

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SCHOOL CITY OF HOBART
LAKE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
12/04/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Powers	07-01-12 to 06-30-16
Business Manager	Ted Zembala	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Peggy Buffington	07-01-12 to 06-30-16
President of the School Board	Terry Butler Karen Robbins	01-01-10 to 12-31-14 01-01-15 to 12-31-15



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AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the School City of Hobart (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is October 26, 2015, 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.


Paul D. Joyce, CPA
State Examiner

May 11, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is October 26, 2015



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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 SCHOOL CITY OF HOBART, LAKE 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 School City of Hobart (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated May 11, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is October 26, 2015, 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 item 2014-001 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

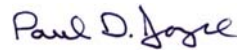
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

School City of Hobart'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

May 11, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is October 26, 2015

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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.

SCHOOL CITY OF HOBART
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 1,196,763	\$ 26,149,752	\$ 25,445,663	\$ 802	\$ 1,901,654	\$ 26,199,607	\$ 26,100,274	\$ 28,226	\$ 2,029,213
Debt Service	274,797	1,714,631	802,862	-	1,186,566	1,651,744	2,668,587	-	169,723
Exempt Debt	2,405,010	5,816,052	5,985,000	-	2,236,062	6,036,102	6,146,795	-	2,125,369
Exempt Retirement/Severance Bond Debt Service	154,927	542,051	478,898	-	218,080	532,013	502,973	-	247,120
Capital Projects	635,651	2,205,397	2,118,578	-	722,470	1,743,934	2,068,795	-	397,609
School Transportation	593,727	2,008,159	1,939,943	-	661,943	2,016,197	1,939,879	444	738,705
School Bus Replacement	270,126	370,884	405,927	-	235,083	442,300	431,656	-	245,727
Retirement/Severance Bond	68,698	38	-	-	68,736	39	5,438	-	63,337
Construction	15,830	11,062	973,185	990,000	43,707	10,192	43,880	-	10,019
Construction II	-	-	-	-	-	215	434,750	594,000	159,465
School Lunch	40,137	1,742,979	1,883,267	-	(100,151)	2,049,584	1,861,562	2,450	90,321
Textbook Rental	852,073	575,055	856,708	-	570,420	803,702	845,443	-	528,679
Alternative Education SY 2013	-	34,399	34,399	-	-	30,510	29,162	-	1,348
School Safe Haven 2012/2013	-	14,500	14,500	-	-	-	-	-	-
ICJII Safe Haven	-	-	-	-	-	10,150	10,150	-	-
2013 State Loan	-	30,913	60,673	-	(29,760)	86,657	56,897	-	-
Gifts/Donations I	3,603	-	-	-	3,603	-	-	-	3,603
Gifts/Donations II	558	2,040	1,548	-	1,050	20,743	13,819	-	7,974
Wal-Mart/Sam's Club	1,000	-	-	-	1,000	-	-	-	1,000
PCGB Agreement Proceeds	40,116	5,194	7,288	-	38,022	16,247	21,229	-	33,040
Legacy Foundation, Inc.	12,228	22,500	9,377	-	25,351	-	21,257	-	4,094
Transition to Kindergarten	-	13,188	12,103	-	1,085	5,000	6,089	-	(5)
Hobart Educational Foundation	21,637	28,656	21,198	-	29,095	13,584	22,841	-	19,838
Parents as Teachers 2012-2013	1,000	55,638	55,531	-	1,107	2,877	3,480	-	504
Parents as Teachers 2013-2014	-	55,444	-	-	55,444	4,306	20,728	-	39,022
Parents as Teachers 2014-2015	-	-	-	-	-	49,067	-	-	49,067
Empowering Teens as Parents	(2,128)	18,492	16,528	-	(164)	2,773	2,028	-	581
Lake County Initiative	5,358	3,200	6,430	-	2,128	-	1,873	-	255
Parents as Teachers	(8,885)	-	(8,935)	-	50	-	-	-	50

