

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

COMMUNITY SCHOOL CORPORATION
OF SOUTHERN HANCOCK COUNTY
HANCOCK COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
10/31/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert L. Yoder	07-01-12 to 06-30-17
Superintendent of Schools	James M. Halik Dr. Lisa Lantrip	07-01-12 to 06-30-14 07-01-14 to 06-30-17
President of the School Board	William Niemier Craig S. Wagoner, Sr.	07-01-12 to 12-31-14 01-01-15 to 06-30-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE COMMUNITY SCHOOL CORPORATION OF
SOUTHERN HANCOCK COUNTY, HANCOCK COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Community School Corporation of Southern Hancock County (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.

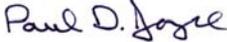
Other Information

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 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 September 13, 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

September 13, 2016



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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 COMMUNITY SCHOOL CORPORATION OF
SOUTHERN HANCOCK COUNTY, HANCOCK 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 Community School Corporation of Southern Hancock County (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 September 13, 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.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

September 13, 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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COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
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	\$ 4,470,662	\$ 18,446,821	\$ 18,058,695	\$ 2,453	\$ 4,861,241	\$ 18,315,811	\$ 17,835,683	\$ 1,514	\$ 5,342,883
Debt Service	2,705,771	5,866,159	6,095,587	-	2,476,343	5,683,682	5,615,802	(144,993)	2,399,230
Retirement/Severance Bond Debt Service	122,215	493,065	437,706	-	177,574	471,155	440,775	(12,571)	195,383
Capital Projects	820,937	2,395,872	2,156,791	-	1,060,018	2,500,163	2,984,349	89,288	665,120
School Transportation	415,055	1,687,967	1,558,944	92,030	636,108	1,713,568	1,541,669	63,953	871,960
School Bus Replacement	72,518	120,480	-	-	192,998	172,022	208,556	4,770	161,234
Retirement/Severance Bond	268,787	-	8,581	-	260,206	-	6,879	-	253,327
Post-Retirement/Severance Future Benefits	352,490	-	3,332	53,957	403,115	-	-	55,165	458,280
School Lunch	263,417	1,422,799	1,311,581	-	374,635	1,520,009	1,615,593	-	279,051
Technology/Textbook Rental	485,508	280,716	108,589	-	657,635	338,556	249,150	1,546	748,587
Self-Insurance	-	-	-	-	-	33,991	12,593	-	21,398
Educational License Plates	2,877	413	1,677	-	1,613	281	1,481	-	413
Early Intervention Grant	-	47,967	47,967	-	-	-	-	-	-
Early Intervention Grant 2012-13	-	24,717	878	-	23,839	-	23,839	-	-
Scholarships and Awards	921,931	6,039	5,625	-	922,345	3,252	9,163	-	916,434
Ben Moore Scholarship	15,915	1,742	500	-	17,157	1,059	500	-	17,716
Scholarships	683	850	500	-	1,033	4,200	5,233	-	-
Miscellaneous Programs	1,443	-	-	-	1,443	-	-	-	1,443
Project SOAR	-	-	-	-	-	2,962	2,962	-	-
Lilly Volunteer Grant Program	356	-	-	-	356	-	-	-	356
Lilly LSEO Teacher Grants 2012-13	-	484	-	-	484	17	501	-	-
Rotary Club Fund	633	-	115	-	518	-	518	-	-
Pepsi/Coca-Cola	44,200	-	38,833	-	5,367	10,000	-	-	15,367
East Central ED/LEP	248	(248)	-	-	-	-	-	-	-
Rolls-Royce Robotics	1,412	4,000	1,758	-	3,654	4,000	5,463	-	2,191
Outdoor Lab	1,684	-	1,684	-	-	-	-	-	-
SHED - Education Foundation	-	7,845	3,673	-	4,172	-	1,027	-	3,145
11-12 High Ability Grant	29,048	-	29,048	-	-	-	-	-	-
12-13 High Ability Grant	-	41,912	23,880	-	18,032	-	18,032	-	-
13-14 High Ability Grant	-	-	-	-	-	40,198	24,614	-	15,584
Non-English Speaking Programs P.L. 273-1999	288	-	288	-	-	-	-	-	-
Non-English Speaking Programs 2012-13	-	1,697	-	-	1,697	-	1,697	-	-
School Technology	21,292	10,059	4,959	-	26,392	21,397	21,099	-	26,690
Access Indiana	50	-	50	-	-	-	-	-	-
Youth Tobacco Survey 2012	-	250	-	-	250	-	250	-	-
Senator David Ford Technology	-	44,457	46,451	-	(1,994)	108,142	106,148	-	-
Excess PTRC Distributions	64,967	26,735	-	(91,702)	-	-	-	-	-
Title I 2011-2012	(5,332)	35,602	30,270	-	-	-	-	-	-
Title I 2012-2013	-	164,940	168,138	-	(3,198)	14,370	11,172	-	-
Title I 2013-2014	-	-	-	-	-	151,005	155,609	-	(4,604)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	69,982	69,982	-	-
Title IV-A Safe & Drug Free	432	-	432	-	-	-	-	-	-
Indiana Pathway Tech Prep 2011-12	-	3,396	3,396	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	530	-	530	-	-	-	-	-	-
Title II-A 2012-13	-	31,132	31,131	-	1	19,784	19,785	-	-
Title II-A 2013-14	-	-	-	-	-	10,150	10,150	-	-
Education Jobs	-	12,131	12,131	-	-	-	-	-	-
School Lunch Prepaid Clearing	47,050	993,378	1,024,866	-	15,562	1,026,745	1,031,874	-	10,433
Payroll Withholding	24,394	3,832,900	3,834,016	-	23,278	3,901,256	3,907,922	-	16,612
Totals	\$ 11,151,461	\$ 36,006,277	\$ 35,052,602	\$ 56,738	\$ 12,161,874	\$ 36,137,757	\$ 35,940,070	\$ 58,672	\$ 12,418,233

