

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH HENRY SCHOOL CORPORATION  
HENRY COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
06/16/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Milner	07-01-12 to 06-30-16
Superintendent of Schools	Wesley Hammond	07-01-12 to 06-30-16
President of the School Board	Scott Lightfoot Amy Miller Casey Carmichael	07-01-12 to 12-31-12 01-01-13 to 12-31-15 01-01-16 to 12-31-16



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH HENRY SCHOOL CORPORATION, HENRY COUNTY, INDIANA

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the South Henry School Corporation (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 as listed in the Table of Contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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 Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2016, 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

April 7, 2016



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SOUTH HENRY SCHOOL CORPORATION, HENRY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the South Henry School Corporation (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 April 7, 2016, 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 deficiencies 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 2014-001 and 2014-002 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002.

**South Henry 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

April 7, 2016

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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.

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

Fund	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	\$ 192,366	\$ 4,813,254	\$ 4,807,790	\$ -	\$ 197,830	\$ 5,128,759	\$ 5,004,124	\$ 390	\$ 322,855
Debt Service	491,459	595,212	665,926	-	420,745	612,151	630,230	-	402,666
Retirement/Severance Bond Debt Service	47,125	89,389	84,843	-	51,671	78,858	82,025	-	48,504
Capital Projects	253,266	630,929	661,380	(2,370)	220,445	717,944	738,078	-	200,311
School Transportation	269,230	501,694	421,921	8,050	357,053	506,431	409,683	(40,000)	413,801
School Bus Replacement	276,147	6,461	-	(70,511)	212,097	21,930	126,216	(20,000)	87,811
Rainy Day	812,375	-	-	70,511	882,886	-	-	60,000	942,886
Retirement/Severance Bond	26,659	-	26,659	-	-	-	-	-	-
School Lunch	67,568	346,230	350,786	897	63,909	397,801	387,541	-	74,169
Textbook Rental	19,366	64,325	58,750	-	24,941	55,567	45,952	-	34,556
Levy Excess	8,050	-	-	(8,050)	-	-	-	-	-
Educational License Plates	509	94	603	-	-	75	-	-	75
SAFE School Haven	(7,842)	9,068	243	-	983	-	983	-	-
Safe Haven 2012-13	-	5,976	10,315	-	(4,339)	4,339	-	-	-
Safe Haven Grant 2013/14	-	-	-	-	-	8,050	8,050	-	-
Contributions & Donations	2,000	-	2,000	-	-	-	-	-	-
H.C. Community Foundation	900	-	900	-	-	-	-	-	-
Athletic Fund	361	14,100	14,369	-	92	12,911	12,897	-	106
Commision for Higher Ed.	840	5,000	-	-	5,840	-	71	-	5,769
Secured School Safety Grant	-	-	-	-	-	-	4,608	-	(4,608)
Non-English Speaking Programs P.L. 273-1999	610	-	610	-	-	-	-	-	-
School Technology	8,016	5,361	15,747	2,370	-	34,318	33,876	-	442
Construction, Remodeling, and Equipping Buildings	137	-	-	-	137	-	137	-	-
High Ability Grant	4,466	-	4,466	-	-	-	-	-	-
High Ability Grant 2012/13	-	27,529	27,529	-	-	-	-	-	-
High Ability Grant 2013/14	-	-	-	-	-	26,532	23,803	-	2,729
Title I	-	80,639	83,504	-	(2,865)	80,968	78,109	6	-
Title I 2011-2012	(8,713)	9,255	536	-	6	-	-	(6)	-
Improving Teaching Quality, No Child Left, Title II, Part A	(900)	22,832	21,957	-	(25)	30,738	31,012	-	(299)
Title III - Language Instruction	317	-	-	-	317	-	317	-	-
NESP Grant 2012-13	-	189	-	-	189	-	189	-	-
Education Jobs	(12,924)	46,312	33,388	-	-	-	-	-	-
Payroll Withholdings	73,721	1,182,376	1,214,124	-	41,973	1,156,254	1,161,809	-	36,418
<b>Totals</b>	<b>\$ 2,525,109</b>	<b>\$ 8,456,225</b>	<b>\$ 8,508,346</b>	<b>\$ 897</b>	<b>\$ 2,473,885</b>	<b>\$ 8,873,626</b>	<b>\$ 8,779,710</b>	<b>\$ 390</b>	<b>\$ 2,568,191</b>

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

SOUTH HENRY 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 may 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.

