

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
HARRISON COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**

03/14/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jo Ann Burson	07-01-11 to 06-30-14
Superintendent of Schools	(Vacant) D. John Thomas	07-01-11 to 09-30-11 10-01-11 to 06-30-14
President of the School Board	Veronica Battista	07-11-11 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTH HARRISON COMMUNITY  
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the North Harrison Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

***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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

  
Paul D. Joyce, CPA  
State Examiner

February 13, 2014



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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 NORTH HARRISON COMMUNITY  
SCHOOL CORPORATION, HARRISON 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 North Harrison Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 13, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***North Harrison 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

February 13, 2014

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## FINANCIAL STATEMENT

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.

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NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ 1,732,514	\$ 13,524,624	\$ 12,483,305	\$ (1,000,000)	\$ 1,773,833	\$ 13,901,800	\$ 12,224,471	\$ (1,300,000)	\$ 2,151,162	
Debt Service	788,527	2,190,850	2,674,788	641,383	945,972	1,983,172	1,896,438	-	1,032,706	
Retirement/Severance Bond Debt Service	(52,885)	255,474	291,781	89,192	-	515,380	149,298	(89,192)	276,890	
Capital Projects	1,944,812	1,681,352	1,558,126	(89,192)	1,978,846	1,395,737	1,685,903	(910,808)	777,872	
School Transportation	643,564	1,051,966	1,085,769	23,602	633,363	1,025,901	1,111,848	-	547,416	
School Bus Replacement	766,087	26,069	112,066	-	680,090	154,321	256,910	-	577,501	
Rainy Day	85,167	-	(22,370)	1,000,000	1,107,537	-	-	1,000,000	2,107,537	
Retirement/Severance Bond	690,611	1,176	168,480	-	523,307	5,015	430,381	1,300,000	1,397,941	
Post-Retirement/Severance Future Benefits	628,852	7,838	343,357	-	293,333	930	294,263	-	-	
School Lunch	469,339	1,078,942	984,922	-	563,359	1,139,317	1,119,420	-	583,256	
Textbook Rental	94,492	285,699	299,632	18,414	98,973	288,830	236,319	-	151,484	
Levy Excess	23,602	3,859	-	11,975	39,436	11,576	-	-	51,012	
Child Care Program	(4,669)	22,523	28,536	-	(10,682)	40,683	29,352	-	649	
Educational License Plates	5,869	375	-	-	6,244	169	-	-	6,413	
Instruction Support	-	-	-	-	-	36,250	1,458	-	34,792	
Extra-Curricular Activities	328	36,547	36,875	-	-	29,595	29,595	-	-	
Arts Council-NHE	900	-	-	-	900	-	-	-	900	
HC Substance Abuse Prevention Coalition	3,000	-	2,994	-	6	-	-	-	6	
Jackson Township Trustee	-	12,900	2,137	-	10,763	-	8,136	-	2,627	
New Salisbury Lions Club	-	-	-	-	-	200	-	-	200	
Community Donations	-	-	-	-	-	2,964	2,963	-	1	
HCCF 2010	(1,808)	7,118	5,310	-	-	-	-	-	-	
HCCF 2011	(23,180)	234,061	211,873	-	(992)	12,850	11,345	-	513	
HCCF 2012	-	-	3,384	-	(3,384)	5,480	2,096	-	-	
HCCF Block Grant 2012-2013	-	-	-	-	-	63,649	107,296	-	(43,647)	
Riverboat Full Day Kindergarten	-	180,000	114,932	-	65,068	513,357	578,425	-	-	
Riverboat 2006-2007	1	-	-	-	1	-	1	-	-	
Riverboat 2010-2011	179,330	150	154,903	-	24,577	-	24,577	-	-	
Riverboat 2011-2012	-	761,076	578,895	(18,414)	163,767	-	163,767	-	-	
Riverboat 2012-2013	-	1,391,427	17,432	(641,383)	732,612	-	688,624	-	43,988	
Riverboat 2013-2014	-	-	-	-	-	755,400	259,641	-	495,759	
High Ability 2010-2011	18,252	-	18,252	-	-	-	-	-	-	
High Ability 2011-2012	-	33,257	21,429	-	11,828	-	11,828	-	-	
High Ability 2012-2013	-	-	-	-	-	36,624	19,258	-	17,366	
Scholarships and Awards	1,000	-	-	-	1,000	-	-	-	1,000	
Non-English Speaking Programs P.L. 273-1999	2,079	-	-	-	2,079	566	566	-	2,079	
School Technology	16,609	31,560	26,344	-	21,825	33,829	26,718	-	28,936	
21st Century Scholars	2,202	-	-	-	2,202	-	-	-	2,202	
Excess PTRC Distributions	-	35,577	-	(35,577)	-	-	-	-	-	
Title I 2010-2011	6,382	19,763	26,145	-	-	-	-	-	-	
Title I 2011-2012	-	198,468	219,823	-	(21,355)	70,982	49,627	-	-	
Title I 2012-2013	-	-	-	-	-	226,055	244,435	-	(18,380)	
Drug Free 2009-2010	336	7,146	7,482	-	-	-	-	-	-	
Improving Teaching Quality, No Child Left, Title II, Part A	(2,866)	137,125	141,157	-	(6,898)	95,361	98,609	-	(10,146)	
Title I - Grants to LEAs	232	30,094	30,326	-	-	5,466	5,466	-	-	
Education Jobs	(5,347)	354,192	348,845	-	-	8,793	8,793	-	-	
Payroll Withholdings	90,364	3,703,057	3,668,521	-	124,900	3,689,586	3,743,449	-	71,037	
CAGIT Property Tax Replacement	-	40,725	40,725	-	-	-	-	-	-	
Matching Grant Clearing	-	1,500	-	-	1,500	-	1,469	-	31	
<b>Totals</b>	<b>\$ 8,103,696</b>	<b>\$ 27,346,490</b>	<b>\$ 25,686,176</b>	<b>\$ -</b>	<b>\$ 9,764,010</b>	<b>\$ 26,049,838</b>	<b>\$ 25,522,745</b>	<b>\$ -</b>	<b>\$ 10,291,103</b>	

