

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH MONTGOMERY COMMUNITY  
SCHOOL CORPORATION  
MONTGOMERY COUNTY, INDIANA

July 1, 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	Kristin Charles	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Shawn E. Greiner	07-01-14 to 06-30-19
President of the School Board	Brad Monts	07-01-16 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the South Montgomery Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 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. Because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

*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, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 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 19, 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 MONTGOMERY COMMUNITY  
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the South Montgomery Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated March 19, 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 items 2018-001 and 2018-002, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

**South Montgomery Community School Corporation's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

March 19, 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 MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended June 30, 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
General	\$ 2,044,709	\$ 11,368,154	\$ 10,490,969	\$ -	\$ 2,921,894	\$ 11,079,790	\$ 10,858,026	\$ -	\$ 3,143,658
Debt Service	2,540,867	4,847,101	5,761,994	-	1,625,974	4,589,758	5,790,000	-	425,732
Retirement/Severance Bond Debt Service	16,647	457,551	295,934	-	178,264	298,659	297,045	-	179,878
Capital Projects	364,704	2,290,424	2,063,941	-	591,187	2,337,219	1,382,221	-	1,546,185
School Transportation	725,727	1,975,976	1,918,169	-	783,534	2,134,655	1,835,508	-	1,082,681
School Bus Replacement	103,902	182,111	170,622	-	115,391	196,573	183,042	-	128,922
Rainy Day	332,028	-	-	-	332,028	-	-	-	332,028
Retirement/Severance Bond	726,162	(171,522)	-	-	554,640	-	-	-	554,640
Construction	9,650	-	-	-	9,650	-	36,806	-	(27,156)
Construction GO Bond	381,962	-	381,962	-	-	-	-	-	-
2016 GO Bond	-	-	1,544,313	2,757,227	1,212,914	-	803,473	-	409,441
2017 School Construction	-	1,082	8,500	19,750,000	19,742,582	-	5,523,418	-	14,219,164
School Lunch	1,412	779,762	786,716	-	(5,542)	816,633	799,463	-	11,628
Textbook Rental	9,110	303,098	313,451	-	(1,243)	235,393	174,167	-	59,983
Joint Services and Supply - Area Vocational School	-	-	-	-	-	1,302	11,994	-	(10,692)
Fire and Rescue	-	-	-	-	-	8,999	9,266	-	(267)
Criminal Justice	-	-	-	-	-	5,754	84	-	5,670
Alternative Education	4,276	2,212	-	-	6,488	2,741	-	-	9,229
Early Intervention 2012-2013	400	8,321	400	-	8,321	-	-	-	8,321
Early Intervention 2017-2018	-	-	-	-	-	8,095	8,095	-	-
Lily Grant-Comprehensive Council	-	30,000	18,428	-	11,572	-	16,734	-	(5,162)
Lily Comprehensive Council Implementation	-	-	-	-	-	174,774	22,203	-	152,571
M.C.E.F. 2016-2017	10,846	-	7,024	-	3,822	-	-	-	3,822
M.C.E.F. 2017-2018	-	7,170	-	-	7,170	-	7,761	-	(591)
Miscellaneous Programs	700	-	-	-	700	-	-	-	700
Preschool 2017-2018	-	28,144	1,955	-	26,189	63,039	24,015	-	65,213
JR High Survey	500	-	-	-	500	-	-	-	500
H.S. Survey 2011	350	-	-	-	350	-	-	-	350
AHEAD Coalition School Officer	1,750	-	-	-	1,750	-	-	-	1,750
Formative Assessment	-	21,675	18,543	-	3,132	17,307	5,765	-	14,674
2015 High Ability Grant	3,836	-	41	-	3,795	-	-	-	3,795
High Ability 2015-2016	24,897	-	17,455	-	7,442	-	-	-	7,442
High Ability Grant 2016-2017	-	31,943	5,601	-	26,342	-	7,581	-	18,761
Non-English Speaking Programs	110	-	-	-	110	-	-	-	110