SOUTH HENRY 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.

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 may 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.

*F. Other Financing Sources and Uses*

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

SOUTH HENRY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.



SOUTH HENRY SCHOOL CORPORATION  
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

SOUTH HENRY SCHOOL CORPORATION  
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 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. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation was not received by June 30, 2014 or 2015.

SOUTH HENRY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8.  *Holding Corporation***

The School Corporation has entered into capital leases with the South Henry 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 fiscal years 2013 and 2014 totaled \$345,430 and \$344,430, respectively.

**Note 9.  *Other Postemployment Benefits***

The School Corporation provides to eligible retirees and their spouses the following benefits: health, vision, and dental 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.

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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.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the 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.

SOUTH HENRY 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	School Lunch	Textbook Rental	Levy Excess	Educational License Plates
Cash and investments - beginning	\$ 192,366	\$ 491,459	\$ 47,125	\$ 253,266	\$ 269,230	\$ 276,147	\$ 812,375	\$ 26,659	\$ 67,568	\$ 19,366	\$ 8,050	\$ 509
Receipts:												
Local sources	26,953	595,212	89,389	517,464	491,425	6,461	-	-	174,282	64,325	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-	94
State sources	4,786,301	-	-	-	-	-	-	-	5,837	-	-	-
Federal sources	-	-	-	-	-	-	-	-	166,111	-	-	-
Temporary loans	-	-	-	113,465	-	-	-	-	-	-	-	-
Other	-	-	-	-	10,269	-	-	-	-	-	-	-
Total receipts	4,813,254	595,212	89,389	630,929	501,694	6,461	-	-	346,230	64,325	-	94
Disbursements:												
Current:												
Instruction	3,274,022	-	-	-	-	-	-	26,659	-	-	-	368
Support services	1,360,685	-	-	487,314	421,921	-	-	-	10,634	56,203	-	235
Noninstructional services	173,083	-	-	-	-	-	-	-	334,577	-	-	-
Facilities acquisition and construction	-	-	-	59,445	-	-	-	-	5,575	-	-	-
Debt services	-	665,926	84,843	114,621	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	2,547	-	-
Total disbursements	4,807,790	665,926	84,843	661,380	421,921	-	-	26,659	350,786	58,750	-	603
Excess (deficiency) of receipts over disbursements	5,464	(70,714)	4,546	(30,451)	79,773	6,461	-	(26,659)	(4,556)	5,575	-	(509)
Other financing sources (uses):												
Sale of capital assets	-	-	-	-	-	-	-	-	897	-	-	-
Transfers in	-	-	-	-	8,050	-	70,511	-	-	-	-	-
Transfers out	-	-	-	(2,370)	-	(70,511)	-	-	-	-	(8,050)	-
Total other financing sources (uses)	-	-	-	(2,370)	8,050	(70,511)	70,511	-	897	-	(8,050)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,464	(70,714)	4,546	(32,821)	87,823	(64,050)	70,511	(26,659)	(3,659)	5,575	(8,050)	(509)
Cash and investments - ending	\$ 197,830	\$ 420,745	\$ 51,671	\$ 220,445	\$ 357,053	\$ 212,097	\$ 882,886	\$ -	\$ 63,909	\$ 24,941	\$ -	\$ -

SOUTH HENRY 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)

	SAFE School Haven	Safe Haven 2012-13	Save Haven Grant 2013/14	Contributions & Donations	H.C. Community Foundation	Athletic Fund	Commission For Higher Ed.	Secured School Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ (7,842)	\$ -	\$ -	\$ 2,000	\$ 900	\$ 361	\$ 840	\$ -	\$ 610	\$ 8,016	\$ 137
Receipts:											
Local sources	-	-	-	-	-	14,100	5,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	9,068	5,976	-	-	-	-	-	-	-	5,361	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total receipts	9,068	5,976	-	-	-	14,100	5,000	-	-	5,361	-
Disbursements:											
Current:											
Instruction	243	10,315	-	-	900	14,369	-	-	-	-	-
Support services	-	-	-	2,000	-	-	-	-	610	15,747	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	243	10,315	-	2,000	900	14,369	-	-	610	15,747	-
Excess (deficiency) of receipts over disbursements	8,825	(4,339)	-	(2,000)	(900)	(269)	5,000	-	(610)	(10,386)	-
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	2,370	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	2,370	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,825	(4,339)	-	(2,000)	(900)	(269)	5,000	-	(610)	(8,016)	-
Cash and investments - ending	\$ 983	\$ (4,339)	\$ -	\$ -	\$ -	\$ 92	\$ 5,840	\$ -	\$ -	\$ -	\$ 137

