

**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, 2016 to June 30, 2018



**FILED**  
03/29/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Penny Myers	07-01-16 to 12-31-19
Superintendent of Schools	Joseph Buck	07-01-16 to 06-30-21
President of the School Board	William Hutton Richard Evans Amy McGinnis Chris Boots	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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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, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

***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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 7, 2019, 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

March 7, 2019



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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, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated March 7, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

**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

March 7, 2019

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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, 2017 and 2018

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments		
	07-01-16	Receipts	Disbursements		06-30-17	Receipts	Disbursements		06-30-18		
General	\$ 8,780,154	\$ 29,380,941	\$ 29,296,499	\$ -	\$ 8,864,596	\$ 28,392,197	\$ 30,418,073	\$ -	\$ 6,838,720		
Debt Service	1,913,939	7,601,664	7,679,310	-	1,836,293	7,607,158	6,965,829	-	2,477,622		
Capital Projects	321,119	1,990,670	2,111,565	-	200,224	1,902,552	1,255,168	-	847,608		
School Transportation	1,216,728	1,836,448	1,685,484	-	1,367,692	1,956,493	1,897,811	-	1,426,374		
School Bus Replacement	356,127	413,566	465,980	-	303,713	438,458	420,870	-	321,301		
Construction	7,302	-	-	-	7,302	-	-	-	7,302		
School Lunch	544,511	2,102,959	2,496,513	-	150,957	2,373,385	2,122,249	1,916	404,009		
Textbook Rental	817,683	654,106	835,506	-	636,283	613,852	586,713	-	663,422		
Self-Insurance	8,627,872	4,655,567	4,650,240	-	8,633,199	4,859,773	4,690,523	-	8,802,449		
Joint Services and Supply - Special Education Cooperative	-	300,872	-	-	300,872	138,560	-	-	439,432		
Kids Connection	281,891	448,583	391,912	-	338,562	457,415	403,366	(74,729)	317,882		
Principal Kids Connection Fund	-	-	-	-	-	-	12,133	74,729	62,596		
Educational License Plates	12,606	525	-	-	13,131	550	-	-	13,681		
Alternative Education	9,753	10,954	-	-	20,707	9,985	-	-	30,692		
Early Intervention Program	1,146	-	-	-	1,146	-	-	-	1,146		
Early Intervention Grant	-	21,730	9,544	-	12,186	-	11,607	-	579		
Community Education	5,636	225	1,787	-	4,074	-	778	-	3,296		
Indiana Next	19	-	-	-	19	-	-	-	19		
Kindergarten Camp 2013	(528)	-	(528)	-	-	-	-	-	-		
Kindergarten Camp 2014	1,390	-	1,161	-	229	-	-	-	229		
Kindergarten Camp 2015	1,391	-	1,124	-	267	-	-	-	267		
Kindergarten Camp 2016	-	-	7,829	-	(7,829)	11,057	-	-	3,228		
Kindergarten Camp 2017	-	-	2,286	-	(2,286)	-	6,386	-	(8,672)		
Kindergarten Camp 2018	-	-	-	-	-	-	5,344	-	(5,344)		
South Madison Community Foundation Grant - Pendleton Players	1,214	-	-	-	1,214	-	-	-	1,214		
SMCF-Bullying Grant	431	-	-	-	431	-	-	-	431		
CAPE	6,355	-	-	-	6,355	-	-	-	6,355		
Cellular Connection Donation	-	125	61	-	64	-	-	-	64		
Cape Literacy Mini-Grant	-	3,521	1,463	-	2,058	-	1,854	-	204		
Formative Assessment	40,755	47,324	-	-	88,079	42,996	52,707	-	78,368		
Special Education Excess Costs	-	-	-	-	-	71,325	69,329	-	1,996		
Computer Consortium/Ed Tech Advance	216	107,520	107,520	-	216	48,888	48,888	-	216		
Early Childhood Intervention (First Steps)	30	-	-	-	30	-	-	-	30		
High Ability 2015-2016	28,093	-	26,027	-	2,066	-	-	-	2,066		
High Ability 2016-2017	-	43,601	38,571	-	5,030	7,200	3,312	-	8,918		
High Ability 2017-2018	-	-	-	-	-	35,687	13,715	-	21,972		
Medicaid Reimbursement	-	-	-	-	-	67,191	65,570	-	1,621		
Secured Schools Safety Grant	(2,862)	-	22	-	(2,884)	590	-	-	(2,294)		
Secured Schools Safety Grant FY15	(16,610)	46,864	27,305	-	2,949	-	-	-	2,949		
Secured Schools Safety Grant FY16	-	22,858	16,081	-	6,777	-	-	-	6,777		
Secured Schools Safety Grant FY17	-	-	25,245	-	(25,245)	14,693	-	-	(10,552)		
Secured Schools Safety Grant FY18	-	-	-	-	-	-	19,041	-	(19,041)		
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		

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, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
Non-English Speaking Programs P.L. 273-1999 2015/16	3,197	-	3,197	-	-	-	-	-	-
Non-English Speaking 2016-17	-	7,200	3,721	-	3,479	-	4,439	-	(960)
Non-English Speaking 2017-18	-	-	-	-	-	5,750	1,186	-	4,564
School Technology	300,061	34,918	9,978	-	325,001	70,030	262,434	-	132,597
Technology Grants [IC 20-40-15]	(246)	-	(123)	-	(123)	-	-	-	(123)
Career and Technical Performance Grant	-	4,138	-	-	4,138	4,744	-	-	8,882
Performance Based Awards	-	-	-	-	-	133,118	-	-	133,118
Miscellaneous Programs	-	50,121	17,618	-	32,503	71,255	38,263	-	65,495
Autism Advocates of Indiana Grant-Pendleton Elementary	137	-	-	-	137	-	-	-	137
Autism Advocates of Indiana Grant-East Elementary	1	-	-	-	1	-	-	-	1
Sensory Grant PHMS	1	-	-	-	1	-	-	-	1
Staff Improvement	853	109	-	-	962	303	62	-	1,203
Innovative School Improvement Grant	(2,500)	-	-	-	(2,500)	-	-	-	(2,500)
Senator David Ford Technology	1,216	-	-	-	1,216	-	755	-	461
Staff Training	8,853	1,127	2,955	-	7,025	805	2,256	-	5,574
Mentor Certificate Program	3,032	-	2,297	-	735	-	309	-	426
Title I 2009-2010	956	-	-	-	956	-	-	-	956
Title I 2012-2013	(3,837)	-	-	-	(3,837)	-	-	-	(3,837)
Title I 2013-2014	(4,824)	-	-	-	(4,824)	-	-	-	(4,824)
Title I 2014-2015	(4,892)	-	-	-	(4,892)	-	-	-	(4,892)
Title I 2015-2016	(39,749)	90,301	53,788	-	(3,236)	-	-	-	(3,236)
Title I 2016-2017	-	218,870	274,029	-	(55,159)	148,207	81,507	-	11,541
Title I 2017-2018	-	-	-	-	-	188,143	240,789	-	(52,646)
Title I 2002-2003	13	-	-	-	13	-	-	-	13
Innovative Education Program Strategies Title V (Part A)	2,376	-	2,376	-	-	-	-	-	-
Title V 2005-06	(823)	-	(823)	-	-	-	-	-	-
Title V 2006-07	4,278	-	4,278	-	-	-	-	-	-
Title V 2007-08	6,091	-	6,091	-	-	-	-	-	-
Serve America	98	-	-	-	98	-	-	-	98
Preschool Special Ed Grant IDEA	-	-	9,926	-	(9,926)	45,877	35,951	-	-
Special Education Grant IDEA	-	-	502,795	-	(502,795)	904,035	516,460	-	(115,220)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	333	-	-	-	333	-	-	-	333
Title III - Energy Conservation	2,456	-	-	-	2,456	-	-	-	2,456
Medicaid Reimbursement - Federal	-	-	-	-	-	129,290	14,778	-	114,512
Improving Teacher Quality, No Child Left, Title II, Part A	14,260	61,785	60,872	-	15,173	56,085	61,523	-	9,735
Title II, Part A Summer E Learning	(11,664)	-	3,336	-	(15,000)	-	15,975	-	(30,975)
Education Technology	4,758	-	4,758	-	-	-	-	-	-
Clearing	35,128	6,223,483	6,286,306	-	(27,695)	6,591,234	7,058,787	-	(495,248)
Fringe Benefits	-	3,867	3,440	-	427	3,826	3,826	-	427
Prepaid Food	46,768	1,346,831	1,349,718	-	43,881	1,381,708	1,381,492	-	44,097
Totals	<u>\$ 23,329,612</u>	<u>\$ 57,733,373</u>	<u>\$ 58,479,040</u>	<u>\$ -</u>	<u>\$ 22,583,945</u>	<u>\$ 58,784,415</u>	<u>\$ 58,792,058</u>	<u>\$ 1,916</u>	<u>\$ 22,578,218</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:

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

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

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

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

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for 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.

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

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.

**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 made due to posting errors and voided vendor checks.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of grant funds for which repayment had not yet been received.

