

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

HAMILTON COMMUNITY SCHOOLS
STEUBEN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
04/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stacy Oberlin Mark Skinner	07-01-12 to 06-30-14 07-01-14 to 06-30-16
Superintendent of Schools	Jon Willman	07-01-12 to 06-30-16
President of the School Board	Scott Lucas	07-01-12 to 06-30-16



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE HAMILTON COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Hamilton Community Schools (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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 January 26, 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

January 26, 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 HAMILTON COMMUNITY SCHOOLS, STEUBEN 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 Hamilton Community Schools (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 January 26, 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 deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 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 2014-001.

Hamilton Community Schools' 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

January 26, 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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HAMILTON COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12		Cash and Investments 06-30-13		Cash and Investments 06-30-14		Other Financing Sources (Uses)	Cash and Investments 06-30-14
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements		
General	\$ 767,680	\$ 2,915,055	\$ 2,914,251	\$ 768,484	\$ 2,842,350	\$ 2,168,269	\$ (324,688)	\$ 1,117,877
Referendum Tax Levy	-	895,983	615,056	280,927	1,229,573	1,834,109	-	(323,609)
Debt Service	61,768	273,386	271,950	63,204	321,388	272,200	-	112,392
Retirement/Severance Bond Debt Service	11,722	51,108	44,501	18,329	32,292	42,535	-	8,086
Capital Projects	180,099	764,231	736,509	207,821	801,103	841,722	2,427	169,629
School Transportation	457,178	516,949	434,454	539,673	848,336	411,852	(200,000)	776,157
School Bus Replacement	95,952	141,902	190,358	47,496	143,238	96,363	(17,553)	76,818
Rainy Day	1,730,653	2,196	350,000	1,382,849	-	-	500,000	1,882,849
Construction	47,516	-	47,516	-	-	-	-	-
School Lunch	22,665	199,923	203,784	18,804	172,667	195,789	-	(4,318)
Textbook Rental	7,672	26,485	45,057	(10,900)	32,798	61,847	-	(39,949)
Levy Excess	-	11,547	-	11,547	-	-	73,602	85,149
Educational License Plates	6,486	169	-	6,655	131	-	-	6,786
Reading Recovery	104	-	-	104	-	-	-	104
Art Donation	400	-	-	400	-	-	-	400
Hamilton Life Center Grant	500	-	-	500	-	-	-	500
Lions Club Donation	500	-	-	500	-	-	-	500
Project Playground	-	-	-	-	15,889	1,861	-	14,028
J. Ervin Dekko Art Ed	4,931	-	-	4,931	-	-	-	4,931
Extra-Curricular Activities	201	7,394	5,813	1,782	2,201	5,064	-	(1,081)
Rieke Donation	4,235	-	-	4,235	-	4,234	-	1
F.I.S.T.	1,202	-	-	1,202	-	-	-	1,202
Arts Partnership Grant	-	-	-	-	6,941	595	-	6,346
Staff Wellness Grant	7,564	8,100	4,625	11,039	12,000	3,466	-	19,573
Gifted and Talented High Ability FY 11/12	-	-	177	(177)	-	-	-	(177)
Gifted and Talented High Ability FY 12/13	-	25,713	16,569	9,144	-	9,145	-	(1)
Gifted and Talented High Ability FY 13/14	-	-	-	-	25,285	23,338	-	1,947
Gifted and Talented High Ability FY 08/09	124	-	-	124	-	-	-	124
Secured School Safety Grant	-	-	-	-	-	12,268	-	(12,268)
Non-English Speaking Programs P.L. 273-1999	193	-	-	193	-	-	-	193
School Technology	5,162	6,231	-	11,393	6,228	-	-	17,621
Center for School Assessment	480	-	-	480	-	-	-	480
Title I FY 10/11	-	-	-	-	-	-	-	-
Title I FY 11/12	(63,325)	176,189	112,864	-	-	-	-	-
Title I FY 12/13	-	211,531	279,164	(67,633)	129,832	62,200	-	(1)
Title I FY 13/14	-	-	-	-	162,144	238,976	-	(76,832)
Title I FY 07/08	92	-	-	92	-	-	-	92
TEI	2,318	-	-	2,318	-	-	-	2,318
Title II Part A 11-13	(11,602)	22,916	11,314	-	-	-	-	-
Title II Part A 12-12	-	15,478	15,312	166	-	165	-	1
Title II Part A 13-14	-	-	-	-	22,694	8,860	-	13,834
Reap 2010-2011 Grant	(3,881)	1,886	-	(1,995)	-	-	-	(1,995)
Reap 2011-2013 Grant	-	29,447	29,447	-	-	-	-	-
Reap 2012-2014 Grant	-	16,237	16,237	-	8,353	8,353	-	-
Reap 2013-2015 Grant	-	-	-	-	28,289	28,289	-	-
Education Jobs	-	2,501	2,501	-	-	-	-	-
Payroll Clearing	9,812	978,695	978,722	9,785	962,027	961,755	-	10,057
Fringe Benefit Clearing	2,933	572	572	2,933	923	923	-	2,933
Totals	\$ 3,351,334	\$ 7,301,824	\$ 7,326,753	\$ 3,326,405	\$ 7,806,682	\$ 7,294,178	\$ 33,788	\$ 3,872,697