SOUTH HENRY 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)

	High Ability Grant	High Ability Grant 2012/13	High Ability Grant 2013/14	Title I	Title I 2011-2012	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	NESP Grant 2012-13	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 4,466	\$ -	\$ -	\$ -	\$ (8,713)	\$ (900)	\$ 317	\$ -	\$ (12,924)	\$ 73,721	\$ 2,525,109
Receipts:											
Local sources	-	570	-	-	-	-	-	-	-	-	1,985,181
Intermediate sources	-	-	-	-	-	-	-	-	-	-	94
State sources	-	26,959	-	-	-	-	-	189	-	-	4,839,691
Federal sources	-	-	-	80,639	9,255	22,832	-	-	46,312	-	325,149
Temporary loans	-	-	-	-	-	-	-	-	-	-	113,465
Other	-	-	-	-	-	-	-	-	-	1,182,376	1,192,645
Total receipts	-	27,529	-	80,639	9,255	22,832	-	189	46,312	1,182,376	8,456,225
Disbursements:											
Current:											
Instruction	4,466	27,529	-	82,564	536	21,957	-	-	33,388	-	3,497,316
Support services	-	-	-	940	-	-	-	-	-	-	2,356,289
Noninstructional services	-	-	-	-	-	-	-	-	-	-	507,660
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	65,020
Debt services	-	-	-	-	-	-	-	-	-	-	865,390
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	1,214,124	1,216,671
Total disbursements	4,466	27,529	-	83,504	536	21,957	-	-	33,388	1,214,124	8,508,346
Excess (deficiency) of receipts over disbursements	(4,466)	-	-	(2,865)	8,719	875	-	189	12,924	(31,748)	(52,121)
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	897
Transfers in	-	-	-	-	-	-	-	-	-	-	80,931
Transfers out	-	-	-	-	-	-	-	-	-	-	(80,931)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	897
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,466)	-	-	(2,865)	8,719	875	-	189	12,924	(31,748)	(51,224)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (2,865)	\$ 6	\$ (25)	\$ 317	\$ 189	\$ -	\$ 41,973	\$ 2,473,885



SOUTH HENRY SCHOOL CORPORATION  
 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental	Levy Excess	Educational License Plates
Cash and investments - beginning	\$ 197,830	\$ 420,745	\$ 51,671	\$ 220,445	\$ 357,053	\$ 212,097	\$ 882,886	\$ -	\$ 63,909	\$ 24,941	\$ -	\$ -
Receipts:												
Local sources	16,755	612,151	78,858	514,622	504,965	21,930	-	-	194,259	26,509	-	-
Intermediate sources	3,448	-	-	-	-	-	-	-	-	-	-	75
State sources	5,108,556	-	-	-	-	-	-	-	2,694	29,058	-	-
Federal sources	-	-	-	-	-	-	-	-	200,639	-	-	-
Temporary loans	-	-	-	203,322	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,466	-	-	-	209	-	-	-
Total receipts	5,128,759	612,151	78,858	717,944	506,431	21,930	-	-	397,801	55,567	-	75
Disbursements:												
Current:												
Instruction	3,356,808	-	-	-	-	-	-	-	16,192	-	-	-
Support services	1,464,421	-	-	505,346	409,683	126,216	-	-	20,706	45,952	-	-
Noninstructional services	182,895	-	-	-	-	-	-	-	350,073	-	-	-
Facilities acquisition and construction	-	-	-	81,423	-	-	-	-	570	-	-	-
Debt services	-	630,230	82,025	151,309	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	5,004,124	630,230	82,025	738,078	409,683	126,216	-	-	387,541	45,952	-	-
Excess (deficiency) of receipts over disbursements	124,635	(18,079)	(3,167)	(20,134)	96,748	(104,286)	-	-	10,260	9,615	-	75
Other financing sources (uses):												
Sale of capital assets	390	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	60,000	-	-	-	-	-
Transfers out	-	-	-	-	(40,000)	(20,000)	-	-	-	-	-	-
Total other financing sources (uses)	390	-	-	-	(40,000)	(20,000)	60,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	125,025	(18,079)	(3,167)	(20,134)	56,748	(124,286)	60,000	-	10,260	9,615	-	75
Cash and investments - ending	\$ 322,855	\$ 402,666	\$ 48,504	\$ 200,311	\$ 413,801	\$ 87,811	\$ 942,886	\$ -	\$ 74,169	\$ 34,556	\$ -	\$ 75

