management, Procurement and Suspension and Debarment, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-027-TA01, 14214-027-PN01,
45714-027-PN01, 14215-027-PN01,
45715-027-PN01, 14216-027-PN01,
45716-027-PN01, 14213-027-PN01,
45713-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Procurement and Suspension and Debarment, Reporting

Audit Finding: Material Weakness

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

Condition

The School Corporation was a member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the 2015-2016 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education and each member school corporation of the Cooperative. The School Corporation was ultimately responsible for compliance with the compliance requirements.

An effective internal control system was not in place at the School Corporation for the 2015-2016 school year in order to ensure compliance with requirements related to the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that compliance requirements for cash management were properly charged to the applicable federal grants. Reimbursement requests were prepared and submitted by the Treasurer with no review or oversight.

Procurement

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was proper segregation of duties regarding procurement. The Treasurer prepared claims for payment and paid the claims with no review or oversight.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties regarding reporting. Reimbursement requests and Final Expenditure Reports were prepared and submitted by the Treasurer with no review or oversight.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-010

Subject: Special Education Cluster (IDEA) - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-027-TA01, 14214-027-PN01,
45714-027-PN01, 14215-027-PN01,
45715-027-PN01, 14216-027-PN01,
45716-027-PN01, 14213-027-PN01,
45713-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

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

Condition

The School Corporation was a member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the 2015-2016 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education and each member school corporation of the Cooperative. The School Corporation was ultimately responsible for compliance with the compliance requirements.

An effective internal control system was not in place at the School Corporation for the 2015-2016 school year in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Activities Allowed or Unallowed

The Treasurer prepared claims for payment and paid the claims prior to review or approval by any other individual or school board member.

Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the required Semi-Annual Certifications or other documentation of personnel expenses were reviewed and approved by the employee's supervisor and retained for audit. No Semi-Annual Certifications or other documentation of personnel expenses were presented for the period of July 1, 2015 to December 31, 2015. Semi-Annual Certifications provided during the audit period were not always approved by the Executive Director of the School Corporation Council.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

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

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment B, section 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

34 CFR 300.202 states:

"(a) *General.* Amounts provided to the LEA under Part B of the ACT—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds.

(b) *Excess cost requirement—*

(1) *General.*

- (i) The excess cost requirement prevents an LEA from using funds provided under Part B of the Act to pay for all of the costs directly attributable to the education of a child with a disability, subject to paragraph (b)(1)(ii) of this section.

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

- (ii) The excess cost requirement does not prevent an LEA from using Part B funds to pay for all of the costs directly attributable to the education of a child with a disability in any of the ages 3, 4, 5, 18, 19, 20, or 21, if no local or State funds are available for nondisabled children of these ages. However, the LEA must comply with the nonsupplanting and other requirements of this part in providing the education and services for these children.
- (2) (i) An LEA meets the excess cost requirement if it has spent at least a minimum average amount for the education of its children with disabilities before funds under Part B of the Act are used.
- (iii) The amount described in paragraph (b)(2)(i) of this section is determined in accordance with the definition of *excess costs* in § 300.16. That amount may not include capital outlay or debt service.
- (3) If two or more LEAs jointly establish eligibility in accordance with § 300.223, the minimum average amount is the average of the combined minimum average amounts determined in accordance with the definition of *excess costs* in § 300.16 in those agencies for elementary or secondary school students, as the case may be."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system, which would have included segregation of duties, placed the School Corporation in noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

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



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

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Assistant Superintendent for Secondary Curriculum, Instruction and College & Career Readiness

Dr. Laura M. Miller
Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Fiscal Year in Which the Finding Initially Occurred: FY 2012-13 and FY 2013-14

Contact Person Responsible for Corrective Action:
Ken McCarty, Business Manager and Penny Myers, Corporation Treasurer

Contact Phone Number:
765-778-2152 extension 1003 or 1005

Contact Email:
kmccarty@smcsc.com
pmyers@smcsc.com

Status of Audit Findings:

South Madison Community School Corporation has set in place the following:

The Schedule of Expenditures of Federal Awards (SEFA) is prepared by the Corporation Treasurer using actual receipts and expenditures from the Form 9 – Biannual Financial Report for the Federal Awards. The Director of School Nutrition will provide the Corporation Treasurer with the receipts and expenditures for the National School Lunch Program using the CND-1 report along with any non-cash assistance. The Special Education Federal Awards are administered by Hamilton Boone Madison – Special Service Cooperative, therefore the receipts and expenditures will be provided to the Corporation Treasurer by the Special Education Cooperative.