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources, 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.

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources, which 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, which 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 including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

Instruction, 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:

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
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.

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Note 7. Negative Receipts

The financial statement contains some receipts which appear as negative entries. This is a result of corrections of errors from prior periods.

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Cash Balance Deficits

The financial statement contains one fund (Title I 2013-14) with a cash deficit. This is a result of the fund being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014.

Note 9. Holding Corporations

The School Corporation has entered into a capital lease with Brier Creek School Building Corporation (the lessor). The lessor was organized as a 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 \$2,173,051 and \$2,158,000, respectively.

The School Corporation has entered into a capital lease with New Palestine Elementary School Building Corporation (the lessor). The lessor was organized as a 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 \$480,000 and \$480,000, respectively.

The School Corporation has entered into a capital lease with New Palestine High School Building Corporation (the lessor). The lessor was organized as a 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 \$1,326,450 and \$1,328,916, respectively.

The School Corporation has entered into a capital lease with Southern Hancock 1998 School Building Corporation (the lessor). The lessor was organized as a 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 \$1,271,168 and \$1,274,734, respectively.

The School Corporation has entered into a capital lease with Brandy Creek School Building Corporation (the lessor). The lessor was organized as a 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 year 2013 totaled \$238,425. This lease was paid in full as of June 30, 2013.

The School Corporation has entered into a capital lease with Doe Creek School Building Corporation (the lessor). The lessor was organized as a 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 \$553,425 and \$276,383, respectively. This lease was paid in full as of June 30, 2014.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the 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 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.