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

SCHOOL CITY OF HOBART
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
Hobart Educational Foundation II	4,099	-	4,099	-	-	-	-	-	-
High Ability 2012-2013	-	41,129	41,129	-	-	-	-	-	-
High Ability 2013-2014	-	-	-	-	-	41,364	40,764	-	600
LCSAC Lake Co. Substance Abuse	15,000	-	15,000	-	-	22,000	22,000	-	-
2012-2013 NESP Non Eng Spkg	-	11,353	11,353	-	-	-	-	-	-
NESP SY 2013-14	-	-	-	-	-	11,451	11,449	-	2
School Technology	50,233	79,882	96,090	-	34,025	48,546	69,068	-	13,503
Title II 2010-2011 State Connect	19,808	6,753	-	-	26,561	6,749	29,867	-	3,443
Title I 2011/2012	(13,316)	98,485	85,169	-	-	-	-	-	-
Title I 2012/2013	-	467,335	494,083	-	(26,748)	99,536	117,745	44,957	-
Title I 2013/2014	-	-	-	-	-	438,784	464,226	-	(25,442)
Special Ed Improvement Award	(69,995)	69,995	-	-	-	-	-	-	-
Tech Prep/PLTW	(3,150)	8,991	5,841	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(5,545)	46,490	40,945	-	-	-	-	-	-
Title II, Part A 2011-2013	-	84,371	88,932	-	(4,561)	10,317	5,756	-	-
Title II, Part A 2012-2014	-	301	2,301	-	(2,000)	62,856	15,899	(44,957)	-
Title II, Part A 2013-2015	-	-	-	-	-	62,687	69,331	-	(6,644)
Title III 2012-2013	-	15,648	15,648	-	-	1,631	1,631	-	-
Title III 2013-2015	-	-	-	-	-	16,867	17,660	-	(793)
Education Jobs	-	14,573	14,573	-	-	-	-	-	-
Clearing Accounts	57,709	4,994,223	5,023,305	-	28,627	5,262,231	5,226,114	-	64,744
Clearing Flexible Benefits	19,619	216,258	203,908	-	31,969	226,346	218,187	-	40,128
Transfer of Funds	-	1,000,000	1,000,000	-	-	1,661,621	1,661,621	-	-
Prepaid Food	26,232	721,457	734,772	-	12,917	714,151	710,770	-	16,298
Clearing Insurance	(8,442)	163,271	146,924	-	7,905	136,137	142,688	-	1,354
Clearing Safe Hiring	350	-	-	-	350	-	-	-	350
TBR Clearing Fund	132	143,309	142,708	-	733	145,171	145,117	-	787
Totals	\$ 6,674,960	\$ 49,604,048	\$ 49,287,451	\$ 990,802	\$ 7,982,359	\$ 50,695,988	\$ 52,229,478	\$ 625,120	\$ 7,073,989

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

SCHOOL CITY OF HOBART
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.

SCHOOL CITY OF HOBART
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.

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

Other receipts 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, and self-insurance payments.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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.

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.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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 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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of Indiana Department of Education (IDOE) policy requiring the School Corporation to make expenditures for grant programs prior to submitting a request for reimbursement.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has two capital leases with the Hobart Building Corporation. The lessor is 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 2013 and 2014 totaled \$6,453,500 and \$6,614,295, respectively.

Note 9. *Subsequent Events*

The School Corporation closed on a \$600,000 negotiable note in July 2014. The principal in its entirety will be paid on June 30, 2015.

Note 10. *Other Postemployment Benefits*

Retired administrators are allowed to remain on the group health plan up to age 65 by paying 5 percent of the then active employee premium. The retired administrator is removed from the group plan on the first day of the month in which the retired administrator turns age 65.

Note 11. *Combined Funds*

Funds related to School Technology and Title II 2010-2011 State Connect were reported individually in the current financial statement but were combined into the Technology Fund CISCO fund for the prior financial statement.

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OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.inionline.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 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 other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

SCHOOL CITY OF HOBART
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	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 1,196,763	\$ 274,797	\$ 2,405,010	\$ 154,927	\$ 635,651	\$ 593,727	\$ 270,126	\$ 68,698	\$ 15,830
Receipts:									
Local sources	803,066	1,428,724	5,816,052	325,420	1,334,725	1,382,318	254,288	38	11,062
Intermediate sources	315,979	-	-	-	-	-	-	-	-
State sources	23,884,725	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	1,132,723	285,907	-	216,631	824,847	620,809	116,596	-	-
Other	13,259	-	-	-	45,825	5,032	-	-	-
Total receipts	26,149,752	1,714,631	5,816,052	542,051	2,205,397	2,008,159	370,884	38	11,062
Disbursements:									
Current:									
Instruction	15,523,907	-	-	-	-	-	-	-	-
Support services	8,684,050	33,672	-	-	1,149,795	1,309,131	280,000	-	604,931
Noninstructional services	123,920	-	-	-	-	-	-	-	-
Facilities acquisition and construction	82,948	-	-	-	81,748	-	-	-	368,254
Debt services	1,030,838	769,190	5,985,000	478,898	887,035	630,812	125,927	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	25,445,663	802,862	5,985,000	478,898	2,118,578	1,939,943	405,927	-	973,185
Excess (deficiency) of receipts over disbursements	704,089	911,769	(168,948)	63,153	86,819	68,216	(35,043)	38	(962,123)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	990,000
Sale of capital assets	802	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	802	-	-	-	-	-	-	-	990,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	704,891	911,769	(168,948)	63,153	86,819	68,216	(35,043)	38	27,877
Cash and investments - ending	\$ 1,901,654	\$ 1,186,566	\$ 2,236,062	\$ 218,080	\$ 722,470	\$ 661,943	\$ 235,083	\$ 68,736	\$ 43,707