The SEFA report is then reviewed by the Business Manager with an authorization signature/initial and date before being submitted into the Gateway Program by the Corporation Treasurer.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. The Corporation Treasurer and Director School Nutrition have obtained additional guidance from the State Board of Accounts Field Examiner, in reference to the preparation of the SEFA. Due to the timing of the 2014-2015 and 2015-2016 audit period, the implementation of this corrective action plan will not be carried out during the next audit period of 2016-2017 and 2017-2018.



Signature and Title Business Manager
7/2/18

Date



Signature and Title Corporation Treasurer
7/2/18

Date

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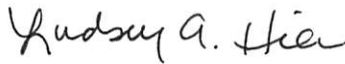
July 2, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding: 2014-002
Fiscal Year: FY 2012-13 and FY 2013-14
Pass-Through Entity: Indiana Department of Education
Contact Person: Lindsey Hill, Director of Nutrition Services
Contact Phone: 765-778-2152 ext. 1015
Contact Email: lhill@smcsc.com

Since this audit period, South Madison Community School Corporation (SMCSC) corrected the finding by creating and maintaining a current digital inventory list of all food service equipment in all schools.

Sincerely,



Lindsey A. Hill, R.D.
Director of Nutrition Services
South Madison Community School Corporation

SOUTH MADISON

COMMUNITY SCHOOL CORPORATION

203 South Heritage Way ♦ Pendleton, IN 46064 ♦ (765) 778-2152 ♦ (317) 485-4478 ♦ (765) 642-5661 ♦ FAX (765) 778-8207

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*Assistant Superintendent
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Kenneth S. McCarty
*Business & Operations
Manager*

SUCCESS FOR
ALL STUDENTS

WEBSITE
www.smadison.k12.in.us

Date: June 1, 2018

Summary Schedule of Prior Audit Findings

Finding 2014-003 Internal Control Over Eligibility

Fiscal Year in which the finding initially occurred: FY2012-13 and FY2013-14
Pass Through Entity: Indiana Department of Education, Title I Grants to LEA's
Contact Person Responsible for Corrective Action: Sandra Hudson, Assistant Superintendent
Secondary Curriculum, Instruction and College & Career Readiness
Contact Phone Number: 765-778-2152
Contact Email: shudson@smcsc.com

Status of Audit Finding:

South Madison Community School Corporation has set in place the following.

The Title I grant manager receives annual Title I training and consults with the Indiana Department of Education Title I grant specialist when completing the Title I grant application to ensure the school district is in compliance. The Title I application is reviewed by a second district-level administrator prior to submission and has a final review by the Superintendent, who signs off.

Enrollment numbers on the Title I application Eligible Schools Summary page are generated from the previous school year's Real Time Report as of October 1. To avoid future enrollment count errors, if South Madison redistricts elementary schools, the Title I grant manager must contact the Indiana Department of Education prior to the release of the grant application to report the shift in student enrollment numbers in the elementary schools. Regarding the inadequate documentation to support the poverty numbers, the grant manager has learned that the poverty numbers on the Title I Eligible Schools Summary is determined by the federal government, based on census data for only those who reside in the school district boundaries. This creates a discrepancy for the school corporation, as Transfer Tuition students who are poverty students are not included in the district's census numbers. In short, the districts of legal settlement for these transfer tuition students receive Title I funding for these students (if they are poverty students), not the receiving school - South Madison.