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments		Disbursements	Other Financing Sources (Uses)	Cash and Investments		Disbursements	Other Financing Sources (Uses)	Cash and Investments	
	07-01-16	Receipts			06-30-17	Receipts			06-30-18	
School Technology	10,309	8,468	-	-	18,777	-	-	-	-	18,777
Performance Based Awards	6,780	-	-	-	6,780	-	-	-	-	6,780
High Ability Grant 2017-2018	-	-	-	-	-	28,773	17,943	-	-	10,830
Child Care	2,347	-	-	-	2,347	-	-	-	-	2,347
M.C.E.F. 2018-2019	-	-	-	-	-	4,905	-	-	-	4,905
Senator David Ford Technology	3,974	-	-	-	3,974	-	-	-	-	3,974
FY15 Secured School Safety	(76,450)	91,700	50,000	-	(34,750)	-	(15,250)	-	-	(19,500)
Title I 12-13	(3,726)	-	(3,727)	-	1	-	-	-	-	1
Title I FY 2014-2015	(135,732)	-	(135,734)	-	2	-	-	-	-	2
Title I FY 2015-2016	69,545	139,773	209,318	-	-	-	-	-	-	-
Title I FY 2016-2017	-	121,900	157,110	-	(35,210)	234,361	215,172	-	-	(16,021)
Title I School Improvement	42,725	-	9,266	-	33,459	40,263	44,983	-	-	28,739
Special Education 13-14	(298,969)	-	(268,862)	-	(30,107)	-	(30,107)	-	-	-
Special Education FY 2015	(8,414)	269,259	260,844	-	1	-	-	-	-	1
Special Ed Part B Sect 611	-	320,198	533,418	-	(213,220)	283,063	388,340	-	-	(318,497)
Special Ed Part B Sect 611	-	-	-	-	-	-	25,512	-	-	(25,512)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	9,363	-	-	-	9,363	-	106	-	-	9,257
Tech Assist Professional Development	(1,322)	-	(1,322)	-	-	-	-	-	-	-
Preschool Handicap	9	-	-	-	9	-	-	-	-	9
Drug Free 09-10	4	-	-	-	4	-	-	-	-	4
Improving Teacher Quality, No Child Left, Title II, Part A 15-16	(8,000)	-	2,115	-	(10,115)	42,275	640	-	-	31,520
Improving Teacher Quality, No Child Left, Title II, Part A 16-17	-	-	-	-	-	33,525	-	-	-	33,525
E-Learn Conference Grant	(6,366)	-	4,193	-	(10,559)	-	(10,559)	-	-	-
Rural Schools and Low Income Program - Pass Through State	100	-	-	-	100	-	-	-	-	100
Unknown Reconciliation Amt	82,397	-	-	-	82,397	-	82,338	-	-	59
Payroll Clearing	(1,636,910)	2,684,561	3,492,185	-	(2,444,534)	3,795,362	4,483,450	-	-	(3,132,622)
VEBA Medical Trust	1,047,270	364,014	771,320	-	639,964	169,980	108,644	-	-	701,300
Revocable Medical Trust	36,902	1	-	-	36,903	-	36,903	-	-	-
Totals	<u>\$ 6,440,381</u>	<u>\$ 26,163,076</u>	<u>\$ 28,886,142</u>	<u>\$ 22,507,227</u>	<u>\$ 26,224,542</u>	<u>\$ 26,603,198</u>	<u>\$ 33,144,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,682,958</u>

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

School Corporation, as used herein, shall include, but is not limited to, 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 MONTGOMERY 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.

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

*Other receipts.* 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.

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

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

*Proceeds of long-term debt.* Amounts received in relation to the issuance of bonds or other long-term debt issues.

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

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

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

*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

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

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 the correction of errors from prior periods. The errors made in the prior period were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt or disbursement was shown in the current period.

**Note 8. Cash Balance Deficits**

The financial statement contains nine funds with deficits in cash on June 30, 2017. Seven of the deficits are a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2017. The Payroll Clearing fund had a deficit balance of \$2,444,534. This is a result of the accumulation of insufficient transfers from other funds for the year. The Textbook Rental fund also had a deficit balance of \$1,243. This is a result of purchasing new textbooks for the next school year.

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

The financial statement contains ten funds with deficits in cash on June 30, 2018. Eight of the deficits are a result of funds being set up for reimbursable grants. The reimbursements for the expenditures made by the School Corporation were not received by June 30, 2018. The Payroll Clearing fund had a deficit balance of \$3,132,622. This is a result of the accumulation of insufficient transfers from other funds for the year. The Construction fund also had a deficit balance of \$27,156 at that date. This is a result of incorrectly posting a construction expense from the 2016 GO Bond.

**Note 9. Restatements**

For the year ended June 30, 2017, 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	Prior Period Adjustment	Balance as of July 1, 2016
1900 - Alternative Education	\$ 10,795	\$ (6,519)	\$ 4,276
3720 - School Technology	11,832	(1,523)	10,309
5250 - (IDEA, Part B) LEA Capacity Building (Silver) Grants	-	9,363	9,363
5255 - Tech Assist Professional Development	-	(1,322)	(1,322)

**Note 10. Holding Corporation**

The School Corporation has entered into a capital lease with the Southmont School Building Corporation (the lessor) for construction renovations and other upgrades and improvements. 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 \$4,400,000 and \$3,330,000, respectively.

The School Corporation has entered into a capital lease with the Southmont 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 \$0 and \$1,450,000, respectively.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://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.

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SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 2,044,709	\$ 2,540,867	\$ 16,647	\$ 364,704	\$ 725,727	\$ 103,902	\$ 332,028	\$ 726,162
Receipts:								
Local sources	15,429	4,847,101	457,551	2,213,444	1,967,486	182,111	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	10,955,836	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	396,889	-	-	76,980	8,490	-	-	(171,522)
Total receipts	11,368,154	4,847,101	457,551	2,290,424	1,975,976	182,111	-	(171,522)
Disbursements:								
Instruction	7,309,493	-	-	-	-	-	-	-
Support services	3,042,733	-	-	1,590,685	1,863,755	170,622	-	-
Noninstructional services	128,743	-	-	-	-	-	-	-
Facilities acquisition and construction	10,000	-	-	473,256	1,525	-	-	-
Debt service	-	5,761,994	295,934	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	52,889	-	-	-
Total disbursements	10,490,969	5,761,994	295,934	2,063,941	1,918,169	170,622	-	-
Excess (deficiency) of receipts over disbursements	877,185	(914,893)	161,617	226,483	57,807	11,489	-	(171,522)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	877,185	(914,893)	161,617	226,483	57,807	11,489	-	(171,522)
Cash and investments - ending	\$ 2,921,894	\$ 1,625,974	\$ 178,264	\$ 591,187	\$ 783,534	\$ 115,391	\$ 332,028	\$ 554,640