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

HAMILTON COMMUNITY SCHOOLS
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.

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.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
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.

C. Defined Contribution Pension Plan

The School Corporation also contributes to an additional pension plan unique to the School Corporation. The plan is administered by the Variable Life Insurance Company as authorized by Indiana Code 5-10-1.1-1. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by a written agreement between the School Corporation and the Plan Administrator. The Plan Administrator issues a publicly available report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

The Variable Life Insurance Company
2929 Allen Parkway, AG-09
Houston, TX 77019
Ph. (713) 831-4995

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the School Corporation and the Hamilton Education Association. The School Corporation is required to contribute at an actuarially determined rate.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. For School Lunch and Textbook Rental funds, this is a result of disbursements being greater than receipts. For reimbursable grants, this is a result of the expenditure being made before the funds are received.

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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.

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

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ 767,680	\$ -	\$ 61,768	\$ 11,722	\$ 180,099	\$ 457,178	\$ 95,952
Receipts:							
Local sources	804	895,983	273,386	51,108	764,231	516,949	141,902
Intermediate sources	6	-	-	-	-	-	-
State sources	2,903,757	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	10,488	-	-	-	-	-	-
Total receipts	<u>2,915,055</u>	<u>895,983</u>	<u>273,386</u>	<u>51,108</u>	<u>764,231</u>	<u>516,949</u>	<u>141,902</u>
Disbursements:							
Current:							
Instruction	1,675,263	615,056	-	-	-	-	-
Support services	1,154,612	-	-	-	591,870	434,454	190,358
Noninstructional services	84,376	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	144,639	-	-
Debt services	-	-	271,950	44,501	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>2,914,251</u>	<u>615,056</u>	<u>271,950</u>	<u>44,501</u>	<u>736,509</u>	<u>434,454</u>	<u>190,358</u>
Excess (deficiency) of receipts over disbursements	<u>804</u>	<u>280,927</u>	<u>1,436</u>	<u>6,607</u>	<u>27,722</u>	<u>82,495</u>	<u>(48,456)</u>
Cash and investments - ending	<u>\$ 768,484</u>	<u>\$ 280,927</u>	<u>\$ 63,204</u>	<u>\$ 18,329</u>	<u>\$ 207,821</u>	<u>\$ 539,673</u>	<u>\$ 47,496</u>