The deficit in the Clearing fund for payroll is a result of posting errors, the timing of payments for payroll taxes, and bond issuance fees paid in June 2018 in the amount of \$467,000, which were reimbursed in the subsequent year.

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

**Note 9. Restatements**

For the year ended June 30, 2016, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2016	New Fund	Prior Period Adjustment	Balance as of July 1, 2016
Textbook Rental	\$ 812,683	Textbook Rental	\$ 5,000	\$ 817,683

**Note 10. 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 2017 and 2018 totaled \$1,737,000 and \$1,242,000, respectively.

The School Corporation has entered into a capital lease with Second South Madison Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$1,490,500 and \$1,493,300, respectively.

The School Corporation has entered into a capital lease with South Madison New Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2017 and 2018 totaled \$2,680,000 and \$2,566,500, respectively.

**Note 11. Subsequent Events**

On November 6, 2018, the South Madison Elementary School Building Corporation closed on a \$9,785,000 bond. Payments for this bond are made on a semi-annual basis beginning June 30, 2020, with the final payment due on December 31, 2028.

**Note 12. Other Postemployment Benefits**

The School Corporation provides 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, 2017

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Construction	School Lunch	Textbook Rental	Self-Insurance	Joint Services and Supply - Special Education Cooperative
Cash and investments - beginning	\$ 8,780,154	\$ 1,913,939	\$ 321,119	\$ 1,216,728	\$ 356,127	\$ 7,302	\$ 544,511	\$ 817,683	\$ 8,627,872	\$ -
Receipts:										
Local sources	154,968	7,601,664	1,843,677	1,835,987	413,566	-	1,398,392	549,748	4,655,567	300,872
Intermediate sources	238	-	-	-	-	-	-	-	-	-
State sources	28,189,014	-	-	-	-	-	23,900	103,658	-	-
Federal sources	-	-	-	-	-	-	680,517	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	1,036,721	-	146,993	461	-	-	150	700	-	-
Total receipts	29,380,941	7,601,664	1,990,670	1,836,448	413,566	-	2,102,959	654,106	4,655,567	300,872
Disbursements:										
Instruction	19,187,140	-	-	-	-	-	-	-	-	-
Support services	8,531,630	-	1,021,759	1,685,484	465,980	-	38,456	835,506	-	-
Noninstructional services	222,844	-	-	-	-	-	2,421,262	-	-	-
Facilities acquisition and construction	1,351,885	-	1,089,806	-	-	-	36,795	-	-	-
Debt service	3,000	7,679,310	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	4,650,240	-
Total disbursements	29,296,499	7,679,310	2,111,565	1,685,484	465,980	-	2,496,513	835,506	4,650,240	-
Excess (deficiency) of receipts over disbursements	84,442	(77,646)	(120,895)	150,964	(52,414)	-	(393,554)	(181,400)	5,327	300,872
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	84,442	(77,646)	(120,895)	150,964	(52,414)	-	(393,554)	(181,400)	5,327	300,872
Cash and investments - ending	\$ 8,864,596	\$ 1,836,293	\$ 200,224	\$ 1,367,692	\$ 303,713	\$ 7,302	\$ 150,957	\$ 636,283	\$ 8,633,199	\$ 300,872

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, 2017

	Kids Connection	Principal Kids Connection Fund	Educational License Plates	Alternative Education	Early Intervention Program	Early Intervention Grant	Community Education	Indiana Next	Kindergarten Camp 2013	Kindergarten Camp 2014
Cash and investments - beginning	\$ 281,891	\$ -	\$ 12,606	\$ 9,753	\$ 1,146	\$ -	\$ 5,636	\$ 19	\$ (528)	\$ 1,390
Receipts:										
Local sources	448,100	-	-	-	-	-	225	-	-	-
Intermediate sources	-	-	525	-	-	-	-	-	-	-
State sources	-	-	-	10,954	-	21,730	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	483	-	-	-	-	-	-	-	-	-
Total receipts	448,583	-	525	10,954	-	21,730	225	-	-	-
Disbursements:										
Instruction	-	-	-	-	-	9,544	-	-	(528)	1,161
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	391,912	-	-	-	-	-	1,787	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	391,912	-	-	-	-	9,544	1,787	-	(528)	1,161
Excess (deficiency) of receipts over disbursements	56,671	-	525	10,954	-	12,186	(1,562)	-	528	(1,161)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	56,671	-	525	10,954	-	12,186	(1,562)	-	528	(1,161)
Cash and investments - ending	\$ 338,562	\$ -	\$ 13,131	\$ 20,707	\$ 1,146	\$ 12,186	\$ 4,074	\$ 19	\$ -	\$ 229

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, 2017

	Kindergarten Camp 2015	Kindergarten Camp 2016	Kindergarten Camp 2017	Kindergarten Camp 2018	South Madison Community Foundation Grant - Pendleton Players	SMCF- Bullying Grant	CAPE	Cellular Connection Donation	Cape Literacy Mini-Grant	Formative Assessment
Cash and investments - beginning	\$ 1,391	\$ -	\$ -	\$ -	\$ 1,214	\$ 431	\$ 6,355	\$ -	\$ -	\$ 40,755
Receipts:										
Local sources	-	-	-	-	-	-	-	125	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	3,521	47,324
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	125	3,521	47,324
Disbursements:										
Instruction	1,124	7,829	2,286	-	-	-	-	61	1,463	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,124	7,829	2,286	-	-	-	-	61	1,463	-
Excess (deficiency) of receipts over disbursements	(1,124)	(7,829)	(2,286)	-	-	-	-	64	2,058	47,324
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,124)	(7,829)	(2,286)	-	-	-	-	64	2,058	47,324
Cash and investments - ending	\$ 267	\$ (7,829)	\$ (2,286)	\$ -	\$ 1,214	\$ 431	\$ 6,355	\$ 64	\$ 2,058	\$ 88,079

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, 2017

	Special Education Excess Costs	Computer Consortium/ Ed Tech Advance	Early Childhood Intervention (First Steps)	High Ability 2015-2016	High Ability 2016-2017	High Ability 2017-2018	Medicaid Reimbursement	Secured Schools Safety Grant	Secured Schools Safety Grant FY15	Secured Schools Safety Grant FY16
Cash and investments - beginning	\$ -	\$ 216	\$ 30	\$ 28,093	\$ -	\$ -	\$ -	\$ (2,862)	\$ (16,610)	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	43,601	-	-	-	46,864	22,858
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	107,520	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	107,520	-	-	43,601	-	-	-	46,864	22,858
Disbursements:										
Instruction	-	-	-	26,027	38,571	-	-	-	-	-
Support services	-	107,520	-	-	-	-	-	22	27,305	16,081
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	107,520	-	26,027	38,571	-	-	22	27,305	16,081
Excess (deficiency) of receipts over disbursements	-	-	-	(26,027)	5,030	-	-	(22)	19,559	6,777
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(26,027)	5,030	-	-	(22)	19,559	6,777
Cash and investments - ending	\$ -	\$ 216	\$ 30	\$ 2,066	\$ 5,030	\$ -	\$ -	\$ (2,884)	\$ 2,949	\$ 6,777

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2017

	Secured Schools Safety Grant FY17	Secured Schools Safety Grant FY18	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	Non-English Speaking Programs P.L. 273-1999 2015/16	Non-English Speaking Programs 2016-17	Non-English Speaking Programs 2017-18	School Technology
Cash and investments - beginning	\$ -	\$ -	\$ 911	\$ 1,172	\$ 3,986	\$ 851	\$ 3,197	\$ -	\$ -	\$ 300,061
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	7,200	-	34,918
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	7,200	-	34,918
Disbursements:										
Instruction	-	-	-	-	-	-	55	2,233	-	-
Support services	25,245	-	-	-	-	-	3,088	1,488	-	-
Noninstructional services	-	-	-	-	-	-	54	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	9,978
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	25,245	-	-	-	-	-	3,197	3,721	-	9,978
Excess (deficiency) of receipts over disbursements	(25,245)	-	-	-	-	-	(3,197)	3,479	-	24,940
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(25,245)	-	-	-	-	-	(3,197)	3,479	-	24,940
Cash and investments - ending	\$ (25,245)	\$ -	\$ 911	\$ 1,172	\$ 3,986	\$ 851	\$ -	\$ 3,479	\$ -	\$ 325,001

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, 2017

	Technology Grants [IC 20-40-15]	Career and Technical Performance Grant	Performance Based Awards	Miscellaneous Programs	Autism Advocates of Indiana Grant- Pendleton Elementary	Autism Advocates of Indiana Grant- East Elementary	Sensory Grant PHMS	Staff Improvement	Innovative School Improvement Grant	Senator David Ford Technology
Cash and investments - beginning	\$ (246)	\$ -	\$ -	\$ -	\$ 137	\$ 1	\$ 1	\$ 853	\$ (2,500)	\$ 1,216
Receipts:										
Local sources	-	-	-	50,121	-	-	-	109	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	1,404	-	-	-	-	-	-	-	-
Federal sources	-	2,734	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	4,138	-	50,121	-	-	-	109	-	-
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	(123)	-	-	17,618	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	(123)	-	-	17,618	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	123	4,138	-	32,503	-	-	-	109	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	123	4,138	-	32,503	-	-	-	109	-	-
Cash and investments - ending	\$ (123)	\$ 4,138	\$ -	\$ 32,503	\$ 137	\$ 1	\$ 1	\$ 962	\$ (2,500)	\$ 1,216