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
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	Construction	Construction GO Bond	2016 GO Bond	2017 School Construction	School Lunch	Textbook Rental	Joint Services and Supply - Area Vocational School	Fire and Rescue
Cash and investments - beginning	\$ 9,650	\$ 381,962	\$ -	\$ -	\$ 1,412	\$ 9,110	\$ -	\$ -
Receipts:								
Local sources	-	-	-	1,082	341,264	200,013	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	50,196	-	-
Federal sources	-	-	-	-	438,498	-	-	-
Interfund loans	-	-	-	-	-	52,889	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	1,082	779,762	303,098	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	313,451	-	-
Noninstructional services	-	-	-	-	786,716	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	381,962	1,544,313	8,500	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	381,962	1,544,313	8,500	786,716	313,451	-	-
Excess (deficiency) of receipts over disbursements	-	(381,962)	(1,544,313)	(7,418)	(6,954)	(10,353)	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	2,757,227	19,750,000	-	-	-	-
Total other financing sources (uses)	-	-	2,757,227	19,750,000	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(381,962)	1,212,914	19,742,582	(6,954)	(10,353)	-	-
Cash and investments - ending	\$ 9,650	\$ -	\$ 1,212,914	\$ 19,742,582	\$ (5,542)	\$ (1,243)	\$ -	\$ -

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
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	Criminal Justice	Alternative Education	Early Intervention 2012-2013	Early Intervention 2017-2018	Lily Grant-Comprehensive Council	Lily Comprehensive Council Implementation	M.C.E.F. 2016-2017	M.C.E.F. 2017-2018
Cash and investments - beginning	\$ -	\$ 4,276	\$ 400	\$ -	\$ -	\$ -	\$ 10,846	\$ -
Receipts:								
Local sources	-	-	-	-	30,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	2,212	8,321	-	-	-	-	7,170
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	2,212	8,321	-	30,000	-	-	7,170
Disbursements:								
Instruction	-	-	400	-	-	-	7,024	-
Support services	-	-	-	-	18,428	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	400	-	18,428	-	7,024	-
Excess (deficiency) of receipts over disbursements	-	2,212	7,921	-	11,572	-	(7,024)	7,170
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,212	7,921	-	11,572	-	(7,024)	7,170
Cash and investments - ending	\$ -	\$ 6,488	\$ 8,321	\$ -	\$ 11,572	\$ -	\$ 3,822	\$ 7,170

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
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	Miscellaneous Programs	Preschool 2017-2018	JR High Survey	H.S. Survey 2011	AHEAD Coalition School Officer	Formative Assessment	2015 High Ability Grant	High Ability 2015-2016
Cash and investments - beginning	\$ 700	\$ -	\$ 500	\$ 350	\$ 1,750	\$ -	\$ 3,836	\$ 24,897
Receipts:								
Local sources	-	28,144	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	21,675	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	28,144	-	-	-	21,675	-	-
Disbursements:								
Instruction	-	1,955	-	-	-	18,543	41	17,455
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	1,955	-	-	-	18,543	41	17,455
Excess (deficiency) of receipts over disbursements	-	26,189	-	-	-	3,132	(41)	(17,455)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	26,189	-	-	-	3,132	(41)	(17,455)
Cash and investments - ending	\$ 700	\$ 26,189	\$ 500	\$ 350	\$ 1,750	\$ 3,132	\$ 3,795	\$ 7,442

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	High Ability Grant 2016-2017	Non-English Speaking Programs	School Technology	Performance Based Awards	High Ability Grant 2017-2018	Child Care	M.C.E.F. 2018-2019	Senator David Ford Technology
Cash and investments - beginning	\$ -	\$ 110	\$ 10,309	\$ 6,780	\$ -	\$ 2,347	\$ -	\$ 3,974
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	31,943	-	8,468	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	31,943	-	8,468	-	-	-	-	-
Disbursements:								
Instruction	5,601	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	5,601	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	26,342	-	8,468	-	-	-	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	26,342	-	8,468	-	-	-	-	-
Cash and investments - ending	\$ 26,342	\$ 110	\$ 18,777	\$ 6,780	\$ -	\$ 2,347	\$ -	\$ 3,974