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

*E. Disbursements*

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

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

NORTH HARRISON 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 an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in 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  
1 North Capital Street, 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.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

Indiana Public Retirement System  
1 North Capital Street, 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 Disbursements**

The financial statement contains some 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 disbursement was shown in the period in which the correction was made.

**Note 8. Cash Balance Deficits**

The financial statement contains funds with deficits in cash at June 30, 2012 and 2013. This is a result of the funds being set up for reimbursable grants. The cash deficits arose from disbursements exceeding receipts due to timing delays in reimbursements being received from the grantors; these deficits are to be repaid from future grant reimbursement receipts.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

**Note 9. Restatements**

For the year ended June 30, 2012, 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 Name	Balance as Reported June 30, 2011	New Fund	Balance as Restated July 1, 2011
Payroll Withholdings	<u>\$ -</u>	<u>\$ 90,364</u>	<u>\$ 90,364</u>

**Note 10. Holding Corporations**

The School Corporation has entered into a capital lease with North Harrison High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended 2012 and 2013 totaled \$1,286,000 and \$643,000, respectively. The final payment on this lease was made on January 1, 2013.

The School Corporation has entered into a capital lease with North Harrison Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended 2012 and 2013 totaled \$1,035,000 and \$1,035,000, respectively.

The School Corporation has entered into a capital lease with North Harrison School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended 2012 and 2013 totaled \$270,000 and \$180,000, respectively.

**Note 11. Other Postemployment Benefits**

The School Corporation provides to eligible retirees and their spouses the following benefits: medical, dental, vision, and life insurance. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 12. Subsequent Events - Early Payoff of Debt**

On July 23, 2013, the School Corporation paid off early the balance of the 2004 General Obligation Pension bonds. The total payoff amount of the bonds was \$3,736,863.25, which consisted of \$3,465,000 for the outstanding principal balance and \$271,863.25 in interest. The original term of the bonds was for 15 years with the final payment to be made in January 2020.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