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, 2017

	Staff Training	Mentor Certificate Program	Title I 2009-2010	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Title I 2015-2016	Title I 2016-2017	Title I 2017-2018
Cash and investments - beginning	\$ 8,853	\$ 3,032	\$ 956	\$ (3,837)	\$ (4,824)	\$ (4,892)	\$ (39,749)	\$ -	\$ -
Receipts:									
Local sources	1,127	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	90,301	218,870	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,127	-	-	-	-	-	90,301	218,870	-
Disbursements:									
Instruction	-	-	-	-	-	-	22,860	141,764	-
Support services	2,955	2,297	-	-	-	-	26,306	128,900	-
Noninstructional services	-	-	-	-	-	-	4,622	3,365	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,955	2,297	-	-	-	-	53,788	274,029	-
Excess (deficiency) of receipts over disbursements	(1,828)	(2,297)	-	-	-	-	36,513	(55,159)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,828)	(2,297)	-	-	-	-	36,513	(55,159)	-
Cash and investments - ending	\$ 7,025	\$ 735	\$ 956	\$ (3,837)	\$ (4,824)	\$ (4,892)	\$ (3,236)	\$ (55,159)	\$ -

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2017

	Title I 2002-2003	Innovative Education Program Strategies Title V (Part A)	Title V 2005-06	Title V 2006-07	Title V 2007-08	Serve America	Preschool Special Ed Grant IDEA	Special Education Grant IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ 13	\$ 2,376	\$ (823)	\$ 4,278	\$ 6,091	\$ 98	\$ -	\$ -	\$ 333
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-	-
Disbursements:									
Instruction	-	-	-	4,278	-	-	9,926	502,795	-
Support services	-	2,376	(823)	-	6,091	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	2,376	(823)	4,278	6,091	-	9,926	502,795	-
Excess (deficiency) of receipts over disbursements	-	(2,376)	823	(4,278)	(6,091)	-	(9,926)	(502,795)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,376)	823	(4,278)	(6,091)	-	(9,926)	(502,795)	-
Cash and investments - ending	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ 98	\$ (9,926)	\$ (502,795)	\$ 333

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, 2017

	Title III - Energy Conservation	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A Summer E Learning	Education Technology	Clearing	Fringe Benefits	Prepaid Food	Totals
Cash and investments - beginning	\$ 2,456	\$ -	\$ 14,260	\$ (11,664)	\$ 4,758	\$ 35,128	\$ -	\$ 46,768	\$ 23,329,612
Receipts:									
Local sources	-	-	-	-	-	-	-	-	19,254,248
Intermediate sources	-	-	-	-	-	-	-	-	763
State sources	-	-	-	-	-	-	-	-	28,556,946
Federal sources	-	-	61,785	-	-	-	-	-	1,054,207
Temporary loans	-	-	-	-	-	-	-	-	107,520
Other receipts	-	-	-	-	-	6,223,483	3,867	1,346,831	8,759,689
Total receipts	-	-	61,785	-	-	6,223,483	3,867	1,346,831	57,733,373
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	19,958,589
Support services	-	-	60,872	2,020	4,758	-	-	-	13,012,811
Noninstructional services	-	-	-	-	-	-	-	-	3,045,846
Facilities acquisition and construction	-	-	-	1,316	-	-	-	-	2,489,780
Debt service	-	-	-	-	-	-	-	-	7,682,310
Nonprogrammed charges	-	-	-	-	-	6,286,306	3,440	1,349,718	12,289,704
Total disbursements	-	-	60,872	3,336	4,758	6,286,306	3,440	1,349,718	58,479,040
Excess (deficiency) of receipts over disbursements	-	-	913	(3,336)	(4,758)	(62,823)	427	(2,887)	(745,667)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	913	(3,336)	(4,758)	(62,823)	427	(2,887)	(745,667)
Cash and investments - ending	\$ 2,456	\$ -	\$ 15,173	\$ (15,000)	\$ -	\$ (27,695)	\$ 427	\$ 43,881	\$ 22,583,945

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, 2018

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Construction	School Lunch	Textbook Rental	Self-Insurance	Joint Services and Supply - Special Education Cooperative
Cash and investments - beginning	\$ 8,864,596	\$ 1,836,293	\$ 200,224	\$ 1,367,692	\$ 303,713	\$ 7,302	\$ 150,957	\$ 636,283	\$ 8,633,199	\$ 300,872
Receipts:										
Local sources	230,339	7,607,158	1,902,412	1,942,273	437,758	-	1,426,920	501,050	4,859,773	138,560
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	28,047,420	-	-	-	-	-	24,971	112,552	-	-
Federal sources	-	-	-	-	-	-	918,966	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	114,438	-	140	14,220	700	-	2,528	250	-	-
Total receipts	28,392,197	7,607,158	1,902,552	1,956,493	438,458	-	2,373,385	613,852	4,859,773	138,560
Disbursements:										
Instruction	20,505,062	-	-	-	-	-	-	-	-	-
Support services	8,835,674	-	805,429	1,897,811	420,870	-	44,309	586,713	-	-
Noninstructional services	220,651	-	-	-	-	-	2,069,824	-	-	-
Facilities acquisition and construction	853,686	-	449,739	-	-	-	8,116	-	-	-
Debt service	3,000	6,965,829	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	4,690,523	-
Total disbursements	30,418,073	6,965,829	1,255,168	1,897,811	420,870	-	2,122,249	586,713	4,690,523	-
Excess (deficiency) of receipts over disbursements	(2,025,876)	641,329	647,384	58,682	17,588	-	251,136	27,139	169,250	138,560
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	1,916	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	1,916	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,025,876)	641,329	647,384	58,682	17,588	-	253,052	27,139	169,250	138,560
Cash and investments - ending	\$ 6,838,720	\$ 2,477,622	\$ 847,608	\$ 1,426,374	\$ 321,301	\$ 7,302	\$ 404,009	\$ 663,422	\$ 8,802,449	\$ 439,432

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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 For the Year Ended June 30, 2018

	Kids Connection	Principal Kids Connection Fund	Educational License Plates	Alternative Education	Early Intervention Program	Early Intervention Grant	Community Education	Indiana Next	Kindergarten Camp 2013	Kindergarten Camp 2014
Cash and investments - beginning	\$ 338,562	\$ -	\$ 13,131	\$ 20,707	\$ 1,146	\$ 12,186	\$ 4,074	\$ 19	\$ -	\$ 229
Receipts:										
Local sources	457,415	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	550	-	-	-	-	-	-	-
State sources	-	-	-	9,985	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	457,415	-	550	9,985	-	-	-	-	-	-
Disbursements:										
Instruction	-	12,133	-	-	-	11,607	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	403,366	-	-	-	-	-	778	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	403,366	12,133	-	-	-	11,607	778	-	-	-
Excess (deficiency) of receipts over disbursements	54,049	(12,133)	550	9,985	-	(11,607)	(778)	-	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	74,729	-	-	-	-	-	-	-	-
Transfers out	(74,729)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(74,729)	74,729	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,680)	62,596	550	9,985	-	(11,607)	(778)	-	-	-
Cash and investments - ending	\$ 317,882	\$ 62,596	\$ 13,681	\$ 30,692	\$ 1,146	\$ 579	\$ 3,296	\$ 19	\$ -	\$ 229

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
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 For the Year Ended June 30, 2018

	Kindergarten Camp 2015	Kindergarten Camp 2016	Kindergarten Camp 2017	Kindergarten Camp 2018	South Madison Community Foundation Grant - Pendleton Players	SMCF- Bullying Grant	CAPE	Cellular Connection Donation	Cape Literacy Mini-Grant	Formative Assessment
Cash and investments - beginning	\$ 267	\$ (7,829)	\$ (2,286)	\$ -	\$ 1,214	\$ 431	\$ 6,355	\$ 64	\$ 2,058	\$ 88,079
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	11,057	-	-	-	-	-	-	-	42,996
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	11,057	-	-	-	-	-	-	-	42,996
Disbursements:										
Instruction	-	-	6,386	5,344	-	-	-	-	1,854	-
Support services	-	-	-	-	-	-	-	-	-	52,707
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	6,386	5,344	-	-	-	-	1,854	52,707
Excess (deficiency) of receipts over disbursements	-	11,057	(6,386)	(5,344)	-	-	-	-	(1,854)	(9,711)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	11,057	(6,386)	(5,344)	-	-	-	-	(1,854)	(9,711)
Cash and investments - ending	\$ 267	\$ 3,228	\$ (8,672)	\$ (5,344)	\$ 1,214	\$ 431	\$ 6,355	\$ 64	\$ 204	\$ 78,368