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
 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	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch	Technology/ Textbook Rental
Cash and investments - beginning	\$ 4,470,662	\$ 2,705,771	\$ 122,215	\$ 820,937	\$ 415,055	\$ 72,518	\$ 268,787	\$ 352,490	\$ 263,417	\$ 485,508
Receipts:										
Local sources	389,429	5,866,159	493,065	2,272,578	1,685,963	120,480	-	-	1,075,696	235,548
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	18,055,311	-	-	-	-	-	-	-	23,123	45,087
Federal sources	-	-	-	-	-	-	-	-	323,340	-
Temporary loans	-	-	-	123,294	-	-	-	-	-	-
Other receipts	2,081	-	-	-	2,004	-	-	-	640	81
Total receipts	<u>18,446,821</u>	<u>5,866,159</u>	<u>493,065</u>	<u>2,395,872</u>	<u>1,687,967</u>	<u>120,480</u>	<u>-</u>	<u>-</u>	<u>1,422,799</u>	<u>280,716</u>
Disbursements:										
Instruction	12,640,054	-	-	-	-	-	6,766	-	-	-
Support services	5,088,721	-	-	947,064	1,558,944	-	1,815	3,332	23,255	108,589
Noninstructional services	329,920	-	-	-	-	-	-	-	1,250,345	-
Facilities acquisition and construction	-	-	-	1,209,727	-	-	-	-	37,981	-
Debt services	-	6,095,587	437,706	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>18,058,695</u>	<u>6,095,587</u>	<u>437,706</u>	<u>2,156,791</u>	<u>1,558,944</u>	<u>-</u>	<u>8,581</u>	<u>3,332</u>	<u>1,311,581</u>	<u>108,589</u>
Excess (deficiency) of receipts over disbursements	<u>388,126</u>	<u>(229,428)</u>	<u>55,359</u>	<u>239,081</u>	<u>129,023</u>	<u>120,480</u>	<u>(8,581)</u>	<u>(3,332)</u>	<u>111,218</u>	<u>172,127</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	53,957	-	-
Sale of capital assets	2,453	-	-	-	328	-	-	-	-	-
Transfers in	-	-	-	-	91,702	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,030</u>	<u>-</u>	<u>-</u>	<u>53,957</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>390,579</u>	<u>(229,428)</u>	<u>55,359</u>	<u>239,081</u>	<u>221,053</u>	<u>120,480</u>	<u>(8,581)</u>	<u>50,625</u>	<u>111,218</u>	<u>172,127</u>
Cash and investments - ending	<u>\$ 4,861,241</u>	<u>\$ 2,476,343</u>	<u>\$ 177,574</u>	<u>\$ 1,060,018</u>	<u>\$ 636,108</u>	<u>\$ 192,998</u>	<u>\$ 260,206</u>	<u>\$ 403,115</u>	<u>\$ 374,635</u>	<u>\$ 657,635</u>

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

	Self- Insurance	Educational License Plates	Early Intervention Grant	Early Intervention Grant 2012-13	Scholarships and Awards	Ben Moore Scholarship	Scholarships	Miscellaneous Programs	Project SOAR	Lilly Volunteer Grant Program
Cash and investments - beginning	\$ -	\$ 2,877	\$ -	\$ -	\$ 921,931	\$ 15,915	\$ 683	\$ 1,443	\$ -	\$ 356
Receipts:										
Local sources	-	-	-	-	6,039	1,742	850	-	-	-
Intermediate sources	-	413	-	-	-	-	-	-	-	-
State sources	-	-	47,967	24,717	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	413	47,967	24,717	6,039	1,742	850	-	-	-
Disbursements:										
Instruction	-	1,677	47,967	878	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	5,625	500	500	-	-	-
Total disbursements	-	1,677	47,967	878	5,625	500	500	-	-	-
Excess (deficiency) of receipts over disbursements	-	(1,264)	-	23,839	414	1,242	350	-	-	-
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	-	(1,264)	-	23,839	414	1,242	350	-	-	-
Cash and investments - ending	\$ -	\$ 1,613	\$ -	\$ 23,839	\$ 922,345	\$ 17,157	\$ 1,033	\$ 1,443	\$ -	\$ 356