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

	Construction II	School Lunch	Textbook Rental	Alternative Education SY 2013	School Safe Haven 2012/2013	ICJI Safe Haven	2013 State Loan	Gifts/Donations I
Cash and investments - beginning	\$ -	\$ 40,137	\$ 852,073	\$ -	\$ -	\$ -	\$ -	\$ 3,603
Receipts:								
Local sources	-	880,162	431,027	-	-	-	30,913	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	19,440	144,028	34,399	14,500	-	-	-
Federal sources	-	843,377	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	1,742,979	575,055	34,399	14,500	-	30,913	-
Disbursements:								
Current:								
Instruction	-	-	-	19,523	-	-	-	-
Support services	-	28,429	856,708	14,876	14,500	-	-	-
Noninstructional services	-	1,854,838	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	60,673	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	1,883,267	856,708	34,399	14,500	-	60,673	-
Excess (deficiency) of receipts over disbursements	-	(140,288)	(281,653)	-	-	-	(29,760)	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	9,595	-	-	-	-	-
Transfers out	-	-	(9,595)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(140,288)	(281,653)	-	-	-	(29,760)	-
Cash and investments - ending	\$ -	\$ (100,151)	\$ 570,420	\$ -	\$ -	\$ -	\$ (29,760)	\$ 3,603

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

	Gifts/Donations II	Wal-Mart/ Sam's Club	PCGB Agreement Proceeds	Legacy Foundation, Inc.	Transition to Kindergarten	Hobart Educational Foundation	Parents as Teachers 2012-2013	Parents as Teachers 2013-2014
Cash and investments - beginning	\$ 558	\$ 1,000	\$ 40,116	\$ 12,228	\$ -	\$ 21,637	\$ 1,000	\$ -
Receipts:								
Local sources	2,040	-	5,194	22,500	13,188	28,656	55,638	55,444
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	2,040	-	5,194	22,500	13,188	28,656	55,638	55,444
Disbursements:								
Current:								
Instruction	1,548	-	-	-	-	-	-	-
Support services	-	-	7,288	-	12,103	21,198	55,531	-
Noninstructional services	-	-	-	9,377	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	1,548	-	7,288	9,377	12,103	21,198	55,531	-
Excess (deficiency) of receipts over disbursements	492	-	(2,094)	13,123	1,085	7,458	107	55,444
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	492	-	(2,094)	13,123	1,085	7,458	107	55,444
Cash and investments - ending	\$ 1,050	\$ 1,000	\$ 38,022	\$ 25,351	\$ 1,085	\$ 29,095	\$ 1,107	\$ 55,444

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

	Parents as Teachers 2014-2015	Empowering Teens as Parents	Lake County Initiative	Parents as Teachers	Hobart Educational Foundation II	High Ability 2012-2013	High Ability 2013-2014	LCSAC Lake Co. Substance Abuse
Cash and investments - beginning	\$ -	\$ (2,128)	\$ 5,358	\$ (8,885)	\$ 4,099	\$ -	\$ -	\$ 15,000
Receipts:								
Local sources	-	18,492	3,200	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	41,129	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	18,492	3,200	-	-	41,129	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	41,129	-	15,000
Support services	-	16,528	6,430	(8,935)	4,099	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	16,528	6,430	(8,935)	4,099	41,129	-	15,000
Excess (deficiency) of receipts over disbursements	-	1,964	(3,230)	8,935	(4,099)	-	-	(15,000)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,964	(3,230)	8,935	(4,099)	-	-	(15,000)
Cash and investments - ending	\$ -	\$ (164)	\$ 2,128	\$ 50	\$ -	\$ -	\$ -	\$ -

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

	2012-2013 NESP Non Eng Spkg	NESP SY 2013-14	School Technology	Title II 2010-2011 State Connect	Title I 2011/2012	Title I 2012/2013	Title I 2013/2014	Special Ed Improvement Award
Cash and investments - beginning	\$ -	\$ -	\$ 50,233	\$ 19,808	\$ (13,316)	\$ -	\$ -	\$ (69,995)
Receipts:								
Local sources	-	-	79,882	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	11,353	-	-	6,753	-	-	-	-
Federal sources	-	-	-	-	98,485	467,335	-	69,995
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	11,353	-	79,882	6,753	98,485	467,335	-	69,995
Disbursements:								
Current:								
Instruction	11,303	-	-	-	85,169	488,414	-	-
Support services	-	-	90,237	-	-	-	-	-
Noninstructional services	50	-	-	-	-	5,669	-	-
Facilities acquisition and construction	-	-	5,853	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	11,353	-	96,090	-	85,169	494,083	-	-
Excess (deficiency) of receipts over disbursements	-	-	(16,208)	6,753	13,316	(26,748)	-	69,995
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(16,208)	6,753	13,316	(26,748)	-	69,995
Cash and investments - ending	\$ -	\$ -	\$ 34,025	\$ 26,561	\$ -	\$ (26,748)	\$ -	\$ -

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

	Tech Prep/ PLTW	Improving Teaching Quality, No Child Left, Title II, Part A	Title II, Part A 2011-2013	Title II, Part A 2012-2014	Title II, Part A 2013-2015	Title III 2012-2013	Title III 2013-2015	Education Jobs
Cash and investments - beginning	\$ (3,150)	\$ (5,545)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	8,991	-	-	-	-	-	-	-
Federal sources	-	46,490	84,371	301	-	15,648	-	14,573
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	8,991	46,490	84,371	301	-	15,648	-	14,573
Disbursements:								
Current:								
Instruction	5,841	40,945	88,533	2,000	-	15,326	-	14,573
Support services	-	-	399	301	-	225	-	-
Noninstructional services	-	-	-	-	-	97	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,841	40,945	88,932	2,301	-	15,648	-	14,573
Excess (deficiency) of receipts over disbursements	3,150	5,545	(4,561)	(2,000)	-	-	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,150	5,545	(4,561)	(2,000)	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ (4,561)	\$ (2,000)	\$ -	\$ -	\$ -	\$ -