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

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

NORTH HARRISON 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, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch
Cash and investments - beginning	\$ 1,732,514	\$ 788,527	\$ (52,885)	\$ 1,944,812	\$ 643,564	\$ 766,087	\$ 85,167	\$ 690,611	\$ 628,852	\$ 469,339
Receipts:										
Local sources	129,040	2,190,850	255,474	1,681,352	1,051,966	26,069	-	1,176	7,838	502,512
Intermediate sources	1,089	-	-	-	-	-	-	-	-	-
State sources	13,394,123	-	-	-	-	-	-	-	-	21,455
Federal sources	-	-	-	-	-	-	-	-	-	554,537
Other	372	-	-	-	-	-	-	-	-	438
Total receipts	<u>13,524,624</u>	<u>2,190,850</u>	<u>255,474</u>	<u>1,681,352</u>	<u>1,051,966</u>	<u>26,069</u>	<u>-</u>	<u>1,176</u>	<u>7,838</u>	<u>1,078,942</u>
Disbursements:										
Current:										
Instruction	9,095,244	-	-	-	-	-	-	165,550	74,230	-
Support services	3,282,086	-	-	1,003,938	1,085,769	112,066	-	2,930	269,127	10,936
Noninstructional services	93,333	-	-	-	-	-	-	-	-	953,155
Facilities acquisition and construction	12,642	-	-	554,188	-	-	(22,370)	-	-	20,551
Debt services	-	2,674,788	291,781	-	-	-	-	-	-	280
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>12,483,305</u>	<u>2,674,788</u>	<u>291,781</u>	<u>1,558,126</u>	<u>1,085,769</u>	<u>112,066</u>	<u>(22,370)</u>	<u>168,480</u>	<u>343,357</u>	<u>984,922</u>
Excess (deficiency) of receipts over disbursements	<u>1,041,319</u>	<u>(483,938)</u>	<u>(36,307)</u>	<u>123,226</u>	<u>(33,803)</u>	<u>(85,997)</u>	<u>22,370</u>	<u>(167,304)</u>	<u>(335,519)</u>	<u>94,020</u>
Other financing sources (uses):										
Transfers in	-	641,383	89,192	-	23,602	-	1,000,000	-	-	-
Transfers out	(1,000,000)	-	-	(89,192)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>641,383</u>	<u>89,192</u>	<u>(89,192)</u>	<u>23,602</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>41,319</u>	<u>157,445</u>	<u>52,885</u>	<u>34,034</u>	<u>(10,201)</u>	<u>(85,997)</u>	<u>1,022,370</u>	<u>(167,304)</u>	<u>(335,519)</u>	<u>94,020</u>
Cash and investments - ending	<u>\$ 1,773,833</u>	<u>\$ 945,972</u>	<u>\$ -</u>	<u>\$ 1,978,846</u>	<u>\$ 633,363</u>	<u>\$ 680,090</u>	<u>\$ 1,107,537</u>	<u>\$ 523,307</u>	<u>\$ 293,333</u>	<u>\$ 563,359</u>

NORTH HARRISON 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, 2012  
 (Continued)

	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Instruction Support	Extra- Curricular Activities	Arts Council-NHE	HC Substance Abuse Prevention Coalition	Jackson Township Trustee	New Salisbury Lions Club
Cash and investments - beginning	\$ 94,492	\$ 23,602	\$ (4,669)	\$ 5,869	\$ -	\$ 328	\$ 900	\$ 3,000	\$ -	\$ -
Receipts:										
Local sources	207,432	3,859	22,523	-	-	36,547	-	-	12,900	-
Intermediate sources	-	-	-	375	-	-	-	-	-	-
State sources	77,767	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	500	-	-	-	-	-	-	-	-	-
Total receipts	285,699	3,859	22,523	375	-	36,547	-	-	12,900	-
Disbursements:										
Current:										
Instruction	-	-	28,536	-	-	12,297	-	2,994	2,137	-
Support services	299,310	-	-	-	-	24,578	-	-	-	-
Noninstructional services	176	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	146	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	299,632	-	28,536	-	-	36,875	-	2,994	2,137	-
Excess (deficiency) of receipts over disbursements	(13,933)	3,859	(6,013)	375	-	(328)	-	(2,994)	10,763	-
Other financing sources (uses):										
Transfers in	18,414	35,577	-	-	-	-	-	-	-	-
Transfers out	-	(23,602)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	18,414	11,975	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,481	15,834	(6,013)	375	-	(328)	-	(2,994)	10,763	-
Cash and investments - ending	\$ 98,973	\$ 39,436	\$ (10,682)	\$ 6,244	\$ -	\$ -	\$ 900	\$ 6	\$ 10,763	\$ -