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	FY15 Secured School Safety	Title I 12-13	Title I FY 2014-2015	Title I FY 2015-2016	Title I FY 2016-2017	Title I School Improvement	Special Education 13-14	Special Education FY 2015
Cash and investments - beginning	\$ (76,450)	\$ (3,726)	\$ (135,732)	\$ 69,545	\$ -	\$ 42,725	\$ (298,969)	\$ (8,414)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	91,700	-	-	139,773	121,900	-	-	269,259
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	91,700	-	-	139,773	121,900	-	-	269,259
Disbursements:								
Instruction	50,000	(3,727)	(135,734)	209,318	147,764	-	(268,862)	260,844
Support services	-	-	-	-	9,346	9,266	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	50,000	(3,727)	(135,734)	209,318	157,110	9,266	(268,862)	260,844
Excess (deficiency) of receipts over disbursements	41,700	3,727	135,734	(69,545)	(35,210)	(9,266)	268,862	8,415
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	41,700	3,727	135,734	(69,545)	(35,210)	(9,266)	268,862	8,415
Cash and investments - ending	\$ (34,750)	\$ 1	\$ 2	\$ -	\$ (35,210)	\$ 33,459	\$ (30,107)	\$ 1

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
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	Special Ed Part B Sect 611	Special Ed Part B Sect 611	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Tech Assist Professional Development	Preschool Handicap	Drug Free 09-10	Improving Teacher Quality, No Child Left, Title II, Part A	Improving Teacher Quality, No Child Left, Title II, Part A 15-16
Cash and investments - beginning	\$ -	\$ -	\$ 9,363	\$ (1,322)	\$ 9	\$ 4	\$ -	\$ (8,000)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	320,198	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	320,198	-	-	-	-	-	-	-
Disbursements:								
Instruction	522,659	-	-	-	-	-	-	-
Support services	10,759	-	-	(1,322)	-	-	-	2,115
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	533,418	-	-	(1,322)	-	-	-	2,115
Excess (deficiency) of receipts over disbursements	(213,220)	-	-	1,322	-	-	-	(2,115)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(213,220)	-	-	1,322	-	-	-	(2,115)
Cash and investments - ending	\$ (213,220)	\$ -	\$ 9,363	\$ -	\$ 9	\$ 4	\$ -	\$ (10,115)

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	Improving Teacher Quality, No Child Left, Title II, Part A 16-17	E-Learn Conference Grant	Rural Schools and Low Income Program - Pass Through State	Unknown Reconciliation Amt	Payroll Clearing	VEBA Medical Trust	Revocable Medical Trust	Totals
Cash and investments - beginning	\$ -	\$ (6,366)	\$ 100	\$ 82,397	\$ (1,636,910)	\$ 1,047,270	\$ 36,902	\$ 6,440,381
Receipts:								
Local sources	-	-	-	-	-	-	-	10,283,625
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	11,085,821
Federal sources	-	-	-	-	-	-	-	1,381,328
Interfund loans	-	-	-	-	-	-	-	52,889
Other receipts	-	-	-	-	2,684,561	364,014	1	3,359,413
Total receipts	-	-	-	-	2,684,561	364,014	1	26,163,076
Disbursements:								
Instruction	-	-	-	-	-	-	-	8,142,774
Support services	-	4,193	-	-	-	-	-	7,034,031
Noninstructional services	-	-	-	-	3,492,185	771,320	-	5,178,964
Facilities acquisition and construction	-	-	-	-	-	-	-	484,781
Debt service	-	-	-	-	-	-	-	7,992,703
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	52,889
Total disbursements	-	4,193	-	-	3,492,185	771,320	-	28,886,142
Excess (deficiency) of receipts over disbursements	-	(4,193)	-	-	(807,624)	(407,306)	1	(2,723,066)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	22,507,227
Total other financing sources (uses)	-	-	-	-	-	-	-	22,507,227
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,193)	-	-	(807,624)	(407,306)	1	19,784,161
Cash and investments - ending	\$ -	\$ (10,559)	\$ 100	\$ 82,397	\$ (2,444,534)	\$ 639,964	\$ 36,903	\$ 26,224,542

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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 2,921,894	\$ 1,625,974	\$ 178,264	\$ 591,187	\$ 783,534	\$ 115,391	\$ 332,028	\$ 554,640
Receipts:								
Local sources	57,977	4,589,758	298,659	2,277,507	2,126,067	196,573	-	-
Intermediate sources	36	-	-	-	-	-	-	-
State sources	10,837,228	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	184,549	-	-	59,712	8,588	-	-	-
Total receipts	11,079,790	4,589,758	298,659	2,337,219	2,134,655	196,573	-	-
Disbursements:								
Instruction	7,338,098	-	-	-	-	-	-	-
Support services	3,339,743	-	-	828,128	1,834,138	183,042	-	-
Noninstructional services	128,586	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	554,093	1,370	-	-	-
Debt service	-	5,790,000	297,045	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	51,599	-	-	-	-	-	-	-
Total disbursements	10,858,026	5,790,000	297,045	1,382,221	1,835,508	183,042	-	-
Excess (deficiency) of receipts over disbursements	221,764	(1,200,242)	1,614	954,998	299,147	13,531	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	221,764	(1,200,242)	1,614	954,998	299,147	13,531	-	-
Cash and investments - ending	\$ 3,143,658	\$ 425,732	\$ 179,878	\$ 1,546,185	\$ 1,082,681	\$ 128,922	\$ 332,028	\$ 554,640