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

	Lilly LSEO Teacher Grants 2012-13	Rotary Club Fund	Pepsi/ Coca-Cola	East Central ED/LEP	Rolls-Royce Robotics	Outdoor Lab	SHED - Education Foundation	11-12 High Ability Grant	12-13 High Ability Grant	13-14 High Ability Grant
Cash and investments - beginning	\$ -	\$ 633	\$ 44,200	\$ 248	\$ 1,412	\$ 1,684	\$ -	\$ 29,048	\$ -	\$ -
Receipts:										
Local sources	484	-	-	(248)	4,000	-	7,845	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	41,912	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>484</u>	<u>-</u>	<u>-</u>	<u>(248)</u>	<u>4,000</u>	<u>-</u>	<u>7,845</u>	<u>-</u>	<u>41,912</u>	<u>-</u>
Disbursements:										
Instruction	-	-	-	-	1,758	1,684	3,355	29,048	23,880	-
Support services	-	-	38,833	-	-	-	318	-	-	-
Noninstructional services	-	115	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>115</u>	<u>38,833</u>	<u>-</u>	<u>1,758</u>	<u>1,684</u>	<u>3,673</u>	<u>29,048</u>	<u>23,880</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>484</u>	<u>(115)</u>	<u>(38,833)</u>	<u>(248)</u>	<u>2,242</u>	<u>(1,684)</u>	<u>4,172</u>	<u>(29,048)</u>	<u>18,032</u>	<u>-</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>484</u>	<u>(115)</u>	<u>(38,833)</u>	<u>(248)</u>	<u>2,242</u>	<u>(1,684)</u>	<u>4,172</u>	<u>(29,048)</u>	<u>18,032</u>	<u>-</u>
Cash and investments - ending	<u>\$ 484</u>	<u>\$ 518</u>	<u>\$ 5,367</u>	<u>\$ -</u>	<u>\$ 3,654</u>	<u>\$ -</u>	<u>\$ 4,172</u>	<u>\$ -</u>	<u>\$ 18,032</u>	<u>\$ -</u>

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

	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 2012-13	School Technology	Access Indiana	Youth Tobacco Survey 2012	Senator David Ford Technology	Excess PTRC Distributions	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014
Cash and investments - beginning	\$ 288	\$ -	\$ 21,292	\$ 50	\$ -	\$ -	\$ 64,967	\$ (5,332)	\$ -	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	1,697	10,059	-	250	44,457	26,735	-	-	-
Federal sources	-	-	-	-	-	-	-	35,602	164,940	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	1,697	10,059	-	250	44,457	26,735	35,602	164,940	-
Disbursements:										
Instruction	-	-	-	-	-	-	-	27,764	168,138	-
Support services	288	-	4,959	50	-	46,451	-	2,506	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	288	-	4,959	50	-	46,451	-	30,270	168,138	-
Excess (deficiency) of receipts over disbursements	(288)	1,697	5,100	(50)	250	(1,994)	26,735	5,332	(3,198)	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(91,702)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(91,702)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(288)	1,697	5,100	(50)	250	(1,994)	(64,967)	5,332	(3,198)	-
Cash and investments - ending	\$ -	\$ 1,697	\$ 26,392	\$ -	\$ 250	\$ (1,994)	\$ -	\$ -	\$ (3,198)	\$ -

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

	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title IV- A Safe & Drug Free	Indiana Pathway Tech Prep 2011-12	Improving Teaching Quality, No Child Left, Title II, Part A	Title II-A 2012-13	Title II-A 2013-14	Education Jobs	School Lunch Prepaid Clearing	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ 432	\$ -	\$ 530	\$ -	\$ -	\$ -	\$ 47,050	\$ 24,394	\$ 11,151,461
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	12,159,630
Intermediate sources	-	-	-	-	-	-	-	-	-	413
State sources	-	-	-	-	-	-	-	-	-	18,321,315
Federal sources	-	-	3,396	-	31,132	-	12,131	-	-	570,541
Temporary loans	-	-	-	-	-	-	-	-	-	123,294
Other receipts	-	-	-	-	-	-	-	993,378	3,832,900	4,831,084
Total receipts	-	-	3,396	-	31,132	-	12,131	993,378	3,832,900	36,006,277
Disbursements:										
Instruction	-	-	3,396	-	-	-	12,131	-	-	12,968,496
Support services	-	432	-	530	31,131	-	-	-	-	7,857,218
Noninstructional services	-	-	-	-	-	-	-	-	-	1,580,380
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	1,247,708
Debt services	-	-	-	-	-	-	-	-	-	6,533,293
Nonprogrammed charges	-	-	-	-	-	-	-	1,024,866	3,834,016	4,865,507
Total disbursements	-	432	3,396	530	31,131	-	12,131	1,024,866	3,834,016	35,052,602
Excess (deficiency) of receipts over disbursements	-	(432)	-	(530)	1	-	-	(31,488)	(1,116)	953,675
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	53,957
Sale of capital assets	-	-	-	-	-	-	-	-	-	2,781
Transfers in	-	-	-	-	-	-	-	-	-	91,702
Transfers out	-	-	-	-	-	-	-	-	-	(91,702)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	56,738
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(432)	-	(530)	1	-	-	(31,488)	(1,116)	1,010,413
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 15,562	\$ 23,278	\$ 12,161,874