NORTH HARRISON 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, 2012  
 (Continued)

	Community Donations	HCCF 2010	HCCF 2011	HCCF 2012	HCCF Block Grant 2012-2013	Riverboat Full Day Kindergarten	Riverboat 2006-2007	Riverboat 2010-2011	Riverboat 2011-2012	Riverboat 2012-2013
Cash and investments - beginning	\$ -	\$ (1,808)	\$ (23,180)	\$ -	\$ -	\$ -	\$ 1	\$ 179,330	\$ -	\$ -
Receipts:										
Local sources	-	7,118	234,061	-	-	180,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	150	761,076	1,391,427
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	7,118	234,061	-	-	180,000	-	150	761,076	1,391,427
Disbursements:										
Current:										
Instruction	-	5,310	172,761	3,384	-	114,932	-	61,326	241,145	-
Support services	-	-	39,112	-	-	-	-	17,994	179,104	8,528
Noninstructional services	-	-	-	-	-	-	-	20,503	11,590	-
Facilities acquisition and construction	-	-	-	-	-	-	-	55,080	147,056	8,904
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	5,310	211,873	3,384	-	114,932	-	154,903	578,895	17,432
Excess (deficiency) of receipts over disbursements	-	1,808	22,188	(3,384)	-	65,068	-	(154,753)	182,181	1,373,995
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(18,414)	(641,383)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(18,414)	(641,383)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,808	22,188	(3,384)	-	65,068	-	(154,753)	163,767	732,612
Cash and investments - ending	\$ -	\$ -	\$ (992)	\$ (3,384)	\$ -	\$ 65,068	\$ 1	\$ 24,577	\$ 163,767	\$ 732,612

NORTH HARRISON 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, 2012  
 (Continued)

	Riverboat 2013-2014	High Ability 2010-2011	High Ability 2011-2012	High Ability 2012-2013	Scholarships and Awards	Non-English Speaking Programs P.L. 273-1999	School Technology	21st Century Scholars	Excess PTRC Distributions	Title I 2010-2011
Cash and investments - beginning	\$ -	\$ 18,252	\$ -	\$ -	\$ 1,000	\$ 2,079	\$ 16,609	\$ 2,202	\$ -	\$ 6,382
Receipts:										
Local sources	-	-	-	-	-	-	31,560	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	33,257	-	-	-	-	-	35,577	-
Federal sources	-	-	-	-	-	-	-	-	-	19,763
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	33,257	-	-	-	31,560	-	35,577	19,763
Disbursements:										
Current:										
Instruction	-	-	21,429	-	-	-	-	-	-	25,950
Support services	-	2,330	-	-	-	-	26,344	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	195
Facilities acquisition and construction	-	15,922	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	18,252	21,429	-	-	-	26,344	-	-	26,145
Excess (deficiency) of receipts over disbursements	-	(18,252)	11,828	-	-	-	5,216	-	35,577	(6,382)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(35,577)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(35,577)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(18,252)	11,828	-	-	-	5,216	-	-	(6,382)
Cash and investments - ending	\$ -	\$ -	\$ 11,828	\$ -	\$ 1,000	\$ 2,079	\$ 21,825	\$ 2,202	\$ -	\$ -

NORTH HARRISON 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, 2012  
 (Continued)