Sandra K. Hudson, Assistant Superintendent Secondary
Curriculum, Instruction and College & Career Readiness



Date

SOUTH MADISON

COMMUNITY SCHOOL CORPORATION

203 South Heritage Way ♦ Pendleton, IN 46064 ♦ (765) 778-2152 ♦ (317) 485-4478 ♦ (765) 642-5661 ♦ FAX (765) 778-8207

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*Business & Operations
Manager*

SUCCESS FOR
ALL STUDENTS

WEBSITE
www.smadison.k12.in.us

Date: June 1, 2018

Summary Schedule of Prior Audit Findings

Finding 2014-004 Special Tests and Provisions – Participation of Private School Children

Fiscal Year in which the finding initially occurred: FY2011-12, 2012-13, 2013-14
Pass Through Entity: Indiana Department of Education, Title I Grants to LEA's
Contact Person Responsible for Corrective Action: Sandra Hudson, Assistant
Superintendent Secondary Curriculum, Instruction and College & Career Readiness
Contact Phone Number: 765-778-2152
Contact Email: shudson@smcsc.com

Status of Audit Finding:

South Madison Community School Corporation has set in place the following.

The Title I grant manager has participated in Indiana Department of Education training regarding Participation of Private School (Non-Pub) Children. The school corporation obtained the federal guidance document on the proper procedures for participation of private school (Non-Pub) students, and put the procedures into practice after the need for corrective action was identified. Effective school year 2015-16, the following procedures now are in place. As there are no private schools within the boundaries of South Madison Community School Corporation, the Title I grant manager now seeks to identify if any students with legal settlement in the corporation are enrolled in private schools. If yes, the grant manager contacts the principal of the private school to determine interest in Title I programming for eligible students, and if yes, the grant manager begins the consultation process. The private school must provide information as to the total number of students who have legal settlement in SMCSC and how many of them are poverty students. This information is entered on the Eligible School Summary page of the district's Title I Application. The Application automatically calculates the Non-Pub distribution, and the budget is established through the consultation process, following IDOE guidelines. Using the Title I criteria for eligibility for services at a Non-Pub school, the private school students are screened for academic performance, and those who qualify for Title I services are provided academic support, per Title I guidelines.



Sandra K. Hudson, Assistant Superintendent Secondary
Curriculum, Instruction and College & Career Readiness



Date

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Assistant Superintendent for Secondary Curriculum, Instruction and College & Career Readiness

Dr. Laura M. Miller
Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2016-001 FINANCIAL STATEMENT FINDING

Contact Person Responsible for Corrective Action:
Ken McCarty, Business and Penny Myers Corporation Treasurer

Contact Phone Number:
765-778-2152 extension 1003 or 1005

Contact Email:
kmccarty@smcsc.com
pmyers@smcsc.com

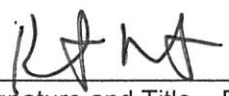
Description of Corrective Action Plan:

As of July 1, 2018, South Madison Community School Corporation has set in place the following:

The Schedule of Expenditures of Federal Awards (SEFA) is prepared by the Corporation Treasurer using actual receipts and expenditures from the Form 9 – Biannual Financial Report for the Federal Awards. The Director of School Nutrition will provide the Corporation Treasurer with the receipts and expenditures for the National School Lunch Program using the CND-1 report along with any non-cash assistance. The Special Education Federal Awards are administered by Hamilton Boone Madison – Special Service Cooperative, therefore the receipts and expenditures will be provided to the Corporation Treasurer by the Special Education Cooperative.


The SEFA report is then reviewed by the Business Manager with an authorization signature/initial and date before being submitted into the Gateway Program by the Corporation Treasurer.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. The Corporation Treasurer and Director School Nutrition have obtained additional guidance from the State Board of Accounts Field Examiner, in reference to the preparation of the SEFA. Due to the timing of the 2014-2015 and 2015-2016 audit period, the implementation of this corrective action plan will not be carried out during the next audit period of 2016-2017 and 2017-2018.