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

	Clearing Accounts	Clearing Flexible Benefits	Transfer of Funds	Prepaid Food	Clearing Insurance	Clearing Safe Hiring	TBR Clearing Fund	Totals
Cash and investments - beginning	\$ 57,709	\$ 19,619	\$ -	\$ 26,232	\$ (8,442)	\$ 350	\$ 132	\$ 6,674,960
Receipts:								
Local sources	-	-	-	-	-	-	-	12,982,029
Intermediate sources	-	-	-	-	-	-	-	315,979
State sources	-	-	-	-	-	-	-	24,165,318
Federal sources	-	-	-	-	-	-	-	1,640,575
Temporary loans	-	-	-	-	-	-	-	3,197,513
Other	4,994,223	216,258	1,000,000	721,457	163,271	-	143,309	7,302,634
Total receipts	4,994,223	216,258	1,000,000	721,457	163,271	-	143,309	49,604,048
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	16,353,211
Support services	-	-	-	-	-	-	-	13,181,496
Noninstructional services	-	-	-	-	-	-	-	1,993,951
Facilities acquisition and construction	-	-	-	-	-	-	-	538,803
Debt services	-	-	-	-	-	-	-	9,968,373
Nonprogrammed charges	5,023,305	203,908	1,000,000	734,772	146,924	-	142,708	7,251,617
Total disbursements	5,023,305	203,908	1,000,000	734,772	146,924	-	142,708	49,287,451
Excess (deficiency) of receipts over disbursements	(29,082)	12,350	-	(13,315)	16,347	-	601	316,597
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	990,000
Sale of capital assets	-	-	-	-	-	-	-	802
Transfers in	-	-	-	-	-	-	-	9,595
Transfers out	-	-	-	-	-	-	-	(9,595)
Total other financing sources (uses)	-	-	-	-	-	-	-	990,802
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,082)	12,350	-	(13,315)	16,347	-	601	1,307,399
Cash and investments - ending	\$ 28,627	\$ 31,969	\$ -	\$ 12,917	\$ 7,905	\$ 350	\$ 733	\$ 7,982,359

SCHOOL CITY OF HOBART
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 1,901,654	\$ 1,186,566	\$ 2,236,062	\$ 218,080	\$ 722,470	\$ 661,943	\$ 235,083	\$ 68,736	\$ 43,707
Receipts:									
Local sources	1,137,266	1,564,093	6,036,102	428,260	1,345,661	1,449,570	264,062	39	10,192
Intermediate sources	326,890	-	-	-	-	-	-	-	-
State sources	24,681,873	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	87,651	-	103,753	444,098	566,627	178,238	-	-
Other	53,578	-	-	-	(45,825)	-	-	-	-
Total receipts	26,199,607	1,651,744	6,036,102	532,013	1,743,934	2,016,197	442,300	39	10,192
Disbursements:									
Current:									
Instruction	16,150,450	-	-	-	-	-	-	5,438	-
Support services	8,656,949	1,832	-	-	1,426,258	1,351,820	256,749	-	43,880
Noninstructional services	125,732	-	-	-	-	-	-	-	-
Facilities acquisition and construction	30,644	-	-	-	169,276	-	-	-	-
Debt services	1,136,499	2,666,755	6,146,795	502,973	473,261	588,059	174,907	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	26,100,274	2,668,587	6,146,795	502,973	2,068,795	1,939,879	431,656	5,438	43,880
Excess (deficiency) of receipts over disbursements	99,333	(1,016,843)	(110,693)	29,040	(324,861)	76,318	10,644	(5,399)	(33,688)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	28,226	-	-	-	-	444	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	28,226	-	-	-	-	444	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	127,559	(1,016,843)	(110,693)	29,040	(324,861)	76,762	10,644	(5,399)	(33,688)
Cash and investments - ending	\$ 2,029,213	\$ 169,723	\$ 2,125,369	\$ 247,120	\$ 397,609	\$ 738,705	\$ 245,727	\$ 63,337	\$ 10,019