	Title I 2011-2012	Title I 2012-2013	Drug Free 2009-2010	Improving Teaching Quality No Child Left Title II, Part A	Title I - Grants to LEAs	Education Jobs	Payroll Withholdings	CAGIT Property Tax Replacement	Matching Grant Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 336	\$ (2,866)	\$ 232	\$ (5,347)	\$ 90,364	\$ -	\$ -	\$ 8,103,696
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	6,582,277
Intermediate sources	-	-	-	-	-	-	-	-	-	2,154,117
State sources	-	-	-	-	-	-	-	-	-	13,562,179
Federal sources	198,468	-	7,146	137,125	30,094	354,192	-	-	-	1,301,325
Other	-	-	-	-	-	-	3,703,057	40,725	1,500	3,746,592
Total receipts	198,468	-	7,146	137,125	30,094	354,192	3,703,057	40,725	1,500	27,346,490
Disbursements:										
Current:										
Instruction	219,823	-	-	139,057	30,326	101,997	-	-	-	10,518,428
Support services	-	-	7,482	2,100	-	246,848	-	-	-	6,620,582
Noninstructional services	-	-	-	-	-	-	-	-	-	1,078,952
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	791,973
Debt services	-	-	-	-	-	-	-	-	-	2,966,995
Nonprogrammed charges	-	-	-	-	-	-	3,668,521	40,725	-	3,709,246
Total disbursements	219,823	-	7,482	141,157	30,326	348,845	3,668,521	40,725	-	25,686,176
Excess (deficiency) of receipts over disbursements	(21,355)	-	(336)	(4,032)	(232)	5,347	34,536	-	1,500	1,660,314
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	1,808,168
Transfers out	-	-	-	-	-	-	-	-	-	(1,808,168)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(21,355)	-	(336)	(4,032)	(232)	5,347	34,536	-	1,500	1,660,314
Cash and investments - ending	\$ (21,355)	\$ -	\$ -	\$ (6,898)	\$ -	\$ -	\$ 124,900	\$ -	\$ 1,500	\$ 9,764,010

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch
Cash and investments - beginning	\$ 1,773,833	\$ 945,972	\$ -	\$ 1,978,846	\$ 633,363	\$ 680,090	\$ 1,107,537	\$ 523,307	\$ 293,333	\$ 563,359
Receipts:										
Local sources	254,308	1,982,809	515,380	1,395,737	1,025,901	154,321	-	5,015	930	525,734
Intermediate sources	182	363	-	-	-	-	-	-	-	-
State sources	13,647,212	-	-	-	-	-	-	-	-	26,903
Federal sources	-	-	-	-	-	-	-	-	-	586,680
Other	98	-	-	-	-	-	-	-	-	-
Total receipts	13,901,800	1,983,172	515,380	1,395,737	1,025,901	154,321	-	5,015	930	1,139,317
Disbursements:										
Current:										
Instruction	8,793,839	-	-	-	-	-	-	390,816	76,796	-
Support services	3,328,978	-	-	1,075,312	1,111,848	256,910	-	39,565	217,467	7,373
Noninstructional services	97,269	-	-	-	-	-	-	-	-	1,062,802
Facilities acquisition and construction	4,385	-	-	610,591	-	-	-	-	-	49,027
Debt services	-	1,896,438	149,298	-	-	-	-	-	-	218
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	12,224,471	1,896,438	149,298	1,685,903	1,111,848	256,910	-	430,381	294,263	1,119,420
Excess (deficiency) of receipts over disbursements	1,677,329	86,734	366,082	(290,166)	(85,947)	(102,589)	-	(425,366)	(293,333)	19,897
Other financing sources (uses):										
Transfers in	-	-	-	89,192	-	-	1,000,000	1,300,000	-	-
Transfers out	(1,300,000)	-	(89,192)	(1,000,000)	-	-	-	-	-	-
Total other financing sources (uses)	(1,300,000)	-	(89,192)	(910,808)	-	-	1,000,000	1,300,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	377,329	86,734	276,890	(1,200,974)	(85,947)	(102,589)	1,000,000	874,634	(293,333)	19,897
Cash and investments - ending	\$ 2,151,162	\$ 1,032,706	\$ 276,890	\$ 777,872	\$ 547,416	\$ 577,501	\$ 2,107,537	\$ 1,397,941	\$ -	\$ 583,256