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
 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	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch	Technology/ Textbook Rental
Cash and investments - beginning	\$ 4,861,241	\$ 2,476,343	\$ 177,574	\$ 1,060,018	\$ 636,108	\$ 192,998	\$ 260,206	\$ 403,115	\$ 374,635	\$ 657,635
Receipts:										
Local sources	356,808	5,683,682	471,155	2,499,983	1,712,605	172,022	-	-	1,187,223	264,839
Intermediate sources	2,692	-	-	-	-	-	-	-	-	-
State sources	17,954,585	-	-	-	-	-	-	-	22,875	73,701
Federal sources	-	-	-	-	-	-	-	-	309,211	-
Other receipts	1,726	-	-	180	963	-	-	-	700	16
Total receipts	18,315,811	5,683,682	471,155	2,500,163	1,713,568	172,022	-	-	1,520,009	338,556
Disbursements:										
Instruction	12,292,881	-	-	-	-	-	6,879	-	-	-
Support services	5,265,940	27,024	-	1,082,236	1,541,669	208,556	-	-	38,854	249,150
Noninstructional services	276,862	-	-	-	-	-	-	-	1,576,739	-
Facilities acquisition and construction	-	-	-	1,902,113	-	-	-	-	-	-
Debt services	-	5,588,778	440,775	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	17,835,683	5,615,802	440,775	2,984,349	1,541,669	208,556	6,879	-	1,615,593	249,150
Excess (deficiency) of receipts over disbursements	480,128	67,880	30,380	(484,186)	171,899	(36,534)	(6,879)	-	(95,584)	89,406
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	55,165	-	-
Sale of capital assets	1,514	-	-	181	266	-	-	-	-	1,546
Transfers in	-	(144,993)	(12,571)	89,107	63,687	4,770	-	-	-	-
Total other financing sources (uses)	1,514	(144,993)	(12,571)	89,288	63,953	4,770	-	55,165	-	1,546
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	481,642	(77,113)	17,809	(394,898)	235,852	(31,764)	(6,879)	55,165	(95,584)	90,952
Cash and investments - ending	\$ 5,342,883	\$ 2,399,230	\$ 195,383	\$ 665,120	\$ 871,960	\$ 161,234	\$ 253,327	\$ 458,280	\$ 279,051	\$ 748,587

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

	Self- Insurance	Educational License Plates	Early Intervention Grant	Early Intervention Grant 2012-13	Scholarships and Awards	Ben Moore Scholarship	Scholarships	Miscellaneous Programs	Project SOAR	Lilly Volunteer Grant Program
Cash and investments - beginning	\$ -	\$ 1,613	\$ -	\$ 23,839	\$ 922,345	\$ 17,157	\$ 1,033	\$ 1,443	\$ -	\$ 356
Receipts:										
Local sources	33,991	-	-	-	3,252	1,059	4,200	-	2,962	-
Intermediate sources	-	281	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>33,991</u>	<u>281</u>	<u>-</u>	<u>-</u>	<u>3,252</u>	<u>1,059</u>	<u>4,200</u>	<u>-</u>	<u>2,962</u>	<u>-</u>
Disbursements:										
Instruction	-	1,481	-	23,839	-	-	-	-	2,962	-
Support services	12,593	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	9,163	500	5,233	-	-	-
Total disbursements	<u>12,593</u>	<u>1,481</u>	<u>-</u>	<u>23,839</u>	<u>9,163</u>	<u>500</u>	<u>5,233</u>	<u>-</u>	<u>2,962</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>21,398</u>	<u>(1,200)</u>	<u>-</u>	<u>(23,839)</u>	<u>(5,911)</u>	<u>559</u>	<u>(1,033)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>21,398</u>	<u>(1,200)</u>	<u>-</u>	<u>(23,839)</u>	<u>(5,911)</u>	<u>559</u>	<u>(1,033)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 21,398</u>	<u>\$ 413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 916,434</u>	<u>\$ 17,716</u>	<u>\$ -</u>	<u>\$ 1,443</u>	<u>\$ -</u>	<u>\$ 356</u>