SCHOOL CITY OF HOBART
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Construction II	School Lunch	Textbook Rental	Alternative Education SY 2013	School Safe Haven 2012/2013	ICJI Safe Haven	2013 State Loan	Gifts/Donations I
Cash and investments - beginning	\$ -	\$ (100,151)	\$ 570,420	\$ -	\$ -	\$ -	\$ (29,760)	\$ 3,603
Receipts:								
Local sources	215	882,689	658,519	-	-	-	25,984	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	19,016	145,183	30,510	-	10,150	-	-
Federal sources	-	1,147,627	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	252	-	-	-	-	60,673	-
Total receipts	215	2,049,584	803,702	30,510	-	10,150	86,657	-
Disbursements:								
Current:								
Instruction	-	-	-	29,162	-	-	-	-
Support services	434,750	3,228	845,443	-	-	10,150	-	-
Noninstructional services	-	1,858,334	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	56,897	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	434,750	1,861,562	845,443	29,162	-	10,150	56,897	-
Excess (deficiency) of receipts over disbursements	(434,535)	188,022	(41,741)	1,348	-	-	29,760	-
Other financing sources (uses):								
Proceeds of long-term debt	594,000	-	-	-	-	-	-	-
Sale of capital assets	-	2,450	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	594,000	2,450	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	159,465	190,472	(41,741)	1,348	-	-	29,760	-
Cash and investments - ending	\$ 159,465	\$ 90,321	\$ 528,679	\$ 1,348	\$ -	\$ -	\$ -	\$ 3,603

SCHOOL CITY OF HOBART
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Gifts/Donations II	Wal-Mart/ Sam's Club	PCGB Agreement Proceeds	Legacy Foundation, Inc.	Transition to Kindergarten	Hobart Educational Foundation	Parents as Teachers 2012-2013	Parents as Teachers 2013-2014
Cash and investments - beginning	\$ 1,050	\$ 1,000	\$ 38,022	\$ 25,351	\$ 1,085	\$ 29,095	\$ 1,107	\$ 55,444
Receipts:								
Local sources	20,743	-	16,247	-	5,000	13,584	2,877	4,306
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	20,743	-	16,247	-	5,000	13,584	2,877	4,306
Disbursements:								
Current:								
Instruction	1,320	-	-	709	-	-	-	-
Support services	-	-	21,229	-	6,089	22,841	3,480	20,728
Noninstructional services	12,499	-	-	20,548	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	13,819	-	21,229	21,257	6,089	22,841	3,480	20,728
Excess (deficiency) of receipts over disbursements	6,924	-	(4,982)	(21,257)	(1,089)	(9,257)	(603)	(16,422)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,924	-	(4,982)	(21,257)	(1,089)	(9,257)	(603)	(16,422)
Cash and investments - ending	\$ 7,974	\$ 1,000	\$ 33,040	\$ 4,094	\$ (5)	\$ 19,838	\$ 504	\$ 39,022

SCHOOL CITY OF HOBART
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Parents as Teachers 2014-2015	Empowering Teens as Parents	Lake County Initiative	Parents as Teachers	Hobart Educational Foundation II	High Ability 2012-2013	High Ability 2013-2014	LCSAC Lake Co. Substance Abuse
Cash and investments - beginning	\$ -	\$ (164)	\$ 2,128	\$ 50	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	49,067	2,773	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	41,364	22,000
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	49,067	2,773	-	-	-	-	41,364	22,000
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	40,764	22,000
Support services	-	2,028	1,873	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	2,028	1,873	-	-	-	40,764	22,000
Excess (deficiency) of receipts over disbursements	49,067	745	(1,873)	-	-	-	600	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	49,067	745	(1,873)	-	-	-	600	-
Cash and investments - ending	\$ 49,067	\$ 581	\$ 255	\$ 50	\$ -	\$ -	\$ 600	\$ -

SCHOOL CITY OF HOBART
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	2012-2013 NESP Non Eng Spkg	NESP SY 2013-14	School Technology	Title II 2010-2011 State Connect	Title I 2011/2012	Title I 2012/2013	Title I 2013/2014	Special Ed Improvement Award
Cash and investments - beginning	\$ -	\$ -	\$ 34,025	\$ 26,561	\$ -	\$ (26,748)	\$ -	\$ -
Receipts:								
Local sources	-	-	48,546	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	11,451	-	6,749	-	-	-	-
Federal sources	-	-	-	-	-	99,536	438,784	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	11,451	48,546	6,749	-	99,536	438,784	-
Disbursements:								
Current:								
Instruction	-	11,449	-	-	-	117,745	408,689	-
Support services	-	-	64,238	29,867	-	-	9,005	-
Noninstructional services	-	-	-	-	-	-	46,532	-
Facilities acquisition and construction	-	-	4,830	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	11,449	69,068	29,867	-	117,745	464,226	-
Excess (deficiency) of receipts over disbursements	-	2	(20,522)	(23,118)	-	(18,209)	(25,442)	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	44,957	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	44,957	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2	(20,522)	(23,118)	-	26,748	(25,442)	-
Cash and investments - ending	\$ -	\$ 2	\$ 13,503	\$ 3,443	\$ -	\$ -	\$ (25,442)	\$ -