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
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	Special Education Excess Costs	Computer Consortium/ Ed Tech Advance	Early Childhood Intervention (First Steps)	High Ability 2015-2016	High Ability 2016-2017	High Ability 2017-2018	Medicaid Reimbursement	Secured Schools Safety Grant	Secured Schools Safety Grant FY15	Secured Schools Safety Grant FY16
Cash and investments - beginning	\$ -	\$ 216	\$ 30	\$ 2,066	\$ 5,030	\$ -	\$ -	\$ (2,884)	\$ 2,949	\$ 6,777
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	71,325	-	-	-	7,200	35,687	67,191	590	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	48,888	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	71,325	48,888	-	-	7,200	35,687	67,191	590	-	-
Disbursements:										
Instruction	69,329	-	-	-	3,312	13,715	65,570	-	-	-
Support services	-	48,888	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	69,329	48,888	-	-	3,312	13,715	65,570	-	-	-
Excess (deficiency) of receipts over disbursements	1,996	-	-	-	3,888	21,972	1,621	590	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,996	-	-	-	3,888	21,972	1,621	590	-	-
Cash and investments - ending	\$ 1,996	\$ 216	\$ 30	\$ 2,066	\$ 8,918	\$ 21,972	\$ 1,621	\$ (2,294)	\$ 2,949	\$ 6,777

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
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	Secured Schools Safety Grant FY17	Secured Schools Safety Grant FY18	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	Non-English Speaking Programs P.L. 273-1999 2015/16	Non-English Speaking 2016-17	Non-English Speaking 2017-18	School Technology
Cash and investments - beginning	\$ (25,245)	\$ -	\$ 911	\$ 1,172	\$ 3,986	\$ 851	\$ -	\$ 3,479	\$ -	\$ 325,001
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	14,693	-	-	-	-	-	-	-	5,750	70,030
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	14,693	-	-	-	-	-	-	-	5,750	70,030
Disbursements:										
Instruction	-	-	-	-	-	-	-	840	1,498	-
Support services	-	19,041	-	-	-	-	-	3,570	(312)	-
Noninstructional services	-	-	-	-	-	-	-	29	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	262,434
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	19,041	-	-	-	-	-	4,439	1,186	262,434
Excess (deficiency) of receipts over disbursements	14,693	(19,041)	-	-	-	-	-	(4,439)	4,564	(192,404)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	14,693	(19,041)	-	-	-	-	-	(4,439)	4,564	(192,404)
Cash and investments - ending	\$ (10,552)	\$ (19,041)	\$ 911	\$ 1,172	\$ 3,986	\$ 851	\$ -	\$ (960)	\$ 4,564	\$ 132,597

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
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	Technology Grants [IC 20-40-15]	Career and Technical Performance Grant	Performance Based Awards	Miscellaneous Programs	Autism Advocates of Indiana Grant- Pendleton Elementary	Autism Advocates of Indiana Grant- East Elementary	Sensory Grant PHMS	Staff Improvement	Innovative School Improvement Grant	Senator David Ford Technology
Cash and investments - beginning	\$ (123)	\$ 4,138	\$ -	\$ 32,503	\$ 137	\$ 1	\$ 1	\$ 962	\$ (2,500)	\$ 1,216
Receipts:										
Local sources	-	-	-	71,255	-	-	-	303	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	4,744	133,118	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	4,744	133,118	71,255	-	-	-	303	-	-
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	-	-	-	38,263	-	-	-	62	-	245
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	510
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	38,263	-	-	-	62	-	755
Excess (deficiency) of receipts over disbursements	-	4,744	133,118	32,992	-	-	-	241	-	(755)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	4,744	133,118	32,992	-	-	-	241	-	(755)
Cash and investments - ending	\$ (123)	\$ 8,882	\$ 133,118	\$ 65,495	\$ 137	\$ 1	\$ 1	\$ 1,203	\$ (2,500)	\$ 461

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	Staff Training	Mentor Certificate Program	Title I 2009-2010	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Title I 2015-2016	Title I 2016-2017	Title I 2017-2018
Cash and investments - beginning	\$ 7,025	\$ 735	\$ 956	\$ (3,837)	\$ (4,824)	\$ (4,892)	\$ (3,236)	\$ (55,159)	\$ -
Receipts:									
Local sources	805	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	148,207	188,143
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	805	-	-	-	-	-	-	148,207	188,143
Disbursements:									
Instruction	-	-	-	-	-	-	-	23,398	119,876
Support services	2,256	309	-	-	-	-	-	57,902	118,591
Noninstructional services	-	-	-	-	-	-	-	207	2,322
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,256	309	-	-	-	-	-	81,507	240,789
Excess (deficiency) of receipts over disbursements	(1,451)	(309)	-	-	-	-	-	66,700	(52,646)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,451)	(309)	-	-	-	-	-	66,700	(52,646)
Cash and investments - ending	\$ 5,574	\$ 426	\$ 956	\$ (3,837)	\$ (4,824)	\$ (4,892)	\$ (3,236)	\$ 11,541	\$ (52,646)

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, 2018

	Title I 2002-2003	Innovative Education Program Strategies Title V (Part A)	Title V 2005-06	Title V 2006-07	Title V 2007-08	Serve America	Preschool Special Ed Grant IDEA	Special Education Grant IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ 98	\$ (9,926)	\$ (502,795)	\$ 333
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	45,877	904,035	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	45,877	904,035	-
Disbursements:									
Instruction	-	-	-	-	-	-	35,951	516,460	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	35,951	516,460	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	9,926	387,575	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	9,926	387,575	-
Cash and investments - ending	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ 98	\$ -	\$ (115,220)	\$ 333

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, 2018

	Title III - Energy Conservation	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Title II, Part A Summer E Learning	Education Technology	Clearing	Fringe Benefits	Prepaid Food	Totals
Cash and investments - beginning	\$ 2,456	\$ -	\$ 15,173	\$ (15,000)	\$ -	\$ (27,695)	\$ 427	\$ 43,881	\$ 22,583,945
Receipts:									
Local sources	-	-	-	-	-	-	-	-	19,576,021
Intermediate sources	-	-	-	-	-	-	-	-	550
State sources	-	-	-	-	-	-	-	-	28,659,309
Federal sources	-	129,290	56,085	-	-	-	-	-	2,390,603
Temporary loans	-	-	-	-	-	-	-	-	48,888
Other receipts	-	-	-	-	-	6,591,234	3,826	1,381,708	8,109,044
Total receipts	-	129,290	56,085	-	-	6,591,234	3,826	1,381,708	58,784,415
Disbursements:									
Instruction	-	14,778	-	-	-	-	-	-	21,407,113
Support services	-	-	61,523	1,975	-	-	-	-	12,995,826
Noninstructional services	-	-	-	-	-	-	-	-	2,697,177
Facilities acquisition and construction	-	-	-	14,000	-	-	-	-	1,588,485
Debt service	-	-	-	-	-	-	-	-	6,968,829
Nonprogrammed charges	-	-	-	-	-	7,058,787	3,826	1,381,492	13,134,628
Total disbursements	-	14,778	61,523	15,975	-	7,058,787	3,826	1,381,492	58,792,058
Excess (deficiency) of receipts over disbursements	-	114,512	(5,438)	(15,975)	-	(467,553)	-	216	(7,643)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,916
Transfers in	-	-	-	-	-	-	-	-	74,729
Transfers out	-	-	-	-	-	-	-	-	(74,729)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,916
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	114,512	(5,438)	(15,975)	-	(467,553)	-	216	(5,727)
Cash and investments - ending	\$ 2,456	\$ 114,512	\$ 9,735	\$ (30,975)	\$ -	\$ (495,248)	\$ 427	\$ 44,097	\$ 22,578,218

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SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,695,634</u>	<u>\$ 24,989</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Second South Madison Community School Building Corporation	New Elementary	\$ 1,493,000	12/31/08	12/31/19
South Madison Elementary School Building Corporation	Elementary Remodel/HS Refi/PHHS Cafeteria	1,160,500	12/31/15	12/31/27
South Madison New Middle School Building Corporation	New Middle School	<u>2,984,500</u>	06/30/16	12/31/28
Total governmental activities		<u>5,638,000</u>		
Total of annual lease payments		<u>\$ 5,638,000</u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
Notes and loans payable	Common School Loans-Technology/Remodel	\$ 8,700,464    \$ 1,623,371
Totals		<u>\$ 8,700,464    \$ 1,623,371</u>

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2018

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 3,757,798
Infrastructure	698,669
Buildings	105,633,154
Improvements other than buildings	1,894,179
Machinery, equipment, and vehicles	<u>9,978,040</u>
Total governmental activities	<u>121,961,840</u>
Total capital assets	<u>\$ 121,961,840</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTH 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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 2018-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Equipment and Real Property Management 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.

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

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

***Basis for Qualified Opinion on Special Education Cluster (IDEA)***

As described in items 2018-007, 2018-008, 2018-009, and 2018-010 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Level of Effort, Period of Performance, Procurement and Suspension and Debarment, and Reporting that are applicable to its Special Education Cluster (IDEA). Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Qualified Opinion on Special Education Cluster (IDEA)***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, 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 Special Education Cluster (IDEA) for the period of July 1, 2016 to June 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-005. 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.

**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 the Uniform Guidance, 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 and significant deficiencies.