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

	Lilly LSEO Teacher Grants 2012-13	Rotary Club Fund	Pepsi/ Coca-Cola	East Central ED/LEP	Rolls-Royce Robotics	Outdoor Lab	SHED - Education Foundation	11-12 High Ability Grant	12-13 High Ability Grant	13-14 High Ability Grant
Cash and investments - beginning	\$ 484	\$ 518	\$ 5,367	\$ -	\$ 3,654	\$ -	\$ 4,172	\$ -	\$ 18,032	\$ -
Receipts:										
Local sources	17	-	10,000	-	4,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	40,198
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	17	-	10,000	-	4,000	-	-	-	-	40,198
Disbursements:										
Instruction	501	-	-	-	5,463	-	1,027	-	18,032	24,614
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	518	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	501	518	-	-	5,463	-	1,027	-	18,032	24,614
Excess (deficiency) of receipts over disbursements	(484)	(518)	10,000	-	(1,463)	-	(1,027)	-	(18,032)	15,584
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(484)	(518)	10,000	-	(1,463)	-	(1,027)	-	(18,032)	15,584
Cash and investments - ending	\$ -	\$ -	\$ 15,367	\$ -	\$ 2,191	\$ -	\$ 3,145	\$ -	\$ -	\$ 15,584

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

	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 2012-13	School Technology	Access Indiana	Youth Tobacco Survey 2012	Senator David Ford Technology	Excess PTRC Distributions	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014
Cash and investments - beginning	\$ -	\$ 1,697	\$ 26,392	\$ -	\$ 250	\$ (1,994)	\$ -	\$ -	\$ (3,198)	\$ -
Receipts:										
Local sources	-	-	30,921	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	(9,524)	-	-	108,142	-	-	-	-
Federal sources	-	-	-	-	-	-	-	14,370	-	151,005
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	21,397	-	-	108,142	-	-	14,370	151,005
Disbursements:										
Instruction	-	1,697	-	-	250	-	-	-	11,172	155,309
Support services	-	-	21,099	-	-	106,148	-	-	-	300
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,697	21,099	-	250	106,148	-	-	11,172	155,609
Excess (deficiency) of receipts over disbursements	-	(1,697)	298	-	(250)	1,994	-	-	3,198	(4,604)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,697)	298	-	(250)	1,994	-	-	3,198	(4,604)
Cash and investments - ending	\$ -	\$ -	\$ 26,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,604)