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

	SAFE School Haven	Safe Haven 2012-13	Save Haven Grant 2013/14	Contributions & Donations	H.C. Community Foundation	Athletic Fund	Commission For Higher Ed.	Secured School Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction, Remodeling, and Equipping Buildings
Cash and investments - beginning	\$ 983	\$ (4,339)	\$ -	\$ -	\$ -	\$ 92	\$ 5,840	\$ -	\$ -	\$ -	\$ 137
Receipts:											
Local sources	-	-	-	-	-	12,911	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	4,339	8,050	-	-	-	-	-	-	34,318	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	4,339	8,050	-	-	12,911	-	-	-	34,318	-
Disbursements:											
Current:											
Instruction	983	-	8,050	-	-	12,897	71	4,608	-	-	-
Support services	-	-	-	-	-	-	-	-	-	33,876	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	137
Debt services	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	983	-	8,050	-	-	12,897	71	4,608	-	33,876	137
Excess (deficiency) of receipts over disbursements	(983)	4,339	-	-	-	14	(71)	(4,608)	-	442	(137)
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(983)	4,339	-	-	-	14	(71)	(4,608)	-	442	(137)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106	\$ 5,769	\$ (4,608)	\$ -	\$ 442	\$ -

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

	High Ability Grant	High Ability Grant 2012/13	High Ability Grant 2013/14	Title I	Title I 2011-2012	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	NESP Grant 2012-13	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (2,865)	\$ 6	\$ (25)	\$ 317	\$ 189	\$ -	\$ 41,973	\$ 2,473,885
Receipts:											
Local sources	-	-	-	-	-	-	-	-	-	-	1,982,960
Intermediate sources	-	-	-	-	-	-	-	-	-	-	3,523
State sources	-	-	26,532	-	-	-	-	-	-	-	5,213,547
Federal sources	-	-	-	80,968	-	30,738	-	-	-	-	312,345
Temporary loans	-	-	-	-	-	-	-	-	-	-	203,322
Other	-	-	-	-	-	-	-	-	-	1,156,254	1,157,929
Total receipts	-	-	26,532	80,968	-	30,738	-	-	-	1,156,254	8,873,626
Disbursements:											
Current:											
Instruction	-	-	23,803	78,109	-	31,012	-	-	-	-	3,532,533
Support services	-	-	-	-	-	-	317	189	-	-	2,606,706
Noninstructional services	-	-	-	-	-	-	-	-	-	-	532,968
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	82,130
Debt services	-	-	-	-	-	-	-	-	-	-	863,564
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	1,161,809	1,161,809
Total disbursements	-	-	23,803	78,109	-	31,012	317	189	-	1,161,809	8,779,710
Excess (deficiency) of receipts over disbursements	-	-	2,729	2,859	-	(274)	(317)	(189)	-	(5,555)	93,916
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	390
Transfers in	-	-	-	6	-	-	-	-	-	-	60,006
Transfers out	-	-	-	-	(6)	-	-	-	-	-	(60,006)
Total other financing sources (uses)	-	-	-	6	(6)	-	-	-	-	-	390
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	2,729	2,865	(6)	(274)	(317)	(189)	-	(5,555)	94,306
Cash and investments - ending	\$ -	\$ -	\$ 2,729	\$ -	\$ -	\$ (299)	\$ -	\$ -	\$ -	\$ 36,418	\$ 2,568,191