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

	Rainy Day	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Reading Recovery
Cash and investments - beginning	\$ 1,730,653	\$ 47,516	\$ 22,665	\$ 7,672	\$ -	\$ 6,486	\$ 104
Receipts:							
Local sources	2,196	-	98,738	13,804	-	-	-
Intermediate sources	-	-	-	-	-	169	-
State sources	-	-	2,171	12,681	11,547	-	-
Federal sources	-	-	99,014	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>2,196</u>	<u>-</u>	<u>199,923</u>	<u>26,485</u>	<u>11,547</u>	<u>169</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	350,000	-	-	-	-	-	-
Support services	-	-	-	45,057	-	-	-
Noninstructional services	-	-	203,784	-	-	-	-
Facilities acquisition and construction	-	47,516	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>350,000</u>	<u>47,516</u>	<u>203,784</u>	<u>45,057</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(347,804)</u>	<u>(47,516)</u>	<u>(3,861)</u>	<u>(18,572)</u>	<u>11,547</u>	<u>169</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,382,849</u>	<u>\$ -</u>	<u>\$ 18,804</u>	<u>\$ (10,900)</u>	<u>\$ 11,547</u>	<u>\$ 6,655</u>	<u>\$ 104</u>

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

	Art Donation	Hamilton Life Center Grant	Lions Club Donation	Project Playground	J. Ervin Dekko Art Ed	Extra- Curricular Activities	Rieke Donation
Cash and investments - beginning	\$ 400	\$ 500	\$ 500	\$ -	\$ 4,931	\$ 201	\$ 4,235
Receipts:							
Local sources	-	-	-	-	-	7,394	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	7,394	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	5,813	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	5,813	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	1,581	-
Cash and investments - ending	<u>\$ 400</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 4,931</u>	<u>\$ 1,782</u>	<u>\$ 4,235</u>

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

	F.I.S.T.	Arts Partnership Grant	Staff Wellness Grant	Gifted and Talented High Ability FY 11/12	Gifted and Talented High Ability FY 12/13	Gifted and Talented High Ability FY 13/14	Gifted and Talented High Ability FY 08/09
Cash and investments - beginning	\$ 1,202	\$ -	\$ 7,564	\$ -	\$ -	\$ -	\$ 124
Receipts:							
Local sources	-	-	8,100	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	25,713	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>8,100</u>	<u>-</u>	<u>25,713</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	177	16,569	-	-
Support services	-	-	4,625	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>4,625</u>	<u>177</u>	<u>16,569</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>3,475</u>	<u>(177)</u>	<u>9,144</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,202</u>	<u>\$ -</u>	<u>\$ 11,039</u>	<u>\$ (177)</u>	<u>\$ 9,144</u>	<u>\$ -</u>	<u>\$ 124</u>

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

	Secured School Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Center for School Assessment	Title I FY 10/11	Title I FY 11/12	Title I FY 12/13
Cash and investments - beginning	\$ -	\$ 193	\$ 5,162	\$ 480	\$ -	\$ (63,325)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	6,231	-	-	-	-
Federal sources	-	-	-	-	-	176,189	211,531
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>6,231</u>	<u>-</u>	<u>-</u>	<u>176,189</u>	<u>211,531</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	89,121	276,817
Support services	-	-	-	-	-	23,743	2,347
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,864</u>	<u>279,164</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>6,231</u>	<u>-</u>	<u>-</u>	<u>63,325</u>	<u>(67,633)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 193</u>	<u>\$ 11,393</u>	<u>\$ 480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,633)</u>

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

	Title I FY 13/14	Title I FY 07/08	TEI	Title II Part A 11-13	Title II Part A 12-12	Title II Part A 13-14	Reap 2010-2011 Grant
Cash and investments - beginning	\$ -	\$ 92	\$ 2,318	\$ (11,602)	\$ -	\$ -	\$ (3,881)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	22,916	15,478	-	1,886
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,916</u>	<u>15,478</u>	<u>-</u>	<u>1,886</u>
Disbursements:							
Current:							
Instruction	-	-	-	11,314	15,312	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,314</u>	<u>15,312</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,602</u>	<u>166</u>	<u>-</u>	<u>1,886</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 92</u>	<u>\$ 2,318</u>	<u>\$ -</u>	<u>\$ 166</u>	<u>\$ -</u>	<u>\$ (1,995)</u>