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Construction	Construction GO Bond	2016 GO Bond	2017 School Construction	School Lunch	Textbook Rental	Joint Services and Supply - Area Vocational School	Fire and Rescue
Cash and investments - beginning	\$ 9,650	\$ -	\$ 1,212,914	\$ 19,742,582	\$ (5,542)	\$ (1,243)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	350,981	132,247	516	8,999
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	52,332	-	-
Federal sources	-	-	-	-	465,652	-	-	-
Interfund loans	-	-	-	-	-	50,814	786	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	816,633	235,393	1,302	8,999
Disbursements:								
Instruction	-	-	-	-	-	-	11,994	9,266
Support services	-	-	-	-	-	174,167	-	-
Noninstructional services	-	-	-	-	799,463	-	-	-
Facilities acquisition and construction	36,806	-	-	-	-	-	-	-
Debt service	-	-	803,473	5,523,418	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	36,806	-	803,473	5,523,418	799,463	174,167	11,994	9,266
Excess (deficiency) of receipts over disbursements	(36,806)	-	(803,473)	(5,523,418)	17,170	61,226	(10,692)	(267)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(36,806)	-	(803,473)	(5,523,418)	17,170	61,226	(10,692)	(267)
Cash and investments - ending	\$ (27,156)	\$ -	\$ 409,441	\$ 14,219,164	\$ 11,628	\$ 59,983	\$ (10,692)	\$ (267)

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Criminal Justice	Alternative Education	Early Intervention 2012-2013	Early Intervention 2017-2018	Lily Grant-Comprehensive Council	Lily Comprehensive Council Implementation	M.C.E.F. 2016-2017	M.C.E.F. 2017-2018
Cash and investments - beginning	\$ -	\$ 6,488	\$ 8,321	\$ -	\$ 11,572	\$ -	\$ 3,822	\$ 7,170
Receipts:								
Local sources	5,754	-	-	-	-	174,774	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	2,741	-	8,095	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	5,754	2,741	-	8,095	-	174,774	-	-
Disbursements:								
Instruction	84	-	-	8,095	-	-	-	7,761
Support services	-	-	-	-	16,734	22,203	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	84	-	-	8,095	16,734	22,203	-	7,761
Excess (deficiency) of receipts over disbursements	5,670	2,741	-	-	(16,734)	152,571	-	(7,761)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,670	2,741	-	-	(16,734)	152,571	-	(7,761)
Cash and investments - ending	\$ 5,670	\$ 9,229	\$ 8,321	\$ -	\$ (5,162)	\$ 152,571	\$ 3,822	\$ (591)

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Miscellaneous Programs	Preschool 2017-2018	JR High Survey	H.S. Survey 2011	AHEAD Coalition School Officer	Formative Assessment	2015 High Ability Grant	High Ability 2015-2016
Cash and investments - beginning	\$ 700	\$ 26,189	\$ 500	\$ 350	\$ 1,750	\$ 3,132	\$ 3,795	\$ 7,442
Receipts:								
Local sources	-	63,039	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	17,307	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	63,039	-	-	-	17,307	-	-
Disbursements:								
Instruction	-	24,015	-	-	-	5,765	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	24,015	-	-	-	5,765	-	-
Excess (deficiency) of receipts over disbursements	-	39,024	-	-	-	11,542	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	39,024	-	-	-	11,542	-	-
Cash and investments - ending	\$ 700	\$ 65,213	\$ 500	\$ 350	\$ 1,750	\$ 14,674	\$ 3,795	\$ 7,442

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	High Ability Grant 2016-2017	Non-English Speaking Programs	School Technology	Performance Based Awards	High Ability Grant 2017-2018	Child Care	M.C.E.F. 2018-2019	Senator David Ford Technology
Cash and investments - beginning	\$ 26,342	\$ 110	\$ 18,777	\$ 6,780	\$ -	\$ 2,347	\$ -	\$ 3,974
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	28,773	-	4,905	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	28,773	-	4,905	-
Disbursements:								
Instruction	7,581	-	-	-	17,943	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	7,581	-	-	-	17,943	-	-	-
Excess (deficiency) of receipts over disbursements	(7,581)	-	-	-	10,830	-	4,905	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,581)	-	-	-	10,830	-	4,905	-
Cash and investments - ending	\$ 18,761	\$ 110	\$ 18,777	\$ 6,780	\$ 10,830	\$ 2,347	\$ 4,905	\$ 3,974

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	FY15 Secured School Safety	Title I 12-13	Title I FY 2014-2015	Title I FY 2015-2016	Title I FY 2016-2017	Title I School Improvement	Special Education 13-14	Special Education FY 2015
Cash and investments - beginning	\$ (34,750)	\$ 1	\$ 2	\$ -	\$ (35,210)	\$ 33,459	\$ (30,107)	\$ 1
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	234,361	40,263	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	234,361	40,263	-	-
Disbursements:								
Instruction	(15,250)	-	-	-	194,099	-	(30,107)	-
Support services	-	-	-	-	21,073	44,983	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	(15,250)	-	-	-	215,172	44,983	(30,107)	-
Excess (deficiency) of receipts over disbursements	15,250	-	-	-	19,189	(4,720)	30,107	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,250	-	-	-	19,189	(4,720)	30,107	-
Cash and investments - ending	\$ (19,500)	\$ 1	\$ 2	\$ -	\$ (16,021)	\$ 28,739	\$ -	\$ 1