SOUTH HENRY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
South Henry Building Corporation	Renovation of school building	\$ 89,378	1/15/2009	1/15/2023
South Henry Building Corporation	Roof and HVAC	161,349	7/15/2009	1/15/2029
South Henry Building Corporation	QSCB Lease	<u>95,203</u>	1/15/2011	1/15/2029
Total of Annual Lease Payments		<u>\$ 345,930</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Tax anticipation warrants	Indiana Bond Bank/Temporary Loan	\$ 165,478	\$ 166,631
Notes and loans payable	Common School Loans	2,125,621	266,234
Notes and loans payable	Retirement/Severance Bond	<u>505,000</u>	<u>79,194</u>
Total governmental activities		<u>2,796,099</u>	<u>512,059</u>
Totals		<u>\$ 2,796,099</u>	<u>\$ 512,059</u>

SOUTH HENRY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 24,000
Buildings	4,146,245
Improvements other than buildings	2,711,738
Machinery, equipment, and vehicles	1,417,272
Total governmental activities	8,299,255
Total capital assets	\$ 8,299,255

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTH HENRY SCHOOL CORPORATION, HENRY COUNTY, INDIANA

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

We have audited the South Henry 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, 2012 to June 30, 2014. 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.

***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in items 2014-004 and 2014-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Eligibility and Reporting that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.



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

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

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

***Unmodified Opinion on the Other 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 other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

***Other Matters***

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

**Report on Internal Control Over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 items 2014-003, 2014-004, 2014-005, and 2014-006, to be material weaknesses.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

April 7, 2016

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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SOUTH HENRY SCHOOL CORPORATION  
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>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	2012-13 2013-14	\$ 32,566 -	\$ 3,944 35,975
Total - School Breakfast Program				<u>32,566</u>	<u>39,919</u>
National School Lunch Program	Indiana Department of Education	10.555	2012-13 2013-14	153,487 -	14,388 186,793
Total National - School Lunch Program				<u>153,487</u>	<u>201,181</u>
Total - Child Nutrition Cluster				<u>186,053</u>	<u>241,100</u>
Total - Department of Agriculture				<u>186,053</u>	<u>241,100</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-3415 13-3415 14-3415	9,255 80,639 -	- 7,255 73,713
Total - Title I, Part A Cluster				<u>89,894</u>	<u>80,968</u>
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027	14212-044-PN01 14213-044-PN01 14214-044-PN01 99914-044-PN01	50,253 105,597 - -	- 44,225 142,191 2,187
Special Education Technical Assistance				-	-
Total - Special Education - Grants to States				<u>155,850</u>	<u>188,603</u>
Special Education - Preschool Grants	Indiana Department of Education	84.173	45712-044-PN01 45713-044-PN01 45714-044-PN01	1,281 4,251 -	- 3,287 5,057
Total - Special Education - Preschool Grants				<u>5,532</u>	<u>8,344</u>
Total - Special Education Cluster				<u>161,382</u>	<u>196,947</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	11-3415 12-3415	22,832 -	4,332 25,955
Total - Title II				<u>22,832</u>	<u>30,287</u>
Education Jobs Fund	Indiana Department of Education	84.410	3415	46,312	-
Total - Department of Education				<u>320,420</u>	<u>308,202</u>
Total federal awards expended				<u>\$ 506,473</u>	<u>\$ 549,302</u>

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

SOUTH HENRY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation 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 SEFA.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 21,525	\$ 22,266

SOUTH HENRY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for Special Education Cluster; and Qualified for Child Nutrition Cluster
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

**Section II - Financial Statement Findings**

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

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

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

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipts. There was no segregation of duties over receipts; the Treasurer issued receipts, made deposits, and posted transactions to the records.
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, misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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.

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 2014-002 - PREPARATION OF 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 SEFA reports were reviewed by the Superintendent of Schools, but errors were not discovered.

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.

During the audit of the SEFA, we noted the following errors:

There were grants posted for incorrect amounts (\$43,069), grants omitted in error (\$404,640), and commodities omitted (\$43,929). Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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.



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

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)

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

"The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

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

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

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

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

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

***FINDING 2014-003 - CASH MANAGEMENT AND SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Number): 2012-13, 2013-14

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: Cash Management and Special Tests and Provisions - Verifications of Free and Reduced Price Applications.

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.

*Cash Management*

Monthly Claims for Reimbursement were prepared and submitted by the Cafeteria Manager without an oversight, review, or approval process.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications*

Verifications were performed by the Cafeteria Manager, without an oversight, review, or approval process.

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."