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

	Reap 2011-2013 Grant	Reap 2012-2014 Grant	Reap 2013-2015 Grant	Education Jobs	Payroll Clearing	Fringe Benefit Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 9,812	\$ 2,933	\$ 3,351,334
Receipts:							
Local sources	-	-	-	-	-	-	2,774,595
Intermediate sources	-	-	-	-	-	-	175
State sources	-	-	-	-	-	-	2,962,100
Federal sources	29,447	16,237	-	2,501	-	-	575,199
Other	-	-	-	-	978,695	572	989,755
Total receipts	<u>29,447</u>	<u>16,237</u>	<u>-</u>	<u>2,501</u>	<u>978,695</u>	<u>572</u>	<u>7,301,824</u>
Disbursements:							
Current:							
Instruction	-	-	-	2,501	-	-	3,057,943
Support services	29,447	16,237	-	-	-	-	2,492,750
Noninstructional services	-	-	-	-	-	-	288,160
Facilities acquisition and construction	-	-	-	-	-	-	192,155
Debt services	-	-	-	-	-	-	316,451
Nonprogrammed charges	-	-	-	-	978,722	572	979,294
Total disbursements	<u>29,447</u>	<u>16,237</u>	<u>-</u>	<u>2,501</u>	<u>978,722</u>	<u>572</u>	<u>7,326,753</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>-</u>	<u>(24,929)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,785</u>	<u>\$ 2,933</u>	<u>\$ 3,326,405</u>

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

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ 768,484	\$ 280,927	\$ 63,204	\$ 18,329	\$ 207,821	\$ 539,673	\$ 47,496
Receipts:							
Local sources	19,480	1,229,573	321,388	32,292	801,103	842,688	143,238
Intermediate sources	14	-	-	-	-	-	-
State sources	2,797,856	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	25,000	-	-	-	-	5,648	-
Total receipts	<u>2,842,350</u>	<u>1,229,573</u>	<u>321,388</u>	<u>32,292</u>	<u>801,103</u>	<u>848,336</u>	<u>143,238</u>
Disbursements:							
Current:							
Instruction	926,577	1,790,420	-	-	-	-	-
Support services	1,177,685	43,689	-	-	498,329	411,852	96,363
Noninstructional services	64,007	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	343,393	-	-
Debt services	-	-	272,200	42,535	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>2,168,269</u>	<u>1,834,109</u>	<u>272,200</u>	<u>42,535</u>	<u>841,722</u>	<u>411,852</u>	<u>96,363</u>
Excess (deficiency) of receipts over disbursements	<u>674,081</u>	<u>(604,536)</u>	<u>49,188</u>	<u>(10,243)</u>	<u>(40,619)</u>	<u>436,484</u>	<u>46,875</u>
Other financing sources (uses):							
Sale of capital assets	312	-	-	-	2,427	-	-
Transfers in	14,167	-	-	-	-	-	-
Transfers out	(339,167)	-	-	-	-	(200,000)	(17,553)
Total other financing sources (uses)	<u>(324,688)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,427</u>	<u>(200,000)</u>	<u>(17,553)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>349,393</u>	<u>(604,536)</u>	<u>49,188</u>	<u>(10,243)</u>	<u>(38,192)</u>	<u>236,484</u>	<u>29,322</u>
Cash and investments - ending	<u>\$ 1,117,877</u>	<u>\$ (323,609)</u>	<u>\$ 112,392</u>	<u>\$ 8,086</u>	<u>\$ 169,629</u>	<u>\$ 776,157</u>	<u>\$ 76,818</u>

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

	Rainy Day	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Reading Recovery
Cash and investments - beginning	\$ 1,382,849	\$ -	\$ 18,804	\$ (10,900)	\$ 11,547	\$ 6,655	\$ 104
Receipts:							
Local sources	-	-	86,843	19,756	-	-	-
Intermediate sources	-	-	-	-	-	131	-
State sources	-	-	2,448	13,042	-	-	-
Federal sources	-	-	83,376	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	172,667	32,798	-	131	-
Disbursements:							
Current:							
Instruction	-	-	-	3,320	-	-	-
Support services	-	-	-	58,527	-	-	-
Noninstructional services	-	-	195,789	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	195,789	61,847	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	(23,122)	(29,049)	-	131	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	500,000	-	-	-	73,602	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	500,000	-	-	-	73,602	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	500,000	-	(23,122)	(29,049)	73,602	131	-
Cash and investments - ending	\$ 1,882,849	\$ -	\$ (4,318)	\$ (39,949)	\$ 85,149	\$ 6,786	\$ 104