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Special Ed Part B Sect 611	Special Ed Part B Sect 611	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Tech Assist Professional Development	Preschool Handicap	Drug Free 09-10	Improving Teacher Quality, No Child Left, Title II, Part A	Improving Teacher Quality, No Child Left, Title II, Part A 15-16
Cash and investments - beginning	\$ (213,220)	\$ -	\$ 9,363	\$ -	\$ 9	\$ 4	\$ -	\$ (10,115)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	283,063	-	-	-	-	-	-	42,275
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	283,063	-	-	-	-	-	-	42,275
Disbursements:								
Instruction	382,324	25,512	106	-	-	-	-	-
Support services	6,016	-	-	-	-	-	-	640
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	388,340	25,512	106	-	-	-	-	640
Excess (deficiency) of receipts over disbursements	(105,277)	(25,512)	(106)	-	-	-	-	41,635
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(105,277)	(25,512)	(106)	-	-	-	-	41,635
Cash and investments - ending	\$ (318,497)	\$ (25,512)	\$ 9,257	\$ -	\$ 9	\$ 4	\$ -	\$ 31,520

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Improving Teacher Quality, No Child Left, Title II, Part A 16-17	E-Learn Conference Grant	Rural Schools and Low Income Program - Pass Through State	Unknown Reconciliation Amt	Payroll Clearing	VEBA Medical Trust	Revocable Medical Trust	Totals
Cash and investments - beginning	\$ -	\$ (10,559)	\$ 100	\$ 82,397	\$ (2,444,534)	\$ 639,964	\$ 36,903	\$ 26,224,542
Receipts:								
Local sources	-	-	-	-	-	-	-	10,282,851
Intermediate sources	-	-	-	-	-	-	-	36
State sources	33,525	-	-	-	-	-	-	10,984,906
Federal sources	-	-	-	-	-	-	-	1,065,614
Interfund loans	-	-	-	-	-	-	-	51,600
Other receipts	-	-	-	-	3,795,362	169,980	-	4,218,191
Total receipts	33,525	-	-	-	3,795,362	169,980	-	26,603,198
Disbursements:								
Instruction	-	-	-	-	-	-	-	7,987,286
Support services	-	(10,559)	-	-	-	-	-	6,460,308
Noninstructional services	-	-	-	-	4,483,450	108,644	36,903	5,557,046
Facilities acquisition and construction	-	-	-	-	-	-	-	592,269
Debt service	-	-	-	-	-	-	-	12,413,936
Nonprogrammed charges	-	-	-	82,338	-	-	-	82,338
Interfund loans	-	-	-	-	-	-	-	51,599
Total disbursements	-	(10,559)	-	82,338	4,483,450	108,644	36,903	33,144,782
Excess (deficiency) of receipts over disbursements	33,525	10,559	-	(82,338)	(688,088)	61,336	(36,903)	(6,541,584)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33,525	10,559	-	(82,338)	(688,088)	61,336	(36,903)	(6,541,584)
Cash and investments - ending	\$ 33,525	\$ -	\$ 100	\$ 59	\$ (3,132,622)	\$ 701,300	\$ -	\$ 19,682,958

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Southmont School Building Corporation	Constructions Renovations and Other Upgrades and Improvements	\$ 3,225,000	7/15/2018	1/15/2033
Total of annual lease payments		<u>\$ 3,225,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds	Pension	\$ 850,000	\$ 297,304
Totals		<u>\$ 850,000</u>	<u>\$ 297,304</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the South Montgomery Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *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 2018-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Program Income. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

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

As described in items 2018-005, 2018-006, and 2018-007 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Allowable Costs/Cost Principles, Period of Performance, and Reporting. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Special Education Cluster (IDEA) for the period of July 1, 2016 to June 30, 2018.

***Other 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.


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. 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, 2018-006, and 2018-007, that we consider to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

March 19, 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.

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SOUTH MONTGOMERY 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 2017	\$ -	\$ 117,199	\$ -	\$ -
School Breakfast Program			FY 2018	-	-	-	121,613
Total - School Breakfast Program				-	117,199	-	121,613
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 2017	-	310,773	-	-
School Lunch			FY 2018	-	-	-	344,039
Commodities				-	59,422	-	66,073
Total - National School Lunch Program				-	370,195	-	410,112
Summer Food Service Program for Children							
Summer Food Service	Indiana Department of Education	10.559					
Summer Food Service			FY 2018	-	-	-	4,368
Total - Summer Food Service Program for Children				-	-	-	4,368
Total - Child Nutrition Cluster				-	487,394	-	536,093
Total - Department of Agriculture				-	487,394	-	536,093
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Part B Sect 611			14215-076-PN01	-	7,265	-	-
Special Part B Sect 611			14216-076-PN01	-	412,016	-	5,232
Special Part B Sect 611			14217-076-PN01	-	170,176	-	259,327
Total - Special Education Grants to States				-	589,457	-	264,559
Special Education Preschool Grants	Indiana Department of Education	84.173					
SpEd Pre-School			45716-076-PN01	-	-	-	13,644
Total - Special Education Preschool Grants				-	-	-	13,644
Total - Special Education Cluster (IDEA)				-	589,457	-	278,203
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			16-5845	-	139,773	-	-
Title I			17-5845	-	121,900	-	144,601
Title I			18-5845	-	-	-	130,022
Total - Title I Grants to Local Educational Agencies				-	261,673	-	274,623
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II			FY 2018	-	-	-	75,800
Total - Supporting Effective Instruction State Grants				-	-	-	75,800
Total - Department of Education				-	851,130	-	628,626
Total federal awards expended				\$ -	\$ 1,338,524	\$ -	\$ 1,164,719