Signature and Title Business Manager
7/3/18

Date



Signature and Title Corporation Treasurer
7/3/18

Date

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*Assistant Superintendent for
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Instruction*

Kenneth S. McCarty
*Business & Operations
Manager*

Lynn Mellinger
*Director of Special
Education*

CORRECTIVE ACTION PLAN

FINDING 2016-002 FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action:

Ken McCarty, Business and Penny Myers Corporation Treasurer
Contact Phone Number: 765-778-2152 extension 1003 or 1005
Contact Email: kmccarty@smcsc.com and/or pmyers@smcsc.com

Views of Responsible Official:

Cash and Investments:

The monthly reconcilements are prepared by the Corporation Treasurer then reviewed by the Business Manager who then prepares a detailed spreadsheet of the monthly expenditures and revenue.

Receipts:

Daily/Weekly/Monthly deposit slips are prepared by the following individuals: Corporation Treasurer, Business Manager, Cafeteria Managers, Director of School Nutrition-Catering, Nutrition Services Administrative Assistant, Kids Connection-Director and Site Leaders, Secretary to the Superintendent-Facility Rentals and Non Resident Fees, Benefits/Insurance-Retiree Insurance Premiums.

Receipts are entered into the financial software system and balanced to the receipt edit by the Secretary to the Superintendent then reviewed for accuracy and posted to the financial software system by the Corporation Treasurer.

Description of Corrective Action Plan:

As of July 1, 2018, monthly reconcilements will be prepared by the Corporation Treasurer and reviewed by the Business Manager or Superintendent with two (2) authorization signatures/initials and date showing dual oversight, review and approval of the monthly reconciliation. The Business Manager will prepare a detail spreadsheet of the monthly expenditures and revenue with two (2) authorization signatures/initials and date showing dual oversight, review and approval of the monthly reconciliation.

As of July 1, 2018, all deposit slips will be required to have two (2) authorization signatures/initials and date showing dual oversight, review and approval. The segregation of duties will continue with the Secretary to the Superintendent entering the receipts and balancing to the receipt edit then reviewed for accuracy by the Corporation Treasurer or Business Manager with two (2) authorization signatures/initials and date showing dual oversight, review and approval of the receipts edit.

As of July 1, 2018, South Madison Community School Corporation will make every effort to adhere to the standards set forth in the Uniform Internal Control Standards manual for Indiana Political Subdivisions. Due to the timing of the 2014-2015 and 2015-2016 audit period, the implementation of this corrective action plan will not be carried out during the next audit period of 2016-2017 and 2017-2018.


Signature and Title Business Manager

7/2/18
Date


Signature and Title Corporation Treasurer

7/2/18
Date

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Assistant Superintendent for Secondary Curriculum, Instruction and College & Career Readiness

Dr. Laura M. Miller
Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

July 2, 2018

Finding: 2016-003
Fiscal Year: FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Contact Person: Lindsey Hill, Director of Nutrition Services
Contact Phone: 765-778-2152 ext. 1015
Contact Email: lhill@smcsc.com

CORRECTIVE ACTION PLAN

Anticipated date of completion: 9/30/18

Cash Management:

- Director of Nutrition Services currently audits monthly that Nutrition Services records match the actual SMCSC financial records as recorded by SMCSC Treasurer in order to ensure all revenue and expenditure transactions are accounted for and recorded properly. Monitoring the cash balance for accuracy is already a part of this process. Director of Nutrition Services will add a formula to calculate how the monthly cash balance compares to 3 month average expenditures and a place to initial to show this process of comparison has been completed.

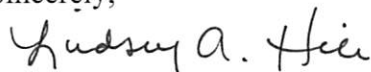
Procurement and Suspension and Debarment:

- Director of Nutrition Services currently monitors that CIESC has proper documentation for recommended vendors' procurement suspension and debarment. In future school years, SMCSC will get school board approval for the annual CIESC contract, which outlines which awarded contracts SMCSC will be participating in.