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

	Art Donation	Hamilton Life Center Grant	Lions Club Donation	Project Playground	J. Ervin Dekko Art Ed	Extra- Curricular Activities	Rieke Donation
Cash and investments - beginning	\$ 400	\$ 500	\$ 500	\$ -	\$ 4,931	\$ 1,782	\$ 4,235
Receipts:							
Local sources	-	-	-	15,889	-	2,201	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	15,889	-	2,201	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	5,064	350
Support services	-	-	-	61	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,800	-	-	3,884
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,861	-	5,064	4,234
Excess (deficiency) of receipts over disbursements	-	-	-	14,028	-	(2,863)	(4,234)
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	-	-	-	14,028	-	(2,863)	(4,234)
Cash and investments - ending	\$ 400	\$ 500	\$ 500	\$ 14,028	\$ 4,931	\$ (1,081)	\$ 1

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

	F.I.S.T.	Arts Partnership Grant	Staff Wellness Grant	Gifted and Talented High Ability FY 11/12	Gifted and Talented High Ability FY 12/13	Gifted and Talented High Ability FY 13/14	Gifted and Talented High Ability FY 08/09
Cash and investments - beginning	\$ 1,202	\$ -	\$ 11,039	\$ (177)	\$ 9,144	\$ -	\$ 124
Receipts:							
Local sources	-	6,941	12,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	25,285	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	6,941	12,000	-	-	25,285	-
Disbursements:							
Current:							
Instruction	-	595	-	-	9,145	23,338	-
Support services	-	-	3,466	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	595	3,466	-	9,145	23,338	-
Excess (deficiency) of receipts over disbursements	-	6,346	8,534	-	(9,145)	1,947	-
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	-	6,346	8,534	-	(9,145)	1,947	-
Cash and investments - ending	\$ 1,202	\$ 6,346	\$ 19,573	\$ (177)	\$ (1)	\$ 1,947	\$ 124

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

	Secured School Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Center for School Assessment	Title I FY 10/11	Title I FY 11/12	Title I FY 12/13
Cash and investments - beginning	\$ -	\$ 193	\$ 11,393	\$ 480	\$ -	\$ -	\$ (67,633)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	6,228	-	-	-	-
Federal sources	-	-	-	-	-	-	129,832
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>6,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,832</u>
Disbursements:							
Current:							
Instruction	8,219	-	-	-	-	-	61,847
Support services	-	-	-	-	-	-	353
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	4,049	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>12,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,200</u>
Excess (deficiency) of receipts over disbursements	<u>(12,268)</u>	<u>-</u>	<u>6,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,632</u>
Other financing sources (uses):							
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(12,268)</u>	<u>-</u>	<u>6,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,632</u>
Cash and investments - ending	<u>\$ (12,268)</u>	<u>\$ 193</u>	<u>\$ 17,621</u>	<u>\$ 480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>

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

	Title I FY 13/14	Title I FY 07/08	TEI	Title II Part A 11-13	Title II Part A 12-12	Title II Part A 13-14	Reap 2010-2011 Grant
Cash and investments - beginning	\$ -	\$ 92	\$ 2,318	\$ -	\$ 166	\$ -	\$ (1,995)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	162,144	-	-	-	-	22,694	-
Other	-	-	-	-	-	-	-
Total receipts	<u>162,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,694</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	238,892	-	-	-	165	8,860	-
Support services	84	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>238,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165</u>	<u>8,860</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(76,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(165)</u>	<u>13,834</u>	<u>-</u>
Other financing sources (uses):							
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(76,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(165)</u>	<u>13,834</u>	<u>-</u>
Cash and investments - ending	<u>\$ (76,832)</u>	<u>\$ 92</u>	<u>\$ 2,318</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 13,834</u>	<u>\$ (1,995)</u>