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

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 2014-004 - ELIGIBILITY***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Number): 2012-13, 2013-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

Internal controls over the determination of eligibility and the inputting of eligibility determination into the point-of-sale system at the School Corporation's cafeterias was not sufficient to prevent, or detect and correct, errors. Eligibility is determined by inputting applicant data into eligibility software at the Food Service Office without an oversight, review, or approval process. The eligibility determinations are the manually entered into the cafeteria point-of-sale system without oversight, review, or approval process.

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 program. 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.

Testing of 120 students revealed the following errors:

- Two students who qualified for free meals were charged reduced meal prices.
- One student who qualified for reduced meals received free meals.
- All applications tested did not include eligibility notification letters to the household.
- Seventy-three percent of direct certifications on file tested for proper notification did not include eligibility notification letters to the household.

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

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."

7 CFR 245.6(c)(1) states:

"*Duration of eligibility.* Except as otherwise specified in paragraph (c)(3) of this section, eligibility, as determined through an approved application or by direct certification for free or reduced price meals, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility, for free or reduced price meals, either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year."

7 CFR 245.6(c)(6) states in part:

- "(i) *Income applications.* The local educational agency must promptly notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled.
- (ii) *Direct Certification.* Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free and reduced price school meals or free milk is required. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirement could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Eligibility compliance requirement of the programs.

**FINDING 2014-005 - REPORTING**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Number): FY 2014-15, After School Snack

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 Reporting compliance requirement.

SOUTH HENRY COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Monthly Claims for Reimbursement, annual verification reports, and annual reports were prepared and submitted by the Cafeteria Manager without an oversight, review, or approval process.

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.

*Annual Financial Report*

The Annual Financial Report filed by the School Corporation with the Indiana Department of Education, for the fiscal year ending June 30, 2014, did not agree with the School Corporation's financial records. The Annual Financial Report was filed using, except for the state reimbursement, only the receipts and disbursements for January 1, 2014 to June 30, 2014, and did not include the previous six months' 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."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirement 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 ensure that all required reports are prepared on an accurate basis in accordance with the Reporting requirement.

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

***FINDING 2014-006 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, CASH MANAGEMENT, PERIOD OF AVAILABILITY, AND REPORTING***

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Number): 14212-044-PN01, 14213-044-PN01,  
14214-044-PN01, 45712-044-PN01,  
45713-044-PN01, 45714-044-PN01,  
99914-044-PN01

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 or Unallowed and Allowable Costs/Cost Principles. The School Corporation is a member of the New Castle Area Special Services Cooperative (Co-Op), and they provide oversight of the Co-Op through the School Corporation Superintendent who serves as a member of the Co-Op Board. However, the Co-Op has not established an effective internal control system in relation to the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Activities Allowed or Unallowed*

For the fiscal years 2013 and 2014, there was no documentation of reviews of payroll to verify that all employees paid from Special Education Programs were allowed. This could lead to ineligible employees getting paid from the Special Education Programs.

*Allowable Costs/Cost Principles*

For fiscal years 2013 and 2014, at the Co-Op there was no oversight, review, or approval process over the personnel activity logs or Semi-Annual Certifications. This could cause an employee to be paid an improper amount from Special Education Program funds.

*Cash Management, Period of Availability, and Reporting*

For fiscal year 2013, the Co-Op Treasurer was the only employee involved in the preparation and submission of the Requests for Reimbursement for Special Education Program. There was no oversight, review, or approval process of the Requests for Reimbursement before they were submitted to the Indiana Department of Education. This could lead to the School Corporation requesting reimbursements for expenses before those expenses have been paid, spending grant funds after the period of availability is over, or errors in reporting.

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.

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

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. Non-compliance of 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.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

# SOUTH HENRY SCHOOL CORPORATION

6972 S. St. Rd. 103  
Straughn, IN 47387  
(765) 987-7882  
FAX: (765) 987-7589

## CORRECTIVE ACTION PLAN

### FINDING 2014-001

Contact Person: Amy Milner, Business Manager  
Contact Person Number: (765) 987-7882 ext. 152

View: We concur with the finding

#### Description of Corrective Action Plan:

1. South Henry School Corporation is aware of the risks associated with a limited staff and has determined the benefits of hiring additional staff, in order that all accounting functions are performed by different individuals, are not sufficient to justify the increase in personnel cost to the taxpayers of South Henry School Corporation. Control activities will be in place to reduce the risks of errors in financial reporting.
2. South Henry School Corporation will adopt the *Uniform Internal Control Standards for Indiana Political Subdivisions* by resolution. After June 30, 2016, management will document in writing the specific internal control policies, monitoring policies, and procedures required for use in each department of the unit. This will include segregation of duties. South Henry School Corporation will process to identify and communicate corrective actions to improve controls. The implementation of controls over the receipting, disbursing, recording and accounting for the financial activities will be regularly evaluated and adapted for changes affecting the monitoring of controls.