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

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 2018-002, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, and 2018-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003 to be a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

March 7, 2019

#### 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, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 17	\$ -	\$ 91,553	\$ -	\$ -
School Breakfast Program			FY 18	-	-	-	123,370
Total - School Breakfast Program				-	91,553	-	123,370
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 17	-	588,964	-	-
School Lunch Program			FY 18	-	-	-	795,596
National School Lunch Program - Commodities			FY 17	-	148,292	-	-
National School Lunch Program - Commodities			FY 18	-	-	-	182,593
Total - National School Lunch Program				-	737,256	-	978,189
Special Milk Program for Children							
Special Milk Program for Children	Indiana Department of Education	10.556					
Special Milk Program for Children			FY 17	-	636	-	-
Special Milk Program for Children			FY 18	-	-	-	1,131
Total - Special Milk Program for Children				-	636	-	1,131
Total - Child Nutrition Cluster				-	829,445	-	1,102,690
Total - Department of Agriculture				-	829,445	-	1,102,690
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY2016 Federal Part B 611 Grant			14216-027-PN01	-	101,524	-	4,102
FY2017 Federal Part B 611 Grant			14217-139-PN01	-	-	-	904,035
FY2018 Federal Part B 611 Grant			18611-023-PN01	-	-	-	641,129
Total - Special Education Grants to States				-	101,524	-	1,549,266

SOUTH MADISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through o Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY2017 Federal Part B 619 Grant Preschool			45717-139-PN01	-	-	-	45,877
FY2018 Federal Part B 619 Grant Preschool			18619-023-PN01	-	-	-	32,845
Total - Special Education Preschool Grants				-	-	-	78,722
Total - Special Education Cluster (IDEA)				-	101,524	-	1,627,988
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I-2015/16 (4107)			16-5255	-	90,301	-	-
Title I-2016/17 (4108)			17-5255	-	218,870	-	148,207
Title I 2017-18 (4109)			18-5255	-	-	-	181,920
Total - Title I Grants to Local Educational Agencies				-	309,171	-	330,127
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II 2014-15 (6840.14)			15-5255	-	14,054	-	-
Title II 2015-16 FY2016			16-5255	-	47,731	-	27,954
Title II 2016-17 FY2017			17-5255	-	-	-	34,355
Total - Supporting Effective Instruction State Grants				-	61,785	-	62,309
Total - Department of Education				-	472,480	-	2,020,424
Total federal awards expended				\$ -	\$ 1,301,925	\$ -	\$ 3,123,114

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, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Special Education Cooperative**

The School Corporation was a member of the Hancock Madison Shelby Educational Services for fiscal year 2017 and the Hamilton Boone Madison Special Services Cooperative (Cooperative) for fiscal year 2018. 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 Cooperative.

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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	yes
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Qualified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2018-001**

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 2016-001.

*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).

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

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 proper system of internal controls in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The Medicaid Cluster was overstated by \$129,290 for the period ending June 30, 2018.
2. The Special Education Cluster (IDEA) was understated by \$673,974 for the period ending June 30, 2018.
3. The SEFA contained several immaterial errors resulting in an overstatement of \$63,520 for the period ending June 30, 2017, and an understatement of \$155,795 for the period ending June 30, 2018.
4. Not all CFDA numbers, program names, project names, and pass-through identifying numbers were reported or correctly reported.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*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*.

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

*Recommendation*

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

*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 2018-002**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children  
CFDA Numbers: 10.553, 10.555, 10.556  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
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 2016-005.

*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 Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain proper time and effort documentation for all employees paid from the Child Nutrition Cluster. During the audit period, a portion of two employees' salaries were paid from Child Nutrition Cluster funds. The amounts paid were based off of a budgeted amount and not actual time spent. There was no supporting documentation to indicate how these amounts were determined.

*Context*

The lack of controls and noncompliance with the two employees was a systemic issue, occurring throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

(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). . . ."

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 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 grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2018-003***

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch  
Program, Special Milk Program for Children  
CFDA Numbers: 10.553, 10.555, 10.556  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Significant Deficiency

*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 Reporting compliance requirement. Only one individual is responsible for preparing, approving, and submitting the Verification Summary Report without any oversight, review, or approval process prior to submission.

*Context*

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

*Criteria*

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 grant agreement and the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and Reporting compliance requirement.

*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 an effective system of internal controls to ensure compliance with the grant agreement and 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 2018-004**

Subject: Child Nutrition Cluster - Equipment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch  
Program, Special Milk Program for Children  
CFDA Numbers: 10.553, 10.555, 10.556  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit period. The prior audit finding number was 2016-006.

*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 maintains an inventory of all assets within the School Corporation, including Child Nutrition Cluster equipment. The asset list is updated biannually and was last completed on June 30, 2017; therefore, the School Corporation did not have a complete record of assets as of June 30, 2018. Any additions and deletions during the 2018 fiscal year were not reflected in the records provided by the School Corporation. There was no review or approval process for acquisitions or disposals of equipment.

In addition to the School Corporation's asset records, a separate inventory of equipment was maintained by the Director of School Nutrition Services. This asset list was not maintained in accordance with the School Corporation's capital asset policy and did not include all applicable assets. The School Corporation's capital asset policy indicated that items costing \$750 or more should have been included within the asset records. Some equipment purchases were not included in this inventory; therefore, the inventory records were not complete.

*Context*

The lack of controls and incomplete records were a systemic issue, which occurred throughout the audit period.

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

*Criteria*

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). . . ."

2 CFR 200.33 states in part:

"*Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. . . ."

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 grant agreement and the Equipment and Real Property Management requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and 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 an effective system of internal controls to ensure compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

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 2018-005**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles and Equipment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Equipment  
and Real Property Management

Audit Findings: Material Weakness, Other Matters

*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 Allowable Costs/Cost Principles and Equipment and Real Property Management compliance requirements.

The School Corporation purchased a piece of equipment with a value of more than \$5,000 without obtaining approval from the Indiana Department of Education (IDOE). The IDOE National School Lunch Program procurement policy requires that all equipment purchases made with Child Nutrition Cluster funds exceeding \$5,000 are approved by the IDOE prior to purchase.

*Context*

The lack of controls and non-compliance were isolated to the purchase noted above.

*Criteria*

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). . . ."

2 CFR 200.33 states in part:

"*Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. . . ."

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

2 CFR 200.439(b) states in part:

"The following rules of allowability must apply to equipment and other capital expenditures:  
. . .

- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

2 CFR 200.313(a) states in part:

"*Title.* Subject to the obligations and conditions set forth in this section, title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity. Unless a statute specifically authorizes the Federal agency to vest title in the non-Federal entity without further obligation to the Federal Government, and the Federal agency elects to do so, the title must be a conditional title. Title must vest in the non-Federal entity subject to the following conditions: . . .

- (2) Not encumber the property without approval of the Federal awarding agency or pass-through entity. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement, the Allowable Costs/Cost Principles compliance requirement, and the Equipment and Real Property Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement, the Allowable Costs/Cost Principles compliance requirement, and 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 an effective system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles and Equipment and Real Property Management compliance requirements.

*Views of Responsible Officials*

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

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

***FINDING 2018-006***

Subject: Special Education Grants to States - Internal Controls  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): 14216-027-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2016-009 and 2016-010.

*Condition*

The School Corporation was a participating member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative) during the 2016-2017 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. 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 audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements. 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 following compliance requirements:

*Activities Allowed or Unallowed and Allowable Costs/Cost Principles*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties regarding allowable activities and allowable costs. The Treasurer prepared claims for payment and paid the claims with no review, approval, or oversight process to ensure accuracy.

*Cash Management*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was proper segregation of duties regarding cash management. Reimbursement requests were prepared and submitted by the Treasurer with no review, approval, or oversight process to ensure accuracy.

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

*Context*

The lack of controls was isolated to the 2016-2017 school year.

*Criteria*

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 established a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement, the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

*Views of Responsible Officials*

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

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

***FINDING 2018-007***

Subject: Special Education Cluster (IDEA) - Level 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): 14217-139-PN01, 45717-139-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Matching, Level of Effort, Earmarking  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-007.

*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, Earmarking compliance requirement.

The School Corporation's management failed to provide sufficient supporting documentation for the maintenance of effort calculation for fiscal year 2016-2017 for one expenditure account listed. The lack of supporting documentation resulted in the inability to determine if the expenditure account used was for special education services. Additionally, two expenditure accounts listed included disbursements with federal funds, and are not considered state or local expenditures.

*Context*

The lack of internal controls and noncompliance were isolated to the 2016-2017 school year.

*Criteria*

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). . . ."

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. . . ."

34 CFR 300.203(b) states:

*"Compliance standard.*

(1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

(2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:

- (i) Local funds only;
- (ii) The combination of State and local funds;
- (iii) Local funds only on a per capita basis; or
- (iv) The combination of State and local funds on a per capita basis.

(3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommend that the School Corporation's management establish an effective internal control system to ensure compliance with the grant agreement and the Matching, Level of Effort, 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 2018-008**

Subject: Special Education Grants to States - Period of Performance  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): 18611-023-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Period of Performance  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative) during the 2017-2018 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. 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 2017-2018 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the period of performance requirements. 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 Period of Performance compliance requirement.