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

	Reap 2011-2013 Grant	Reap 2012-2014 Grant	Reap 2013-2015 Grant	Education Jobs	Payroll Clearing	Fringe Benefit Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 9,785	\$ 2,933	\$ 3,326,405
Receipts:							
Local sources	-	-	-	-	-	-	3,533,392
Intermediate sources	-	-	-	-	-	-	145
State sources	-	-	-	-	-	-	2,844,859
Federal sources	-	8,353	28,289	-	-	-	434,688
Other	-	-	-	-	962,027	923	993,598
Total receipts	-	8,353	28,289	-	962,027	923	7,806,682
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	3,076,792
Support services	-	8,353	28,289	-	-	-	2,327,051
Noninstructional services	-	-	-	-	-	-	259,796
Facilities acquisition and construction	-	-	-	-	-	-	353,126
Debt services	-	-	-	-	-	-	314,735
Nonprogrammed charges	-	-	-	-	961,755	923	962,678
Total disbursements	-	8,353	28,289	-	961,755	923	7,294,178
Excess (deficiency) of receipts over disbursements	-	-	-	-	272	-	512,504
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	2,739
Transfers in	-	-	-	-	-	-	587,769
Transfers out	-	-	-	-	-	-	(556,720)
Total other financing sources (uses)	-	-	-	-	-	-	33,788
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	272	-	546,292
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 10,057	\$ 2,933	\$ 3,872,697

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HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 79,297</u>	<u>\$ 18,820</u>

HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
General obligation bonds	General Bond	\$ 1,170,000	\$ 277,350
General obligation bonds	Pension Bond	<u>20,000</u>	<u>20,512</u>
Totals		<u>\$ 1,190,000</u>	<u>\$ 297,862</u>

HAMILTON COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 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	\$ 217,570
Infrastructure	63,727
Buildings	4,323,432
Improvements other than buildings	139,919
Machinery, equipment, and vehicles	780,017
Books and other	1,572,176
Total capital assets	\$ 7,096,841

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

TO: THE OFFICIALS OF THE HAMILTON COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Hamilton Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

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

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003 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

January 26, 2016

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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.

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HAMILTON COMMUNITY SCHOOLS
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			
			FY 12-13	\$ 17,541	\$ -
			FY 13-14	-	13,430
				<u>17,541</u>	<u>13,430</u>
Total - School Breakfast Program				<u>17,541</u>	<u>13,430</u>
National School Lunch Program	Indiana Department of Education	10.555			
			FY 12-13	91,938	-
			FY 13-14	-	81,612
				<u>91,938</u>	<u>81,612</u>
Total - National School Lunch Program				<u>91,938</u>	<u>81,612</u>
Total - Child Nutrition Cluster				<u>109,479</u>	<u>95,042</u>
Total - Department of Agriculture				<u>109,479</u>	<u>95,042</u>
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			12-7610	176,189	-
			13-7610	211,531	129,832
			14-7610	-	177,019
				<u>387,720</u>	<u>306,851</u>
Total - Title I Grants to Local Educational Agencies				<u>387,720</u>	<u>306,851</u>
Special Education Cluster (IDEA)					
Special Education-Grants to States (IDEA, Part B)	Indiana Department of Education	84.027			
			14212-046-PN01	45,528	-
			14213-046-PN01	73,736	43,716
			14214-046-PN01	-	84,466
			99914-46-TA01	-	1,272
				<u>119,264</u>	<u>129,454</u>
Total - Special Education-Grants to States (IDEA, Part B)				<u>119,264</u>	<u>129,454</u>
Special Education-Preschool Grants (IDEA Preschool)	Indiana Department of Education	84.173	45713-046-PN01	1,872	1,775
Total - Special Education Cluster				<u>121,136</u>	<u>131,229</u>
Rural Education	Direct Grant	84.358			
			S358A107377	1,886	-
			S358A117377	29,447	-
			S358A127377	16,237	8,353
			S358A137377	-	28,289
				<u>47,570</u>	<u>36,642</u>
Total - Rural Education				<u>47,570</u>	<u>36,642</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			11-7610	22,916	-
			12-7610	15,478	-
			13-7610	-	7,818
				<u>38,394</u>	<u>7,818</u>
Total - Improving Teacher Quality State Grants				<u>38,394</u>	<u>7,818</u>
Education Jobs Fund	Indiana Department of Education	84.410	FY 12-13	2,501	-
Total - Department of Education				<u>597,321</u>	<u>482,540</u>
Total federal awards expended				<u>\$ 706,800</u>	<u>\$ 577,582</u>