SCHOOL CITY OF HOBART
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Tech Prep/ PLTW	Improving Teaching Quality, No Child Left, Title II, Part A	Title II, Part A 2011-2013	Title II, Part A 2012-2014	Title II, Part A 2013-2015	Title III 2012-2013	Title III 2013-2015	Education Jobs
Cash and investments - beginning	\$ -	\$ -	\$ (4,561)	\$ (2,000)	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	10,317	62,856	62,687	1,631	16,867	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	10,317	62,856	62,687	1,631	16,867	-
Disbursements:								
Current:								
Instruction	-	-	5,756	15,899	69,331	1,528	16,213	-
Support services	-	-	-	-	-	103	1,447	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	5,756	15,899	69,331	1,631	17,660	-
Excess (deficiency) of receipts over disbursements	-	-	4,561	46,957	(6,644)	-	(793)	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(44,957)	-	-	-	-
Total other financing sources (uses)	-	-	-	(44,957)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	4,561	2,000	(6,644)	-	(793)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (6,644)	\$ -	\$ (793)	\$ -

SCHOOL CITY OF HOBART
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Clearing Accounts	Clearing Flexible Benefits	Transfer of Funds	Prepaid Food	Clearing Insurance	Clearing Safe Hiring	TBR Clearing Fund	Totals
Cash and investments - beginning	\$ 28,627	\$ 31,969	\$ -	\$ 12,917	\$ 7,905	\$ 350	\$ 733	\$ 7,982,359
Receipts:								
Local sources	-	-	-	-	-	-	-	13,965,795
Intermediate sources	-	-	-	-	-	-	-	326,890
State sources	-	-	-	-	-	-	-	24,968,296
Federal sources	-	-	-	-	-	-	-	1,840,305
Temporary loans	-	-	-	-	-	-	-	1,380,367
Other	5,262,231	226,346	1,661,621	714,151	136,137	-	145,171	8,214,335
Total receipts	5,262,231	226,346	1,661,621	714,151	136,137	-	145,171	50,695,988
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	16,896,453
Support services	-	-	-	-	-	-	-	13,213,987
Noninstructional services	-	-	-	-	-	-	-	2,063,645
Facilities acquisition and construction	-	-	-	-	-	-	-	204,750
Debt services	-	-	-	-	-	-	-	11,746,146
Nonprogrammed charges	5,226,114	218,187	1,661,621	710,770	142,688	-	145,117	8,104,497
Total disbursements	5,226,114	218,187	1,661,621	710,770	142,688	-	145,117	52,229,478
Excess (deficiency) of receipts over disbursements	36,117	8,159	-	3,381	(6,551)	-	54	(1,533,490)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	594,000
Sale of capital assets	-	-	-	-	-	-	-	31,120
Transfers in	-	-	-	-	-	-	-	44,957
Transfers out	-	-	-	-	-	-	-	(44,957)
Total other financing sources (uses)	-	-	-	-	-	-	-	625,120
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	36,117	8,159	-	3,381	(6,551)	-	54	(908,370)
Cash and investments - ending	\$ 64,744	\$ 40,128	\$ -	\$ 16,298	\$ 1,354	\$ 350	\$ 787	\$ 7,073,989

SCHOOL CITY OF HOBART
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 210,132</u>	<u>\$ 32,879</u>

SCHOOL CITY OF HOBART
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Kansas State Bank	7 OCE Copiers	\$ 2,761	03/12/10	08/22/14
Ricoh	5 Ricoh Copiers	23,328	01/31/11	12/31/15
Wells Fargo	2 Xerox Copiers 2 MRC	46,836	10/31/13	10/31/18
Wells Fargo	7 Xerox Copiers	8,160	07/30/14	07/30/19
Hobart Building Corporation	Hobart Bldg Corp Series 2006 Bonds (HHS)	6,301,250	05/03/06	01/15/29
Hobart Building Corporation	Hobart Building Corp. Series 2009 Bonds (HMS Remodel)	<u>467,725</u>	12/23/09	07/05/28
Total of annual lease payments		<u>\$ 6,850,060</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Tax anticipation warrants	Cash flow	\$ 1,199,695	\$ 1,208,053
Notes and loans payable	Bank of New York Mellon 2004 Pension Bond	335,000	347,795
Notes and loans payable	Bank of New York Mellon 2009 SIB	1,020,000	277,065
Lines of credit	Mastercard BMO Harris Bank	1,822	-
Lines of credit	Mastercard	<u>472</u>	<u>-</u>
Totals		<u>\$ 2,556,989</u>	<u>\$ 1,832,913</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the School City of Hobart'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 its major federal program for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal program is 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 the School Corporation's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on the 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 its major federal program for the period of July 1, 2012 to June 30, 2014.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

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

This report replaces the previously issued Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance dated May 11, 2015. The Schedule of Expenditures of Federal Awards has been revised to correct a misstatement. This correction changed the determination of the major programs. The Special Education Cluster was also audited as a major program due to the change.

Report on Internal Control Over Compliance

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


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 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.