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (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.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant 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?	none reported
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: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

*Condition*

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

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

*Receipts*

One employee was responsible for recording the receipts and preparing the daily deposits into the depository accounts. There were no controls in place such as oversight, review, or approval process over the receipts posted to the ledger.

*Reporting*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. An effective internal control system was not in place to ensure the accuracy between the transactions in the records and what was reported on the financial statement.

*Context*

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

*Criteria*

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

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

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

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

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. . . ."

*Cause*

Management had not established a proper system of internal control related to financial transactions and reporting.

*Effect*

The failure to establish a proper system of internal control could have enabled misstatements or irregularities to remain undetected.

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

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-002**

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 2016-002.

*Condition*

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's SEFA.

*Context*

The SEFA presented for audit contained the following errors:

1. Three federal programs were listed incompletely.
2. One item was incorrectly included as a federal program.
3. Federal expenditures were overstated for four programs.
4. Federal expenditures were understated for ten programs.

In total, the SEFA was understated by \$1,399,579.

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:

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

"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. . . ."

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."

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

*Cause*

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

*Effect*

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

*Recommendation*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA. We also recommended that the School Corporation's management accurately report the expenditures on 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 2018-003**

Subject: School Breakfast Program, National School Lunch Program - Program Income  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
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 2016-003.

*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 Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. The School Corporation did not establish the School Lunch Clearing Fund (8400) to account for prepaid school lunch account balances. All monthly receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund (800). The documentation to support the program income recorded was not presented for audit.

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

*Context*

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

*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). . . ."

7 CFR 210.14(c) states:

*"Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting

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

compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

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."

2 CFR 200.333 states in part:

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

*Cause*

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Program Income compliance requirement was maintained and made available for audit.

*Effect*

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Program Income compliance requirement will be maintained and made available for audit.

*Views of Responsible Officials*

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

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

***FINDING 2018-004***

Subject: School Breakfast Program, National School Lunch Program - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
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 Reporting compliance requirement.

The Food Service Director provided reports and supporting documentation for the reimbursement requests to the Director of Operations; however, there was no documentation to show that a proper oversight, review, or approval process had occurred.

*Context*

This 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 to ensure compliance with the grant agreement and the Reporting compliance requirement.

*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 Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the 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 2018-005**

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-076-PN01, 14216-076-PN01,  
14217-076-PN01, 45716-076-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

*Condition*

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

The School Corporation did not present the following reports for audit: one of seven reimbursement requests, all of the Final Financial Reports, and seven of nine Quarterly Proportionate Share Monitoring Reports. The magnitude of the reports not presented for audit did not allow the testing for the Reporting compliance requirement.

*Context*

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

*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). . . ."

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

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."

2 CFR 200.333 states in part:

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

*Cause*

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the grant agreement and the Reporting compliance requirement was maintained and made available for audit.

*Effect*

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish an effective internal control system to ensure that supporting documentation related to the grant agreement and the Reporting compliance requirement will be maintained and available for audit.

*Views of Responsible Officials*

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

**FINDING 2018-006**

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-076-PN01, 14216-076-PN01,  
14217-076-PN01, 45716-076-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

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

*Condition*

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

Supporting documentation for the compensation - personal services selected item of cost was not maintained for all employees paid from Special Education Cluster (IDEA) grant funds.

*Context*

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

*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."

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. . . ."

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:

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

- (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);
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and . . .
- (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 that supporting documentation related to the Allowable Costs/Cost Principles compliance requirement was maintained and made available for audit.

*Effect*

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance 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 to ensure that documentation related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement will be maintained and available for audit.

*Views of Responsible Officials*

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

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

***FINDING 2018-007***

Subject: Special Education Cluster (IDEA) - Period of Performance  
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): 14215-076-PN01, 14216-076-PN01,  
14217-076-PN01, 45716-076-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Period of Performance  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

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

Federal funds for the Special Education Cluster (IDEA) were not separated for each grant year. The intermingling of funds did not allow the testing of the Period of Performance compliance requirement.

*Context*

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

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

2 CFR 200.333 states in part:

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

*Cause*

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Period of Performance compliance requirement was maintained and made available for audit.