Program Income:

- SMCSC currently reviews the daily sales as part of the monthly reconciliation process to communicate transfers from 8400 to 0800. Both the Director of Nutrition Services and Treasurer review all transactions to verify that the transfers are accurate. SMCSC will ensure that two initials are added to these documents to show this process was reviewed properly.

Sincerely,



Lindsey A. Hill, R.D.
Director of Nutrition Services
South Madison Community School Corporation

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Chris J. Boots
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Richard C. Evans
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Kaye Wolverton

July 2, 2018

Finding: 2016-004
Fiscal Year: FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Contact Person: Lindsey Hill, Director of Nutrition Services
Contact Phone: 765-778-2152 ext. 1015
Contact Email: lhill@smcsc.com

CORRECTIVE ACTION PLAN

Maintenance of Records

- SMCSC will ensure proper internal controls are in place as of July 1, 2018 to ensure that records are not destroyed that are within the period of time for required record-keeping.

ADMINISTRATION

Joseph A. Buck
Superintendent

Dr. Mark J. Hall
*Assistant Superintendent for
Secondary Curriculum,
Instruction and College &
Career Readiness*

Dr. Laura M. Miller
*Assistant Superintendent for
Elementary Curriculum and
Instruction*

Kenneth S. McCarty
*Business & Operations
Manager*

Lynn Mellinger
*Director of Special
Education*

Sincerely,



Lindsey A. Hill, R.D.
Director of Nutrition Services
South Madison Community School Corporation

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Kenneth S. McCarty
*Business & Operations
Manager*

Lynn Mellinger
*Director of Special
Education*

July 2, 2018

Response to Audit Finding

Finding: 2016-005
Fiscal Year: FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Contact Person: Lindsey Hill, Director of Nutrition Services
Contact Phone: 765-778-2152 ext. 1015
Contact Email: lhill@smcsc.com

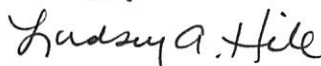
CORRECTIVE ACTION PLAN

Anticipated date of completion: 12/31/18

Central Office Salaries/Wages and Allowable Costs

- SMCSC will maintain time and material records (for Business Manager and Technology) that includes each the following requirements:
 - The amount of funds under the grant or subgrant
 - How the State or subgrantee uses the funds
 - The total cost of the project
 - The share of that cost provided from other sources
 - Other records to facilitate an effective audit

Sincerely,



Lindsey A. Hill, R.D.
Director of Nutrition Services
South Madison Community School Corporation

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*Business & Operations
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Lynn Mellinger
*Director of Special
Education*

July 2, 2018

Finding: 2016-006
Fiscal Year: FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Contact Person: Lindsey Hill, Director of Nutrition Services
Contact Phone: 765-778-2152 ext. 1015
Contact Email: lhill@smcsc.com

CORRECTIVE ACTION PLAN

Anticipated date of completion: 10/31/18

South Madison Community School Corporation (SMCSC) keeps a digital inventory list of all food service equipment. The following actions will be taken:

- The digital inventory list will add columns for acquisition date and cost of the equipment. These columns will be completed for all current inventory to the best of our knowledge.
- SMCSC Nutrition Services will create an SOP related to the management of equipment inventory which will address the following:
 - Annual audits to inventory list
 - Updates to inventory list with removals and additions as they occur

Sincerely,



Lindsey A. Hill, R.D.
Director of Nutrition Services
South Madison Community School Corporation



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Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2016-007 SPECIAL EDUCATION CLUSTER

Contact Person Responsible for Corrective Action:

Ken McCarty, Business and Penny Myers Corporation Treasurer

Contact Phone Number:

765-778-2152 extension 1003 or 1005

Contact Email:

kmccarty@smcsc.com

pmyers@smcsc.com

Views of Responsible Official:

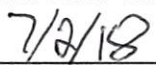
After the field work was complete State Board of Accounts Field Examiner requested additional documentation in reference to the MOE. Additional information was provided with detail; therefore, we dispute that information was not provided. The Field Examiner did not feel the information provided was conclusive enough to remove the finding. After the information was provided we do not feel we were given the opportunity for additional communication, review and explanation of the information provided.