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

	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title IV- A Safe & Drug Free	Indiana Pathway Tech Prep 2011-12	Improving Teaching Quality, No Child Left, Title II, Part A	Title II-A 2012-13	Title II-A 2013-14	Education Jobs	School Lunch Prepaid Clearing	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 15,562	\$ 23,278	\$ 12,161,874
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	12,438,719
Intermediate sources	-	-	-	-	-	-	-	-	-	2,973
State sources	-	-	-	-	-	-	-	-	-	18,189,977
Federal sources	69,982	-	-	-	19,784	10,150	-	-	-	574,502
Other receipts	-	-	-	-	-	-	-	1,026,745	3,901,256	4,931,586
Total receipts	<u>69,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,784</u>	<u>10,150</u>	<u>-</u>	<u>1,026,745</u>	<u>3,901,256</u>	<u>36,137,757</u>
Disbursements:										
Instruction	69,982	-	-	-	-	-	-	-	-	12,616,089
Support services	-	-	-	-	19,785	10,150	-	-	-	8,583,504
Noninstructional services	-	-	-	-	-	-	-	-	-	1,854,119
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	1,902,113
Debt services	-	-	-	-	-	-	-	-	-	6,029,553
Nonprogrammed charges	-	-	-	-	-	-	-	1,031,874	3,907,922	4,954,692
Total disbursements	<u>69,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,785</u>	<u>10,150</u>	<u>-</u>	<u>1,031,874</u>	<u>3,907,922</u>	<u>35,940,070</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(5,129)</u>	<u>(6,666)</u>	<u>197,687</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	55,165
Sale of capital assets	-	-	-	-	-	-	-	-	-	3,507
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,672</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(5,129)</u>	<u>(6,666)</u>	<u>256,359</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,433</u>	<u>\$ 16,612</u>	<u>\$ 12,418,233</u>

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COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Brier Creek School Building Corporation	School Building	\$ 2,160,000	7/15/2009	1/15/2029
New Palestine Elementary School Building Corporation	School Building	484,000	6/20/2008	1/5/2024
New Palestine High School Building Corporation	School Building	1,328,000	2/12/1996	1/15/2017
Southern Hancock 1998 School Building Corporation	School Building	<u>1,269,500</u>	6/28/1998	1/15/2020
Total of annual lease payments		<u>\$ 5,241,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Taxable Retirement Severance Liability Funding Bonds of 2003	\$ 1,215,000	\$ 441,000
Totals		<u>\$ 1,215,000</u>	<u>\$ 441,000</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE COMMUNITY SCHOOL CORPORATION OF
SOUTHERN HANCOCK COUNTY, HANCOCK COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Community School Corporation of Southern Hancock County'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.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance finding 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

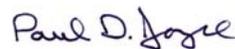
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 2014-001 and 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.

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

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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.

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
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			
School Breakfast Program			FY 2013	\$ 33,769	\$ -
			FY 2014	-	31,836
Total - School Breakfast Program				33,769	31,836
National School Lunch Program					
School Lunch Program	Indiana Department of Education	10.555			
			FY 2013	377,684	-
			FY 2014	-	339,228
Total - National School Lunch Program				377,684	339,228
Total - Child Nutrition Cluster				411,453	371,064
Total - Department of Agriculture				411,453	371,064
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			12-3115	35,602	-
			13-3115	164,939	14,370
			14-3115	-	151,005
Total - Title I Grants to Local Educational Agencies				200,541	165,375
Total - Title I, Part A Cluster				200,541	165,375
Special Education Cluster					
Special Education_Grants to States	Indiana Department of Education	84.027			
FY 2012 Federal Part B 611			14212-027-PN01	120,303	4,122
FY 2013 Federal Part B 611			14213-027-PN01	496,089	143,867
FY 2014 Federal Part B 611			14214-027-PN01	-	490,532
SY 2010-2011			A58-3-13DL-1411	-	69,982
Total - Special Education_Grants to States				616,392	708,503

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

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 Education (continued)</u>					
Special Education Cluster (continued)					
Special Education_Preschool Grants	Indiana Department of Education	84.173			
FY 2012 Federal Part B 619			45712-027-PN01	7,920	293
FY 2013 Federal Part B 619			45713-027-PN01	25,703	3,490
FY 2014 Federal Part B 619			45714-027-PN01	-	18,707
Total - Special Education_Preschool Grants				<u>33,623</u>	<u>22,490</u>
Total - Special Education Cluster				<u>650,015</u>	<u>730,993</u>
Career and Technical Education - Basic Grants to States	MSD Warren Township	84.048	13-4700-5360	<u>3,396</u>	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
Title II Part A/2012-2013			11-3115	31,131	19,784
Title II Part A/2014-2015			13-3115	-	10,150
Total - Improving Teacher Quality State Grants				<u>31,131</u>	<u>29,934</u>
Education Jobs Funds	Indiana Department of Education	84.410			
FY 2012-2013			FY2013	<u>12,131</u>	-
Total - Department of Education				<u>897,214</u>	<u>926,302</u>
Total federal awards expended				<u>\$ 1,308,667</u>	<u>\$ 1,297,366</u>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
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	\$ 88,113	\$ 61,853