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

	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Instruction Support	Extra- Curricular Activities	Arts Council-NHE	HC Substance Abuse Prevention Coalition	Jackson Township Trustee	New Salisbury Lions Club
Cash and investments - beginning	\$ 98,973	\$ 39,436	\$ (10,682)	\$ 6,244	\$ -	\$ -	\$ 900	\$ 6	\$ 10,763	\$ -
Receipts:										
Local sources	214,909	11,576	40,683	-	36,250	29,595	-	-	-	200
Intermediate sources	-	-	-	169	-	-	-	-	-	-
State sources	73,571	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	350	-	-	-	-	-	-	-	-	-
Total receipts	288,830	11,576	40,683	169	36,250	29,595	-	-	-	200
Disbursements:										
Current:										
Instruction	-	-	29,352	-	1,458	9,101	-	-	8,136	-
Support services	235,939	-	-	-	-	20,494	-	-	-	-
Noninstructional services	360	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	20	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	236,319	-	29,352	-	1,458	29,595	-	-	8,136	-
Excess (deficiency) of receipts over disbursements	52,511	11,576	11,331	169	34,792	-	-	-	(8,136)	200
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	52,511	11,576	11,331	169	34,792	-	-	-	(8,136)	200
Cash and investments - ending	\$ 151,484	\$ 51,012	\$ 649	\$ 6,413	\$ 34,792	\$ -	\$ 900	\$ 6	\$ 2,627	\$ 200

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

	Community Donations	HCCF 2010	HCCF 2011	HCCF 2012	HCCF Block Grant 2012-2013	Riverboat Full Day Kindergarten	Riverboat 2006-2007	Riverboat 2010-2011	Riverboat 2011-2012	Riverboat 2012-2013
Cash and investments - beginning	\$ -	\$ -	\$ (992)	\$ (3,384)	\$ -	\$ 65,068	\$ 1	\$ 24,577	\$ 163,767	\$ 732,612
Receipts:										
Local sources	2,964	-	12,850	5,480	63,649	513,357	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	2,964	-	12,850	5,480	63,649	513,357	-	-	-	-
Disbursements:										
Current:										
Instruction	2,963	-	1,441	2,096	96,209	578,425	-	-	64,801	394,199
Support services	-	-	9,904	-	11,087	-	1	7,001	5,245	67,305
Noninstructional services	-	-	-	-	-	-	-	-	32,863	15,874
Facilities acquisition and construction	-	-	-	-	-	-	-	17,576	60,858	211,246
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,963	-	11,345	2,096	107,296	578,425	1	24,577	163,767	688,624
Excess (deficiency) of receipts over disbursements	1	-	1,505	3,384	(43,647)	(65,068)	(1)	(24,577)	(163,767)	(688,624)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1	-	1,505	3,384	(43,647)	(65,068)	(1)	(24,577)	(163,767)	(688,624)
Cash and investments - ending	\$ 1	\$ -	\$ 513	\$ -	\$ (43,647)	\$ -	\$ -	\$ -	\$ -	\$ 43,988

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

	Riverboat 2013-2014	High Ability 2010-2011	High Ability 2011-2012	High Ability 2012-2013	Scholarships and Awards	Non-English Speaking Programs P.L. 273-1999	School Technology	21st Century Scholars	Excess PTRC Distributions	Title I 2010-2011
Cash and investments - beginning	\$ -	\$ -	\$ 11,828	\$ -	\$ 1,000	\$ 2,079	\$ 21,825	\$ 2,202	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	33,829	-	-	-
Intermediate sources	755,400	-	-	-	-	-	-	-	-	-
State sources	-	-	-	36,624	-	566	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	755,400	-	-	36,624	-	566	33,829	-	-	-
Disbursements:										
Current:										
Instruction	233,357	-	11,828	19,258	-	566	-	-	-	-
Support services	-	-	-	-	-	-	26,718	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	26,284	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	259,641	-	11,828	19,258	-	566	26,718	-	-	-
Excess (deficiency) of receipts over disbursements	495,759	-	(11,828)	17,366	-	-	7,111	-	-	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	495,759	-	(11,828)	17,366	-	-	7,111	-	-	-
Cash and investments - ending	\$ 495,759	\$ -	\$ -	\$ 17,366	\$ 1,000	\$ 2,079	\$ 28,936	\$ 2,202	\$ -	\$ -