Special Education grants have a period of performance that requires costs not be incurred prior to the July 1 start of the grant award. For grant 18611-023-PN01, obligations for transactions recorded near the beginning of the grant award were found to have been incurred prior to the start of the period of performance for three of seven claims examined.

*Context*

The lack of controls was isolated to the 2017-2018 school year. The noncompliance was isolated specifically to the 18611-023-PN01 award in the 2017-2018 school year.

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

*Criteria*

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). . . ."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Period of Performance compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2018-009***

Subject: Special Education Cluster (IDEA) - Procurement  
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): 14216-027-PN01, 18611-023-PN01,  
18619-023-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-009.

*Condition*

*Hancock Madison Shelby Educational Services Cooperative*

The School Corporation was a participating member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative) during the 2016-2017 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. 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 2016-2017 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the procurement requirements. An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the procurement requirements. The Cooperative had not designed or implemented adequate policies and procedures to ensure there was a proper segregation of duties regarding procurement. The Treasurer prepared claims for payment and paid the claims without any review, oversight, or approval policies.

*Hamilton-Boone-Madison Special Services Cooperative*

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative) during the 2017-2018 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. 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.

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

During the 2017-2018 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the procurement requirements. An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the procurement requirements.

The written procurement policies and procedures of the fiscal agent did not comply with the procurement requirements outlined in the *Criteria* below. The written policies did not specify the avoidance of unnecessary or duplicative items or that all solicitations should incorporate a description of the technical requirements of the procurement. The fiscal agent also had a policy to use local or geographical preferences in the evaluation of bids or proposals. Additionally, no documentation was made available for audit to verify that price or rate quotations were obtained from an adequate number of qualified sources or that the procurements provided full and open competition.

*Context*

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

*Criteria*

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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

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

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . ."

2 CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2018-010***

Subject: Special Education Grants to States - Reporting  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-027-PN01, 14217-139-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-008.

*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 Reporting compliance requirement.

For the fiscal year 2017 grant award, the School Corporation was required to provide special education and related services to students in nonpublic schools and facilities, which required financial reports to be completed on a quarterly basis. Proportionate Share Monitoring Reports from July 1, 2016 to June 30, 2018 were not prepared or submitted by the School Corporation.

The School Corporation was a participating member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative) during the 2016-2017 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. 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 audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the reporting requirements. An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Cooperative had not designed or implemented adequate policies and procedures to ensure there was a proper segregation of duties regarding reporting. The reimbursement requests and Final Expenditure Reports were prepared and submitted by the Treasurer without any oversight, review, or approval process prior to submission.

*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*

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). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:  
. . .

(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 . . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance 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 a system of internal controls to ensure compliance with the grant agreement and 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.

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#### AUDITEE-PREPARED DOCUMENTS

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



# SOUTH MADISON



## COMMUNITY SCHOOL CORPORATION

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

### BOARD OF SCHOOL TRUSTEES

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*

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### **FINDING 2016-001** FINANCIAL STATEMENT FINDING

**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](mailto:kmccarty@smcsc.com)  
[pmyers@smcsc.com](mailto:pmyers@smcsc.com)

#### **Status of Audit Findings:**

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 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 2014-15/2015-16 audit period, the implementation of this corrective action plan could not be carried out during the 2016-17/2017-18 audit period.

KA Mc Business Manager  
Signature and Title Business Manager

2/18/19  
Date

Penny Myers Corp Treasurer  
Signature and Title Corporation Treasurer

2/18/19  
Date



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Kenneth S. McCarty  
*Business & Operations Manager*

Lynn Mellinger  
*Director of Special Education*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2016-002** FINANCIAL TRANSACTIONS AND REPORTING

**Contact Person:**

Ken McCarty, Business Manager and Penny Myers Corporation Treasurer

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

**Contact Email:** [kmccarty@smcsc.com](mailto:kmccarty@smcsc.com) and/or [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Status of Audit Findings:**

**Cash and Investments:**

The monthly reconcilements are prepared by the Corporation Treasurer then reviewed by the Business Manager who then prepares a detailed report 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 as dual oversight and approval of the monthly reconciliation. The Business Manager will prepare a detail report of the monthly expenditures and revenue as dual oversight 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. 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 signature/initials showing dual oversight 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 2014-15/2015-16 audit period the implementation of this corrective action plan could not be carried out during the 2016-17/2017-18 audit period.

  
 Signature and Title: Business Manager

2/18/19  
 Date

  
 Signature and Title: Corporation Treasurer

2/18/19  
 Date

# SOUTH MADISON



COMMUNITY 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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Kenneth S. McCarty  
*Business & Operations  
Manager*

Lynn Mellinger  
*Director of Special  
Education*

February 14, 2019

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

### Cash Management:

Action was taken in August 2018 to correct this finding. The average of 3 months expenditures amount was added to the monthly reconciliation report that the Director of Nutrition Services tracks. Both the Director and Administrative Assistant will initial that the current balance each month does not exceed that number.

### Procurement and Suspension and Debarment:

Action was taken 12/13/18 to obtain board approval to correct this finding. The SMCSC Board of Trustees approved the CIESC contract from SY 18-19. The contract for future school years will be approved upon signing in June.

### Program Income:

Action was taken beginning in August 2018 on all month end reports to correct this finding. Both the Director of Nutrition and either Administrative Assistant or Treasurer will review and initial the monthly Prepaid Sales Summary report.

Sincerely,

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

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Instruction*

Kenneth S. McCarty  
*Business & Operations  
Manager*

Lynn Mellinger  
*Director of Special  
Education*

February 14, 2019

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

### Maintenance of Records

- Action was taken in July 2018 to correct this finding. Protocols were discussed and put into place between Business Manager, Treasurer, and any other office personnel handling records in file storage room. All files will be signed off on prior to physical destruction by Director two times.

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  
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February 14, 2019

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

### Central Office Salaries/Wages and Allowable Costs

- Action was taken in August 2018 to correct this finding. The Business Manager, Ken McCarty keeps a time and effort log. Director of Nutrition signs off on log after completion.

Sincerely,

A handwritten signature in cursive script that reads "Lindsey A. Hill".

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

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*Business & Operations  
Manager*

Lynn Mellinger  
*Director of Special  
Education*

February 14, 2019

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

### Inventory or Equipment

- Action was taken in December 2018 to correct this finding. The inventory was updated to include the acquisition cost and date, if known. Additionally, SMCSC Nutrition Services adjusted standard operating procedures to ensure that an annual physical inventory of equipment is performed against digital inventory and that at least two people are checking to ensure updates are made 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 Secondary Curriculum, Instruction and College & Career Readiness*

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*Assistant Superintendent for Elementary Curriculum and Instruction*

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*Business & Operations Manager*

Lynn Mellinger  
*Director of Special Education*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2016-007 SPECIAL EDUCATION CLUSTER**

**Subject:** Special Education Cluster (IDEA) – Maintenance of Effort  
**Federal Agency:** Department of Education  
**Federal Programs:** Special Education Grants to State, Special Education Preschool Grants  
**CFDA Numbers:** 84.027, 84.173  
**Federal Award Numbers and Years (or Other Identifying Numbers):**  
 99914-024-PN01, 14214-027-PN01, 45714-027-PN01, 14215-027-PN01, 45715-027-PN01, 14216-027-PN01, 45716-027-PN01  
**Pass-through Entity:** Indiana Department of Education  
**Compliance Requirement:** Matching, Level of Effort, Earmarking  
**Audit Findings:** Material Weakness, Other Matters  
**Contact Persons:** Ken McCarty, Business Manager and Penny Myers Corporation Treasurer  
**Contact Phone Number:** 765-778-2152 extension 1003 or 1005  
**Contact Email:** [kmccarty@smcsc.com](mailto:kmccarty@smcsc.com) and [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

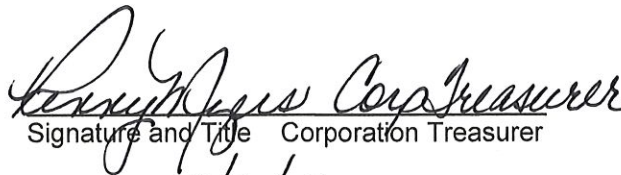
**Status of Audit Findings:**

As of July 1, 2018, SMCSC will maintain detailed supporting documentation for the reporting of the maintenance of effort.

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 2014-15/2015-16 audit period, the implementation of this corrective action plan could not be carried out during the 2016-17 /2017-18 audit period.

 Business Manager  
 Signature and Title Business Manager  
 2/20/19  
 Date

 Corp Treasurer  
 Signature and Title Corporation Treasurer  
 2/20/19  
 Date

**BOARD OF SCHOOL TRUSTEES**

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

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*Assistant Superintendent for Elementary Curriculum and Instruction*

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*Business & Operations Manager*

Lynn Mellinger  
*Director of Special Education*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2016-008 SPECIAL EDUCATION CLUSTER-REPORTING**

**Subject:** Special Education Cluster (IDEA) – Reporting  
**Federal Agency:** Department of Education  
**Federal Programs:** Special Education Grants to State, Special Education Preschool Grants  
**CFDA Numbers:** 84.027, 84.173  
**Federal Award Numbers and Years (or Other Identifying Numbers):**  
 99914-024-PN01, 14214-027-PN01, 45714-027-PN01, 14215-027-PN01, 45715-027-PN01,  
 14216-027-PN01, 45716-027-PN01  
**Pass-through Entity:** Indiana Department of Education  
**Compliance Requirement:** Reporting  
**Audit Findings:** Material Weakness, Other Matters  
**Contact Persons:** Ken McCarty, Business Manager and Penny Myers Corporation Treasurer  
**Contact Phone Number:** 765-778-2152 extension 1003 or 1005  
**Contact Email:** [kmccarty@smcsc.com](mailto:kmccarty@smcsc.com) and [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Status of Auditing Findings:**

During the 2014-15/2015-16 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.