## **FINDING 2014-002**

View: We concur with the finding

### Description of Corrective Action Plan:

Adjustments proposed for the errors found during the audit of the SEFA were accepted and made to the SEFA presented in this report. South Henry School Corporation will adopt the *Uniform Internal Control Standards for Indiana Political Subdivisions* by resolution. After June 30, 2016, management will document in writing the specific internal control policies, monitoring policies, and procedures required for use in each department of the unit. This will include segregation of duties. South Henry School Corporation will process to identify and communicate corrective actions to improve controls. The implementation of controls over the receipting, disbursing, recording and accounting for the financial activities will be regularly evaluated and adapted for changes affecting the monitoring of controls.

## **FINDING 2014-003**

View: We concur with the finding

### Description of Corrective Action Plan:

Management of the School Corporation will establish an effective internal control system, which will include segregation of duties, related to the grant agreement, Cash management, Special Test and Provisions and Provisions Verifications. South Henry School Corporation will adopt the *Uniform Internal Control Standards for Indiana Political Subdivisions* by resolution. After June 30, 2016, management will document in writing the specific internal control policies, monitoring policies, and procedures required for use in each department of the unit. This will include segregation of duties. South Henry School Corporation will process to identify and communicate corrective actions to improve controls. The implementation of controls over the receipting, disbursing, recording and accounting for the financial activities will be regularly evaluated and adapted for changes affecting the monitoring of controls.

#### **FINDING 2014-004**

View: We concur with finding

##### Description of Corrective Action Plan:

Management of the School Corporation will establish an effective internal control system related to the grant agreement and Eligibility compliance requirements. South Henry School Corporation will adopt the *Uniform Internal Control Standards for Indiana Political Subdivisions* by resolution. After June 30, 2016, management will document in writing the specific internal control policies, monitoring policies, and procedures required for use in each department of the unit. This will include segregation of duties. South Henry School Corporation will process to identify and communicate corrective actions to improve controls. The implementation of controls over the receipting, disbursing, recording and accounting for the financial activities will be regularly evaluated and adapted for changes affecting the monitoring of controls.

#### **FINDING 2014-005**

View: We concur with finding

##### Description of Corrective Action Plan:

Management of the School Corporation will establish an effective internal control system related to the grant agreement and Reporting compliance requirements. South Henry School Corporation will adopt the *Uniform Internal Control Standards for Indiana Political Subdivisions* by resolution. After June 30, 2016, management will document in writing the specific internal control policies, monitoring policies, and procedures required for use in each department of the unit. This will include segregation of duties. South Henry School Corporation will process to identify and communicate corrective actions to improve controls. The implementation of controls over the receipting, disbursing, recording and accounting for the financial activities will be regularly evaluated and adapted for changes affecting the monitoring of controls.

**FINDING 2014-006**

View: We concur with finding

Description of Corrective Action Plan:

Management of the School Corporation will establish an effective internal control system, which will include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting. As part of the New Castle Area Special Services, we will work with the compliance requirements. South Henry School Corporation will adopt the *Uniform Internal Control Standards for Indiana Political Subdivisions* by resolution. After June 30, 2016, management will document in writing the specific internal control policies, monitoring policies, and procedures required for use in each department of the unit. This will include segregation of duties. South Henry School Corporation will process to identify and communicate corrective actions to improve controls. The implementation of controls over the receipting, disbursing, recording and accounting for the financial activities will be regularly evaluated and adapted for changes affecting the monitoring of controls.

Anticipated Completion Date: 07/01/2016

  
\_\_\_\_\_  
Signature

*Business Manager*  
\_\_\_\_\_  
Title

*04/11/16*  
\_\_\_\_\_  
Date

## OTHER REPORTS

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