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

	Title I 2011-2012	Title I 2012-2013	Drug Free 2009-2010	Improving Teaching Quality No Child Left Title II, Part A	Title I - Grants to LEAs	Education Jobs	Payroll Withholdings	CAGIT Property Tax Replacement	Matching Grant Clearing	Totals
Cash and investments - beginning	\$ (21,355)	\$ -	\$ -	\$ (6,898)	\$ -	\$ -	\$ 124,900	\$ -	\$ 1,500	\$ 9,764,010
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	6,825,477
Intermediate sources	-	-	-	-	-	-	-	-	-	756,114
State sources	-	-	-	-	-	-	-	-	-	13,784,876
Federal sources	70,982	226,055	-	95,361	5,466	8,793	-	-	-	993,337
Other	-	-	-	-	-	-	3,689,586	-	-	3,690,034
Total receipts	<u>70,982</u>	<u>226,055</u>	<u>-</u>	<u>95,361</u>	<u>5,466</u>	<u>8,793</u>	<u>3,689,586</u>	<u>-</u>	<u>-</u>	<u>26,049,838</u>
Disbursements:										
Current:										
Instruction	49,627	244,435	-	52,572	5,466	8,793	-	-	-	11,075,534
Support services	-	-	-	46,037	-	-	-	-	-	6,467,184
Noninstructional services	-	-	-	-	-	-	-	-	-	1,209,168
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	979,967
Debt services	-	-	-	-	-	-	-	-	-	2,045,974
Nonprogrammed charges	-	-	-	-	-	-	3,743,449	-	1,469	3,744,918
Total disbursements	<u>49,627</u>	<u>244,435</u>	<u>-</u>	<u>98,609</u>	<u>5,466</u>	<u>8,793</u>	<u>3,743,449</u>	<u>-</u>	<u>1,469</u>	<u>25,522,745</u>
Excess (deficiency) of receipts over disbursements	<u>21,355</u>	<u>(18,380)</u>	<u>-</u>	<u>(3,248)</u>	<u>-</u>	<u>-</u>	<u>(53,863)</u>	<u>-</u>	<u>(1,469)</u>	<u>527,093</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	2,389,192
Transfers out	-	-	-	-	-	-	-	-	-	(2,389,192)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>21,355</u>	<u>(18,380)</u>	<u>-</u>	<u>(3,248)</u>	<u>-</u>	<u>-</u>	<u>(53,863)</u>	<u>-</u>	<u>(1,469)</u>	<u>527,093</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (18,380)</u>	<u>\$ -</u>	<u>\$ (10,146)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,037</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 10,291,103</u>

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2013

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 169,801</u>	<u>\$ 72,173</u>

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
North Harrison Community School Building Corp	Elementary School	\$ 1,035,000	01-15-09	01-15-28
North Harrison School Building Corporation	Elementary School	<u>928,000</u>	06-30-11	12-31-24
Total of annual lease payments		<u>\$ 1,963,000</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds		Pension Bond	<u>\$ 3,685,000</u>	<u>\$ 640,822</u> *

\*See Note 12 Subsequent Events - Early Pay Off of Debt

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NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2013

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 579,096
Buildings	45,683,762
Improvements other than buildings	510,732
Machinery, equipment, and vehicles	<u>4,456,289</u>
 Total capital assets	 <u><u>\$ 51,229,878</u></u>

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE**

The information presented for audit indicates the number of students receiving academic honors diplomas as reported by the School Corporation to the Indiana Department of Education on FORM DOE-GR, Graduate Report, were incorrect for the school year ending June 30, 2012.

The difference between the number of students receiving academic honors diplomas reported on the DOE-GR and the verified figures are shown below:

<u>School Year</u>	<u>Academic Honors Count as Reported on DOE-GR</u>	<u>Actual Figures</u>	<u>Difference</u>
2011-2012	46	45	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

**COLLECTIVE BARGAINING AGREEMENT**

The collective bargaining agreement presented for audit contained the following items prohibited by Indiana Code 20-29-6-4.5:

1. Reduction in force.
2. Unpaid leave.
3. Hours.
4. The school calendar.
5. Boilerplate contract terms not authorized by statute including Supremacy, amendment to agreement, and Severability Clause.