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

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

May 11, 2015, except for the Special Education Cluster, as to which the date is October 26, 2015

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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SCHOOL CITY OF HOBART
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster	Indiana Department of Education				
School Breakfast Program		10.553	FY 12-13	\$ 129,611	\$ -
			FY 13-14	-	187,113
National School Lunch Program		10.555	FY 12-13	773,238	-
			FY 13-14	-	1,003,361
Summer Food Service Program for Children		10.559	FY 12-13	45,960	-
			FY 13-14	-	68,381
Total - Department of Agriculture				<u>948,809</u>	<u>1,258,855</u>
<u>U.S. Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	11-4730	85,170	-
			12-4730	467,335	144,493
			13-4730	-	438,784
Total - Title I, Part A Cluster				<u>552,505</u>	<u>583,277</u>
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027	14212-047-PN01	150,320	-
			14213-047-PN01	624,282	152,102
			14214-047-PN01	-	549,105
			99914-047-PN01	-	10,370
Total - Special Education - Grants to States				<u>774,602</u>	<u>711,577</u>
Special Education - Preschool Grants	Indiana Department of Education	84.173	45712-047-PN01	1,695	-
			45713-047-PN01	10,135	4,580
			45714-047-PN01	-	7,833
Total - Special Education - Preschool Grants				<u>11,830</u>	<u>12,413</u>
Total - Special Education Cluster				<u>786,432</u>	<u>723,990</u>
Career and Technical Education - Basic Grants to States	Porter County Education Services	84.048	FY 12-13	<u>5,841</u>	-
English Language Acquisition State Grants	Indiana Department of Education	84.365	12-4730	15,648	-
			13-4730	-	1,631
			14-4730	-	16,867
Total - English Language Acquisition State Grants				<u>15,648</u>	<u>18,498</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	10-4730	40,945	-
			11-4730	84,371	10,317
			12-4730	301	62,856
			13-4730	-	62,687
Total - Improving Teacher Quality State Grants				<u>125,617</u>	<u>135,860</u>
Education Jobs Fund	Indiana Department of Education	84.410	FY 2012	<u>14,573</u>	-
Total - Department of Education				<u>1,500,616</u>	<u>1,461,625</u>
Total federal awards expended				<u>\$ 2,449,425</u>	<u>\$ 2,720,480</u>

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

SCHOOL CITY OF HOBART
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 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2013</u>	<u>2014</u>
National School Lunch Program	10.555	<u>\$ 108,518</u>	<u>\$ 111,229</u>

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.

SCHOOL CITY OF HOBART
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?	yes
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?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

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

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

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. 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 cash and investments, receipts, payroll disbursements, and preparation of the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation's financial system allows the user to reissue a receipt number previously issued. The receipt will appear both times in monthly reports generated by the School Corporation, which are used to reconcile the bank.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Treasurer is responsible for issuing receipts, performing the monthly bank reconciliation, and preparing the Schedule of Expenditures of Federal Awards (SEFA). One employee is responsible for preparing and generating payroll. There is no evidence of an oversight, review, or approval process. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

2. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. An effective internal control over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal control.

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

FINDING 2014-002 - INTERNAL CONTROLS OVER SCHOOL BREAKFAST PROGRAM, NATIONAL SCHOOL LUNCH PROGRAM, AND SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

Federal Agency: U.S. Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number: FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed, Allowable Costs, Procurement and Suspension and Debarment, and Reporting.

Activities Allowed/Allowable Costs - Payroll Disbursements

The School Corporation did not have proper controls over the payment of payroll. The Director of Food Service approved hours worked by food service employees, but the actual disbursement of payroll charged to the School Lunch fund was not subjected to a review or approval process.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Procurement and Suspension and Debarment

The School Corporation utilized a third party for Food Service bids. The third party administered the bidding process as well as verified that the vendors were not suspended or debarred. The third party made a recommendation to the School Corporation for the winning bids. However, the School Corporation and Board of School Trustees never formally approved or awarded the bids.

Reporting

The School Corporation failed to establish proper segregation of duties as it relates to reporting requirements. Food Service was required to submit monthly claims for reimbursement as well as an annual financial report. Those reports were completed and submitted by the Food Service Director. Evidence of an oversight, review, or approval process was not provided.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-003 - ALLOWABLE COSTS

Federal Agency: U.S. Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number: FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation operates a Food Service Program, which is the recipient of federal funding from the School Breakfast Program, National School Lunch Program, and Summer Food Service Program. All transactions related to the Food Service Program are recorded in the School Lunch fund. This includes, but is not limited to, salaries and benefits, food purchases, supplies, and all revenue generated by the Food Service Program.

The School Lunch fund is used for the payment of wages of food service employees. Funds related to food service were also used to pay a percentage of an administrative salary for fiscal years 2012-2013 and 2013-2014. The Administrator did not maintain personnel activity reports to support the distribution of a portion of the salary to the School Lunch fund. The amount of the salary improperly charged to the federal grant was \$20,000 and is considered a questioned cost.

OMB Circular A-87, Attachment B, Section 8, Compensation for personal services, states in part:

"h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity . . ."

Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management comply with Allowable Costs requirements.

AUDITEE PREPARED DOCUMENTS

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

School City of Hobart
Department of Food Services
200 South Hobart Road
Hobart, IN 46342
219-947-2413

Nancy Smith
Director of Food Services

Linda Bialata
Secretary of Food Services

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section III – Federal Awards Findings and Questioned Costs

FINDINGS 2012-1, NATIONAL SCHOOL LUNCH PROGRAM, REPORTING

Federal Agency: U.S. Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Pass-Through: Indiana Department of Education
Award Numbers: FY 10/11, FY 11/12
Auditee Contact Person: Nancy Smith
Title of Contact Person: Director of Food Services
Phone Number: 219-947-2413 x 8955

Briefly describe action to be taken to correct finding.