As of July 1, 2018, SMCSC has put in place internal controls and provided 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 2014-15/2015-16 audit period, the implementation of this corrective action plan could not be carried out during the 2016-17/2017-18 audit period.

 Business Manager  
 Signature and Title Business Manager

2/20/19  
 Date

 Corporation Treasurer  
 Signature and Title Corporation Treasurer

2/20/19  
 Date



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*Assistant Superintendent for Elementary Curriculum and Instruction*

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*Business & Operations Manager*

Lynn Mellinger  
*Director of Special Education*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2016-009 SPECIAL EDUCATION CLUSTER-REPORTING**

**Subject:** Special Education Cluster (IDEA) – Activities Allowed, Allowable Cost/Cost Principals, Cash Management, Procurement and Suspension and Debarment, Reporting

**Federal Agency:** Department of Education

**Federal Programs:** Special Education Grants to State, 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

**Pass-through Entity:** Indiana Department of Education

**Compliance Requirement:** Activities Allowed, Allowable Cost/Cost Principals, Cash Management, Procurement and Suspension and Debarment, Reporting

**Audit Findings:** Material Weakness

**Contact Persons:** *Ken McCarty, Business Manager* and Penny Myers Corporation Treasurer

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


**Contact Email:** [kmccarty@smcsc.com](mailto:kmccarty@smcsc.com) and [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Status of Auditing Findings:**

During the 2014-15/2015-16 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.

As of July 1, 2018, SMCSC has put in place internal controls and provided additional oversight in reference to the compliance of the Activities Allowed, Allowable Cost/Cost Principals, Cash Management, Procurement and Suspension and Debarment, and Reporting.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-15/2015-16 audit period, the implementation of this corrective action plan could not be carried out during the 2016-17/2017-18 audit period.

  
 Signature and Title Business Manager  
 2/20/19  
 Date

  
 Signature and Title Corporation Treasurer  
 2/20/19  
 Date



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Lynn Mellinger  
*Director of Special Education*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2016-010 SPECIAL EDUCATION CLUSTER-REPORTING**

**Subject:** Special Education Cluster (IDEA) – Activities Allowed, Allowable Cost/Cost Principals, Cash Management, Procurement and Suspension and Debarment, Reporting

**Federal Agency:** Department of Education

**Federal Programs:** Special Education Grants to State, 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

**Pass-through Entity:** Indiana Department of Education

**Compliance Requirement:** Activities Allowed, Allowable Cost/Cost Principals, Cash Management, Procurement and Suspension and Debarment, Reporting

**Audit Findings:** Material Weakness

**Contact Persons:** Ken McCarty, Business Manager and Penny Myers Corporation Treasurer

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

**Contact Email:** [kmccarty@smcsc.com](mailto:kmccarty@smcsc.com) and [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Status of Auditing Findings:**

During the 2014-15/2015-16 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.

As of July 1, 2018, SMCSC has put in place internal controls and provided additional oversight in reference to the compliance of the Activities Allowed, Allowable Cost/Cost Principals, Cash Management, Procurement and Suspension and Debarment, and Reporting.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-15/2015-16 audit period, the implementation of this corrective action plan could not be carried out during the 2016-17/2017-18 audit period.

  
 Signature and Title Business Manager

2/20/19  
 Date

  
 Signature and Title Corporation Treasurer

2/20/19  
 Date

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*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 2018-001 FINANCIAL STATEMENT FINDING**

**Subject:** Preparation of the Schedule of Expenditures of Federal Awards

**Audit Findings:** Material Weakness, Noncompliance

**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](mailto:kmccarty@smcsc.com) or [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Views of Responsible Officials:**

We concur with the findings.

**Description of Corrective Action Plan:**


As of April 1, 2019, 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 will then be reviewed by the Business Manager with an authorization signature/initial 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. Also, as per the guidance of the State Board of Accounts, the Medicaid Cluster will not be included on future SEFA reporting.

Due to the timing of the 2014-15 and 2015-16 audit period, the implementation of the 2016-001 corrective action plan could not be carried out during the current audit period of 2016-17 and 2017-18.

  
\_\_\_\_\_  
Signature and Title Business Manager

3/4/19  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature and Title Corporation Treasurer

3/4/19  
\_\_\_\_\_  
Date

# SOUTH MADISON



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

March 4, 2019

**CORRECTIVE ACTION PLAN**

**Finding 2018-002:**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Program(s): School Breakfast Program, National School Lunch Program, Special Milk Program for Children  
CFDA Number(s): 10.553, 10.555, 10.556  
Federal Award Number(s) (or Other Identifying Number(s)): FY 2016-2017, FY2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement(s): Allowable Costs/Cost Principles  
Audit Finding(s): Material Weakness  
*Repeat Finding*

This is a repeat finding from the immediate prior audit period. The prior audit finding number was 2016-005.

*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 following compliance requirement listed above.

The School Corporation did not maintain proper time and effort documentation for all employees paid from the Child Nutrition Cluster. During the audit period, a portion of two employee's salaries were paid out of the child nutrition program. The amounts were paid based off of a budgeted amount and not actual time spent. There was no supporting documentation to determine to support the amount paid.

*Context*

The lack of controls and noncompliance were isolated to the two employees. This issue continued throughout the audit period.

**PLAN:**

SMCSC now keeps a time and effort log for both employees. Those time and effort logs will be used to calculate the amount that is charged to the 0800 fund using actual time spent and hourly rate. The calculations will be used to invoice the 0800 fund. Budgeted amounts will no longer be used effective April 1, 2019.

**Views of the Responsible Official:**

I concur with the finding(s).

*Lindsay Hill* Director of Nutrition Services  
Signature and Title

3/4/19  
Date



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*Assistant Superintendent for Elementary Curriculum and Instruction*

Kenneth S. McCarty  
*Business & Operations Manager*

Lynn Mellinger  
*Director of Special Education*

March 4, 2019

**CORRECTIVE ACTION PLAN**

**Finding 2018-003:**

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Program(s): School Breakfast Program, National School Lunch Program, Special Milk Program for Children  
CFDA Number(s): 10.553, 10.555, 10.556  
Federal Award Number(s) (or Other Identifying Number(s)): FY2016- 2017, FY2016-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement(s): Reporting  
Audit Finding(s): Significant Deficiency

*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 Reporting Compliance Requirement. Only one individual is responsible for preparing, approving, and submitting the Verification Summary Report.

**PLAN:**

Current practice is SMCSC Nutrition Services Administrative Assistant prepares the Verification Summary Report from the district's POS (point of sale) software. The Administrative Assistant makes any necessary edits and signs off on this report. The Director of Nutrition Services takes that report and enters the information onto the online form on the DOE CNPweb. SMCSC will add a third step to Standard Operating Procedures to have the Administrative Assistant review the submitted online report to ensure it matches the previous report. All changes will take place effective April 1, 2019.

**Views of the Responsible Official:**

I concur with the finding(s).

Gudrun Affee Director of Nutrition Services

Signature and Title

3/4/19

Date



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March 4, 2019

## CORRECTIVE ACTION PLAN

### **Finding 2018-004:**

Subject: Child Nutrition Cluster - Equipment and Real Property  
Federal Agency: Department of Agriculture  
Federal Program(s): School Breakfast Program, National School Lunch Program, Special Milk Program for Children  
CFDA Number(s): 10.553, 10.555, 10.556  
Federal Award Number(s) (or Other Identifying Number(s)): FY2016-2017, FY2016-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement(s): Equipment and Real Property  
Audit Finding(s): Material Weakness, Modified Opinion

#### *Repeat Finding*

This is a repeat finding from the immediate prior audit period. The prior audit finding number was 2018-006.

#### *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. There was no review or approval process for acquisitions or disposals of equipment.

The School Corporation maintains an inventory of all assets within the School Corporation including child nutrition equipment. The inventory is updated biannually and was last completed on June 30, 2017, therefore we did not have a complete record of assets as of June 30, 2018. Any additions and deletions during the fiscal year ending June 30, 2018 would not be reflected in the records provided by the School Corporation.

In addition to the School Corporation's asset records, a separate inventory of equipment was maintained by the Director of School Nutrition Services. However this inventory was not maintained in accordance with the School Corporation's capital asset policy and did not include all assets that it should. The School Corporation's capital asset policy indicates that assets costing \$750 or more should be included in the asset records. Only certain equipment purchases that the Director considered "fixed equipment" were included in this inventory, therefore the inventory records would not be considered complete either.