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

Indiana Code 20-29-6-4.5 states:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

SBOA will review school corporations' collective bargaining agreements during the audit process to determine whether the agreements contained prohibited subjects of bargaining. . . . Financial losses related to a corporation's inclusion of prohibited subjects may be the personal obligation of the responsible school official or employee. (The School Administrator and Uniform Compliance Guidelines Volume 198, June 2012)

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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 NORTH HARRISON COMMUNITY  
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

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

We have audited the North Harrison Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

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

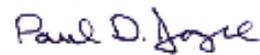
***Report on Internal Control Over Compliance***

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

  
Paul D. Joyce, CPA  
State Examiner

February 13, 2014

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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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NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
			FY 2012	\$ 103,517	\$ -
			FY 2013	-	121,378
				<u>103,517</u>	<u>121,378</u>
Total - School Breakfast Program				<u>103,517</u>	<u>121,378</u>
National School Lunch Program	Indiana Department of Education	10.555			
			FY 2012	531,086	-
			FY 2013	-	538,464
				<u>531,086</u>	<u>538,464</u>
Total - National School Lunch Program				<u>531,086</u>	<u>538,464</u>
Total - Child Nutrition Cluster				<u>634,603</u>	<u>659,842</u>
Total - Department of Agriculture				<u>634,603</u>	<u>659,842</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			11-3180	26,145	-
			12-3180	193,002	76,448
			13-3180	-	226,055
				<u>219,147</u>	<u>302,503</u>
Total - Title I Grants to Local Educational Agencies				<u>219,147</u>	<u>302,503</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389			
			ARRA 2009-3180	35,792	-
Total - Title I, Part A Cluster				<u>254,939</u>	<u>302,503</u>
Safe and Drug-Free Schools and Communities - State Grants	Indiana Department of Education	84.186			
			09-3180	7,482	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			FY 2009	23,709	-
			FY 2010	110,551	1,858
			FY 2011	-	89,593
			FY 2012	-	3,909
				<u>134,260</u>	<u>95,360</u>
Total - Improving Teacher Quality State Grants				<u>134,260</u>	<u>95,360</u>
Education Jobs Fund	Indiana Department of Education	84.410			
			2010-2011	348,845	8,793
Total - Department of Education				<u>745,526</u>	<u>406,656</u>
Total federal awards expended				<u>\$ 1,380,129</u>	<u>\$ 1,066,498</u>

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Harrison Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 14,779	\$ 15,762
National School Lunch Program	10.555	77,576	69,923

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2013-001 - INTERNAL CONTROL OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Corporation Treasurer prepares the SEFA, but no other review or approval of the information is conducted to verify the accuracy of the information and amounts. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Immaterial audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

***FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts. The failure to establish controls related to receipts could enable material misstatements or irregularities to remain undetected.

One employee was responsible for issuing receipts, making deposits, and posting receipt transactions. The activities related to receipts were not reviewed or verified by someone other than the employee performing these activities.

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

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

***Section III – Federal Award Findings and Questioned Costs***

No matters are reportable.

**North Harrison Community School Corporation  
1260 Highway 64 NW  
Ramsey, IN 47166  
812-347-2407  
812-347-2870 (Fax)**

**CORRECTIVE ACTION PLAN**

Date: January 31, 2014

Auditee Contact Person: Jo Ann Burson  
Title of Contact Person: Treasurer  
Phone Number: (812) 347-2407

Section II - Financial Statement Findings:

***FINDING 2013 -001 - INTERNAL CONTROL OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

North Harrison Community School Corporation has developed appropriate policies and procedures to ensure that proper system of internal controls are in place to prevent or detect inaccurate reporting of federal awards. These policies and procedures are in compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9 and are effective immediately.

***FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

North Harrison Community School Corporation has developed a verification reporting system to avoid improper transaction, records and financial statements. North Harrison's size and financial abilities can't tolerate the hiring of additional staff to correct these control system deficiencies. This reporting procedure will enhance North Harrison's internal controls and is in accordance with the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9 and are effective January 15, 2014.

  
D. John Thomas, Superintendent

  
Jo Ann Burson, Treasurer

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2014, with Jo Ann Burson, Treasurer; D. John Thomas, Superintendent of Schools; Veronica Battista, President of the School Board; and Lance Richards, Assistant Superintendent of Schools.