Description of Corrective Action Plan:

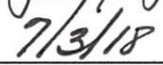
Due to the transition from Hancock Madison Shelby Educational Services to Hamilton Boone Madison Special Service Cooperative, SMCSC was required for one year, to apply for the FY17 Special Education Grant and Special Education Preschool Grant. The application was completed with the guidance of HBM's director and the Indiana Department of Education. Future, Special Education Grant applications will be administered by HBM with the oversight of SMCSC.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-2015 and 2015-2016 audit period, the implementation of this corrective action plan will not be carried out during the next audit period of 2016-2017 and 2017-2018.


Signature and Title Business Manager


Date


Signature and Title Corporation Treasurer


Date



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Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2016-008 SPECIAL EDUCATION CLUSTER-REPORTING

Contact Person Responsible for Corrective Action:

Ken McCarty, Business and Penny Myers Corporation Treasurer

Contact Phone Number:

765-778-2152 extension 1003 or 1005

Contact Email:

kmccarty@smcsc.com

pmyers@smcsc.com

Description of Corrective Action Plan:

During the audit period the Special Education cluster was administered by the Hancock Madison Shelby Educational Services – Cooperative. As of July 1, 2017, Hancock Madison Shelby Educational Services dissolved their operations and services. Thereafter, South Madison Community School Corporation entered into an agreement with Hamilton Boone Madison (HBM) Special Service Cooperation to provide Special Education services and support.

SMCSC will provide additional oversight in reference to the compliance of the Data Collection Reporting.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-2015 and 2015-2016 audit period, the implementation of this corrective action plan may not be carried out during the next audit period of 2016-2017 and 2017-2018.


Signature and Title Business Manager

7/3/18
Date


Signature and Title Corporation Treasurer

7/3/18
Date



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Assistant Superintendent for Secondary Curriculum, Instruction and College & Career Readiness

Dr. Laura M. Miller
Assistant Superintendent for Elementary Curriculum and Instruction

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Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2016-009 FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Contact Person Responsible for Corrective Action:
Ken McCarty, Business and Penny Myers Corporation Treasurer

Contact Phone Number:
765-778-2152 extension 1003 or 1005

Contact Email:
kmccarty@smcsc.com
pmyers@smcsc.com

Description of Corrective Action Plan:

During the audit period the Special Education cluster was administered by the Hancock Madison Shelby Educational Services – Cooperative. As of July 1, 2017, Hancock Madison Shelby Educational Services dissolved their operations and services. Thereafter, South Madison Community School Corporation entered into an agreement with Hamilton Boone Madison (HBM) Special Service Cooperation to provide Special Education services and support for the Part B 611 and Part B 619- Early Childhood Federal Grants. HBM 's services are monitored closely by their long term director, who will provide correspondence to SMCSC Superintendent, Business Manager and Corporation Treasurer.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-2015 and 2015-2016 audit period, the implementation of this corrective action plan may not be carried out during the next audit period of 2016-2017 and 2017-2018.



Signature and Title Business Manager
7/3/18

Date



Signature and Title Corporation Treasurer
7/3/18

Date



BOARD OF SCHOOL TRUSTEES

Chris J. Boots
Mark Brizendine
Richard C. Evans
William Hutton
Amy S. McGinnis
Joel P. Sandefur
Kaye Wolverton

ADMINISTRATION

Joseph A. Buck
Superintendent

Dr. Mark J. Hall
Assistant Superintendent for Secondary Curriculum, Instruction and College & Career Readiness

Dr. Laura M. Miller
Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2016-010 FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Contact Person Responsible for Corrective Action:

Ken McCarty, Business and Penny Myers Corporation Treasurer

Contact Phone Number:

765-778-2152 extension 1003 or 1005

Contact Email:

kmccarty@smcsc.com

pmyers@smcsc.com

Description of Corrective Action Plan:

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 Business Manager
Signature and Title

7/3/18
Date


Signature and Title Corporation Treasurer

7/3/18
Date

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.