Due to the incompleteness of the inventory records, we were not able to test some aspects regarding this compliance requirement.

### **PLAN:**

SMCSC will make the following changes to its Standard Operating Procedures as related to the Equipment Inventory maintained by the Director of Nutrition Services effective April 1, 2019.

- A tab to spreadsheet will be added to easily identify deletions and additions. Deletions already are approved by SMCSC Board of Trustees. Additions are approved through Accounts Payable vouchers.
- Physical Inventory of Assets will be reviewed and confirmed annually by Cafeteria Managers.
- SMCSC Nutrition Services Administrative Asst. will verify that additions and deletions are made to inventory by Director of Nutrition Services.

### **Views of the Responsible Official:**

I concur with the finding(s).

Gudrun Affecc Director of Nutrition Services  
Signature and Title

3/4/19  
Date

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Kenneth S. McCarty  
*Business & Operations  
Manager*

Lynn Mellinger  
*Director of Special  
Education*

March 4, 2019

**CORRECTIVE ACTION PLAN**

**Finding 2018-005:**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Equipment,  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for  
Children  
CFDA Numbers: 10.553, 10.555, 10.556  
Federal Award Number(s) (or Other Identifying Number(s)): FY2016- 2017, FY2016-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement(s): Allowable Costs/Cost Principles, Equipment and Real Property Management,

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 following compliance requirement(s): Allowable Costs/Cost Principles, Equipment and Real Property Management.

The School Corporation had purchased a piece of equipment with a value of more than \$5,000 without obtaining approval for the Indiana Department of Education. The Indiana Department of Education National School Lunch Program Procurement Policy requires that any equipment purchases made with Child Nutrition Funds exceeding \$5,000 be approved by the State prior to purchase.

**PLAN:**

SMCSC Director of Nutrition Services will obtain prior approval from IDOE prior to the purchase of any equipment exceeding \$5,000 effective April 1, 2019.

**Views of the Responsible Official:**

I concur with the finding(s).

Judsey Affari Director of Nutrition Services  
Signature and Title

3/4/19  
Date

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Lynn Mellinger  
*Director of Special Education*

**CORRECTIVE ACTION PLAN**

**FINDING 2018-006** SPECIAL EDUCATION CLUSTER (IDEA) – Internal Controls  
**Federal Agency:** Department of Education  
**Federal Program:** Special Education Grants to States  
**CFDA Number:** 84.027  
**Federal Award Number:** 14216-027-PN01  
**Pass-Through Entity:** Indiana Department of Education  
**Compliance Requirements:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management  
**Audit Finding:** Material Weakness


**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](mailto:kmccarty@smcsc.com) or [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

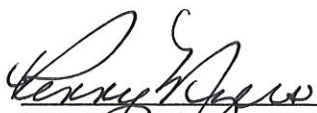
**Views of Responsible Officials:**  
 We concur with the findings.

**Description of Corrective Action Plan:**

South Madison Community School Corporation was a member of the Hancock Madison Shelby Educational Services Cooperative during the 2016-2017 school year. 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 provides correspondence and guidance to the SMCSC Superintendent, Business Manager, Director of Special Education and Corporation Treasurer.

South Madison Community School Corporation will make every effort to ensure compliance with the federal requirements related to the grant agreement and the activities allowed or un-allowed, allowable costs/cost principles and cash management compliance requirements.

  
 \_\_\_\_\_  
 Signature and Title Business Manager  
 3/4/19  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Signature and Title Corporation Treasurer  
 3/4/19  
 \_\_\_\_\_  
 Date

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Lynn Mellinger  
*Director of Special Education*

**CORRECTIVE ACTION PLAN**

**FINDING 2018-007 SPECIAL EDUCATION CLUSTER (IDEA) – Level 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:** 14217-139-PN01, 45717-139-PN01  
**Pass-Through Entity:** Indiana Department of Education  
**Compliance Requirement:** Matching, Level of Effort, Earmarking  
**Audit Findings:** Material Weakness, Modified Opinion

**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](mailto:kmccarty@smcsc.com) or [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Views of Responsible Officials:**  
 We concur with the findings.


**Description of Corrective Action Plan:**  
 Due to the transition from Hancock Madison Shelby Educational Services to Hamilton Boone Madison Special Service Cooperative (HBM), 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.

SMCSC has obtained a better understanding of the Maintenance of Effort requirement of Level of Effort from the State Board of Account Field Examiner. As of April 1, 2018, SMCSC will maintain detailed supporting documents for all future grant applications.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-15 and 2015-16 audit period, the implementation of the prior corrective action plan could not be carried out during the 2016-17 and 2017-18 audit period.

  
 \_\_\_\_\_  
 Signature and Title Business Manager

3/4/19  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Signature and Title Corporation Treasurer

3/4/19  
 \_\_\_\_\_  
 Date

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Lynn Mellinger  
*Director of Special Education*

**CORRECTIVE ACTION PLAN**

**FINDING 2018-008 SPECIAL EDUCATION CLUSTER (IDEA) – Period of Performance**

**Federal Agency:** Department of Education  
**Federal Program:** Special Education Grants to States  
**CFDA Number:** 84.027  
**Federal Award Number:** 18611-023-PN01  
**Pass-Through Entity:** Indiana Department of Education  
**Compliance Requirement:** Period of Performance  
**Audit Findings:** Material Weakness, Modified Opinion

**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](mailto:kmccarty@smcsc.com) or [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Views of Responsible Officials:**  
 We concur with the findings.

**Description of Corrective Action Plan:**  
 South Madison Community School Corporation has discussed the finding with Hamilton Boone Madison (HBM) and all parties concurs with the finding.

As of April 1, 2019, South Madison Community School Corporation will work with HBM to ensure only costs incurred during the federal grant period are paid during the current grant period.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements.

  
 \_\_\_\_\_  
 Signature and Title Business Manager

3/4/19  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Signature and Title Corporation Treasurer

3/4/19  
 \_\_\_\_\_  
 Date

# SOUTH MADISON



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Kenneth S. McCarty  
*Business & Operations Manager*

Lynn Mellinger  
*Director of Special Education*

### CORRECTIVE ACTION PLAN



**FINDING 2018-009** SPECIAL EDUCATION CLUSTER (IDEA) – Internal Controls  
**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:** 14216-027-PN01, 18611-023-PN01, 18619-023-PN01  
**Pass-Through Entity:** Indiana Department of Education  
**Compliance Requirement:** Procurement and Suspension and Debarment  
**Audit Findings:** Material Weakness, Modified Opinion

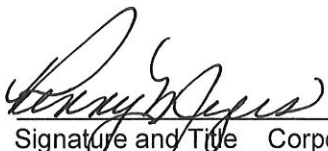
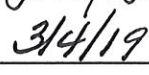
**Contact Person Responsible for Corrective Action:**  
Ken McCarty, Business Manager and Penny Myers Corporation Treasurer  
**Contact Phone Number:**  
765-778-2152 extension 1003 or 1005  
**Contact Email:**  
[kmccarty@smcsc.com](mailto:kmccarty@smcsc.com) or [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Views of Responsible Officials:**  
We concur with the findings.

**Description of Corrective Action Plan:**  
South Madison Community School Corporation was a member of the Hancock Madison Shelby Educational Services Cooperative during the 2016-2017 school year. 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 provides correspondence to the SMCSC Superintendent, Business Manager, Director of Special Education and Corporation Treasurer.

As of April 1, 2019, South Madison Community School Corporation will make every effort to ensure compliance with the federal requirements related to the grant agreement and the procurement requirements.

  
\_\_\_\_\_  
Signature and Title Business Manager  
  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature and Title Corporation Treasurer  
  
\_\_\_\_\_  
Date

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*Business & Operations Manager*

Lynn Mellinger  
*Director of Special Education*

## CORRECTIVE ACTION PLAN

### **FINDING 2018-010** SPECIAL EDUCATION CLUSTER (IDEA) – Reporting

**Federal Agency:** Department of Education  
**Federal Program:** Special Education Grants to States  
**CFDA Number:** 84.027  
**Federal Award Number:** 14216-027-PN01, 14217-139-PN01  
**Pass-Through Entity:** Indiana Department of Education  
**Compliance Requirement:** Reporting  
**Audit Findings:** Material Weakness, Modified Opinion

**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](mailto:kmccarty@smcsc.com) or [pmyers@smcsc.com](mailto:pmyers@smcsc.com)

**Views of Responsible Officials:**  
We concur with the findings.

**Description of Corrective Action Plan:**  
Due to the transition from Hancock Madison Shelby Educational Services to Hamilton Boone Madison Special Service Cooperative (HBM), 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.

SMCSC has obtained a better understanding of the Proportionate Share Monitoring Reporting from the State Board of Account Field Examiner. As of April 1, 2019, SMCSC will maintain detailed supporting documents for all future grant applications.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-15 and 2015-16 audit period, the implementation of the prior corrective action plan could not be carried out during the 2016-17 and 2017-18 audit period.

  
\_\_\_\_\_  
Signature and Title Business Manager

3/4/19  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature and Title Corporation Treasurer

3/4/19  
\_\_\_\_\_  
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/>.