*Effect*

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance 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 controls to ensure that documentation related to the grant agreement and the Period of Performance compliance requirement will be maintained and available for audit.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2016-001***

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Contact Person Responsible for Corrective Action: Kristin Charles, Director of Business & HR

Contact Phone Number: 765-866-0203

Status of Audit Finding: Completed June 2017

### ***FINDING 2016-002***

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Contact Person Responsible for Corrective Action: Kristin Charles, Director of Business & HR

Contact Phone Number: 765-866-0203

Status of Audit Finding: Completed July/August 2018

### ***FINDING 2016-003***

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Contact Person Responsible for Corrective Action: Kristin Charles, Director of Business & HR

Contact Phone Number: 765-866-0203

Status of Audit Finding: Completed- October 2018

### ***FINDING 2016-004***

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Contact Person Responsible for Corrective Action: Kristin Charles, Director of Business & HR

Contact Phone Number: 765-866-0203

Status of Audit Finding: Completed- July/August 2018



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***FINDING 2016-005***

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Contact Person Responsible for Corrective Action: Kristin Charles, Director of Business & HR

Contact Phone Number: 765-866-0203

Status of Audit Finding: Completed- July/August 2018

***FINDING 2016-006***

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Contact Person Responsible for Corrective Action: Kristin Charles, Director of Business & HR

Contact Phone Number: 765-866-0203

Status of Audit Finding: Completed- July/August 2018

Kristin Charles

Signature

Director of Business + HR

Title

2/5/2019

Date

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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**Corrective Action Plan – South Montgomery Community School Corporation  
Audit Period- 7/1/2016 through 6/30/2018**

**Finding 2018-001**

**Contact Person Responsible for CAP: Kristin Charles**

**Contact Phone Number: 765-866-0203**

**Views of Responsible Official:** We agree with this finding and have made enormous strides to insure the proper oversight.

**CAP:** We have corrected this as of 2017. Our new process covers the segregation of duties by having multiple people in the office doing different parts of the task to ensure that there is oversight in all areas.

**Finding 2018-002**

**Contact Person Responsible for CAP: Kristin Charles**

**Contact Phone Number: 765-866-0203**

**Views of Responsible Official:** We agree with this finding and have made enormous strides to insure the proper oversight.

**CAP:** We have corrected this as of 2018. Our new process covers the segregation of duties by having multiple people in the office doing different parts of the task to ensure that there is oversight in all areas. We are also ensuring that funds are being kept separate and items are being put in the right place. We utilize our Google platform so that these are shared drives of information amongst the proper members of the team.

**Finding 2018-003**

**Contact Person Responsible for CAP: Kristin Charles & Brett Higgins**

**Contact Phone Number: 765-866-0203**

**Views of Responsible Official:** We agree with this finding for the time that is being audited and have made enormous strides to insure the proper oversight.



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**CAP:** We have corrected this as of October 2018. We established the 8400 fund and all monies for payments on accounts or meal purchases are deposited into 8400 and monthly we are moving out what was spent on meals per a FSS report. We will be adding an additional statement to our reimbursement request to ensure that all areas are being covered each month.

**Finding 2018-004**

**Contact Person Responsible for CAP:** Kristin Charles, Brett Higgins, John Triller

**Contact Phone Number:** 765-866-0203

**Views of Responsible Official:** We agree with this finding and had added the signature line to one area and not the other.

**CAP:** We will be sure that we will always have a documented review of the reimbursement requests.

**Finding 2018-005**

**Contact Person Responsible for CAP:** Kristin Charles & Anna Roth

**Contact Phone Number:** 765-866-0203

**Views of Responsible Official:** We understand this finding and have no concerns in getting the CAP in place as some of the corrections have already occurred

**CAP:** This will be fully implemented with corrections by July 2019. We have shifted the responsibility to someone else in the office with Federal Grant experience to ensure that we are meeting all deadlines and requirements as stated in the grant. The Special Ed Grant person and the Director of Business will work together to ensure that are matters of the grant are met.

**Finding 2018-006**

**Contact Person Responsible for CAP:** Kristin Charles & Anna Roth

**Contact Phone Number:** 765-866-0203

**Views of Responsible Official:** We understand this finding and have no concerns in getting the CAP in place as some of the corrections have already occurred.

**CAP:** This will be fully implemented with corrections by July 2019. We have shifted the responsibility to someone else in the office with Federal Grant experience to ensure that we are meeting all deadlines and requirements as stated in the grant. The Special Ed Grant person and the Director of Business will work together to ensure that are matters of the grant are met.



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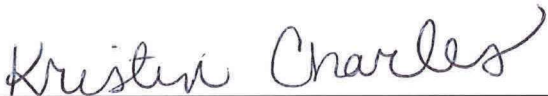
**Finding 2018-007**

**Contact Person Responsible for CAP: Kristin Charles & Anna Roth**

**Contact Phone Number: 765-866-0203**

**Views of Responsible Official:** We agree with this finding and have no concerns in getting the CAP in place as some of the corrections have already occurred.

**CAP:** This will be fully implemented with corrections by July 2019. We have shifted the responsibility to someone else in the office with Federal Grant experience to ensure that we are meeting all deadlines and requirements as stated in the grant. The Special Ed Grant person and the Director of Business will work together to ensure that all matters of the grant are met.

  
\_\_\_\_\_

Kristin Charles  
Director of Business & HR

  
\_\_\_\_\_

Dr. Shawn Greiner  
Superintendent

## 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/>.