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
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?	no
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

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-001 - ELIGIBILITY, REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect to the programs. This included the following compliance requirements: Eligibility and Reporting.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals were accurately determined. The application information was entered into the food service software which automatically made the determination. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information entered into the food service software was correct.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that required reports were accurately prepared and submitted. The Sponsor Claims (claims for reimbursement) were independently prepared and submitted by the Food Service Director. The Food Service Director also submitted the Annual Financial Report. There was no segregation of duties, such as an oversight, review, or approval process.

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 an effective internal control system could have placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-027-PN01, 14213-027-PN01,
14214-027-PN01, 45712-027-PN01,
45713-027-PN01, 45714-027-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation participated in the Hancock Madison Shelby Educational Services (HMSES). The HMSES provided special education services at the school level. The School Corporation did not complete the required Semiannual Certification Activity Reports for Special Education Cluster program personnel for either of the fiscal years. Management of HMSES did not have proper knowledge of the grant agreement.

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. . . ."

OMB Circular A-87, Attachment B, Item 8h(3), states in part:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement could have resulted 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 requirement listed above. We also recommended that the required Semiannual Certification Activity Reports for Special Education Cluster program personnel be completed.

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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.



Community School Corporation of Southern Hancock County
P.O. Box 508, 4711 South 500 West
New Palestine, IN 46163
(317) 861-4463 telephone
(317) 861-2142 fax
<http://corp.newpal.k12.in.us>

April 7, 2016

CORRECTIVE ACTION PLAN

Findings No. 2014-001 – Eligibility; Reporting

Federal Agency:	Department of Agriculture
Federal Program:	School Breakfast Program, National School Lunch Program
CFDA Number:	10.533 and 10.555
Federal Award Number and Year:	FY2013, FY2014
Pass-Through Entity:	Indiana Department of Education
Auditee Contact Person:	Robert L. Yoder
Phone Number:	317-861-4463 x111

Eligibility- The Food Service Administrative Assistant will enter the application information into the food service software. The Food Service Director will review the information entered prior to processing the application through the software which automatically makes the determination based upon the information entered. Effective April 2016.

Reporting- As of April 2016, the Food Service Director prepares the monthly claim for reimbursement and Annual Financial Report (AFR). The Corporation Deputy Treasurer reviews and submits the monthly claim for reimbursement. The Assistant Superintendent will review the AFR with the Food Service Director and Corporation Deputy Treasurer prior to submission on an annual basis.

The above findings were fully corrected as of 4/1/2016.

Robert L. Yoder
Assistant Superintendent
CSCSHC



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September 13, 2016

CORRECTIVE ACTION PLAN

Findings No. 2014-002 – Allowable Cost / Cost Principles

Federal Agency: Department of Education
Federal Program: Special Education Grants to States and Special Education Preschool Grants
CFDA Number: 84.027 and 84.173
Federal Award Number and Year: 14212-027-PN01, 14213-027-PN01, 14214-027-PN01, 45712-027PN01, 45713-027-PN01 and 45714-027-PN01
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Robert L. Yoder
Phone Number: 317-861-4463 x111

Allowable Cost / Cost Principles – Time and Effort Reporting – The School Corporation will obtain the semi-annual certification activity reports for the Special Education Cluster program personnel for both fiscal years.

Allowable Cost / Cost Principles – The Human Resource Assistant will collect the semi-annual certification activity reports. Effective July 1, 2016 the HMSES staff is now on our payroll. As of July 1, 2017 the HMSES will be dissolved.

The Assistant Superintendent will review the signed reports to assure we are in compliance.

The above findings will be corrected by September 30, 2016.

Robert L. Yoder
Assistant Superintendent
CSCSHC

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/>.