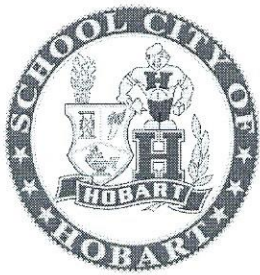
Department of Food Services is working on implementing controls to ensure timely reporting. We feel that we are creating better procedures of posting revenue and disbursements consistently and which will generate reports that will contain the necessary information for completing the Annual Financial Reports in a timelier manner.

Signed: _____

Nancy Smith

Date: _____

4-7-2015



SCHOOL CITY OF HOBART

32 East 7TH Street, Hobart, IN 46342
Phone: 219-942-8885 Fax: 219-942-0081
<http://www.hobart.k12.in.us>

"Building College and Career Ready Brickies"

ADMINISTRATION

Dr. Peggy Buffington, Ph.D.
Superintendent

Ted Zembala
Business Manager

Jonathan Mock
Director of Human Resources
& Compliance

Deborah Matthys
Director of Curriculum &
Instruction

Sara Gutierrez
Director of Early Learning &
Education

Russell Mellon
Director of Information
Technology Services

Christopher King
Director of Technology

Felix Perry
Director of Support Services

Vicky Johnson
Transportation Coordinator

Nancy Smith
Food Service Director

Larry Juzwicki
Director of School Safety

Regina Guarnero
Coordinator of Student Health
Services

Peter Goerges
School Legal Counsel

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Member

Stuart B. Schultz
Member

William Longer
Board Attorney

CORRECTIVE ACTION PLAN

FINDING 2014-001 Internal Controls over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Dawn Powers, Treasurer
Contact Phone Number: 219-945-0250

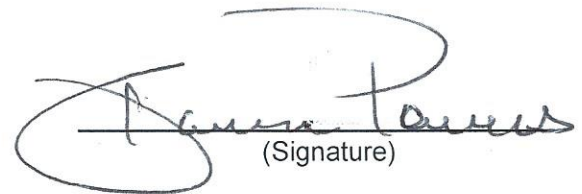
Description of Corrective Action Plan:

The School City of Hobart has created an oversight process for receipting by documenting the creation of deposits. All deposits are currently being initialed by the Accounts Payable Clerk as the creator therefore documenting the separation of duty.

We will establish oversight in both payroll processing and bank reconciliation by creating a procedure where by upon completion both the final payroll and bank reconciliation reports will be reviewed by a second individual.

To show oversight in the creation of the Schedule of Expenditures of Federal Awards (SEFA) the Business Manager will review a summary of the documents used to create the report.

Anticipated Completion Date: Immediately

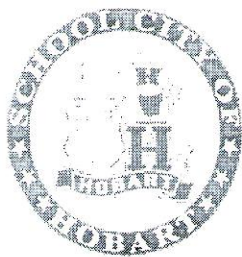

(Signature)

Treasurer

(Title)

5/11/15

(Date)



SCHOOL CITY OF HOBART

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Superintendent

Ted Zembala
Business Manager

Jonathan Mock
Director of Human Resources
& Compliance

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William Longer
Board Attorney

CORRECTIVE ACTION PLAN

FINDING 2014-002 Internal Controls over School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children


Description of Corrective Action Plan:

To establish effective internal controls we will begin reviewing payroll history reports. These reports will be approved by the Director of Food Services.
Anticipated Completion Date: Immediately

To comply with proper bid procedures we will present to the School Board of Trustees all recommended third party bids and verified vendor lists for their approval.
Anticipated Completion Date: Prior to July 1, 2015

To establish internal control for reporting requirements, monthly reimbursement claim responsibilities will be shared between the Director of Food Services and the Administrative Assistant to ensure proper management of Federal Funds
Anticipated Completion Date: Immediately

Contact Person Responsible for Corrective Action: Nancy Smith, Director of Food Services
Contact Phone Number: 219-942-1388

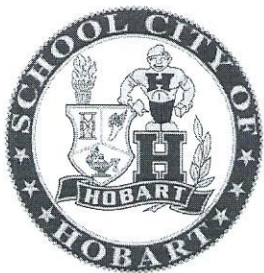

(Signature)


(Title)


(Date)



The School City of Hobart does not discriminate on the bases of race creed, sex, color, national origin, religion, age, sexual orientation, marital status, genetic information, or disability, including limited English proficiency.



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Member

William Longer
Board Attorney

CORRECTIVE ACTION PLAN

FINDING 2014-003 Allowable Costs

Description of Corrective Action Plan:

We have complied with Allowable Cost Requirements by correcting the distribution of all employees to insure that they directly relate to the Food Service Program.

Anticipated Completion Date: Immediately

Contact Person Responsible for Corrective Action: Nancy Smith, Director of Food Services

Contact Phone Number: 219-942-1388

Nancy Smith
(Signature)

Director of Food Services
(Title)

May 11, 2015
(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.