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

HAMILTON COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013, and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2013	For the Year Ended June 30, 2014
National School Lunch Program	10.555	\$ 14,095	\$ 11,666

HAMILTON COMMUNITY SCHOOLS
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 program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	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 Program:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

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 THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

The Child Nutrition Cluster grant expenditures (CFDA 10.553 and 10.555) were not included on the SEFA in the amount of \$109,479 for 2012/2013 and \$95,042 for 2013/2014. The Special Education Cluster (IDEA) grant expenditures (CFDA 84.027 and 84.173) were not included on the SEFA in the amount of \$121,136 for 2012/2013 and \$131,229 for 2013/2014.

Title I Grants to Local Educational Agencies (CFDA 84.010) were over reported in 2012/2013 by \$23,900.

There was a posting error that resulted in an understatement in 2013/2014 for Title I Grants to Local Educational Agencies (CFDA 84.010) of \$14,875 and an overstatement for Improving Teacher Quality State Grants (CFDA 84.367) of \$14,875.

The Rural Education grant (CFDA 84.358) was not included in 2012/2013 in the amount of \$1,886.

There was an understatement in 2013/2014 for Improving Teacher Quality State Grants (CFDA 84.367) of \$11,768.

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.

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.

HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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."

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation has not separated incompatible activities related to cash, receipts, and payroll. 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.

- a. There was lack of evidence that receipts posted, deposits prepared, and bank reconcilements prepared were reviewed or approved by anyone other than the preparer.
- b. There was lack of evidence that payrolls prepared were adequately reviewed or approved by anyone other than the preparer.

The failure to establish these controls could enable 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)

HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - ALLOWABLE COSTS

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-7610, 13-7610, 14-7610

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 Allowable Costs compliance requirements that have a direct and material effect to the program.

There were no controls in place to ensure that only Title I employees were paid from the Title I Grants to Local Educational Agencies grant. At the School Corporation, the same person performs all activities of the payroll process. There is no evidence of segregation of duties, such as an oversight, review, or approval process or other compensating control to ensure payroll costs are allocated to the appropriate accounts, funds, and programs.

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 program.

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.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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.

AUDITEE PREPARED DOCUMENT

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

Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742



Hamilton Elementary School
Phone: (260) 488-2101
Fax: (260) 488-3634

Office of the Superintendent
Phone: (260) 488-2513
FAX: (260) 488-2348

Hamilton Junior-Senior High School
Phone: (260) 488-2161
FAX: (260) 488-3149

FINDING 2014-001

Contact Person: Mark Skinner
Title: Business Manager/Treasurer
Phone Number: 260-488-2513

The Business Manager with the assistance of the Director of Curriculum, Title I Coordinator, and Food Service Manager will compile a list of all federal awards each fiscal year. The Business Manager will prepare the Schedule of Expenditures of Federal Awards as required at the end of each fiscal year. The Business Manager will provide the list of all federal awards for the fiscal year to the Superintendent who will review all documentation supporting the Schedule's contents for accuracy and completeness prior to the Schedule's submission via Gateway.

Anticipated Completion Date: June 30, 2016

Mark Skinner
Business Manager/Treasurer

Jon Willman
Superintendent

1/25/16
Date

1/25/14
Date

Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742



Hamilton Elementary School
Phone: (260) 488-2101
Fax: (260) 488-3634

Office of the Superintendent
Phone: (260) 488-2513
FAX: (260) 488-2348

Hamilton Junior-Senior High School
Phone: (260) 488-2161
FAX: (260) 488-3149

FINDING 2014-002

Contact Person: Mark Skinner
Title: Business Manager/Treasurer
Phone Number: 260-488-2513

The Business Manager/Treasurer will reconcile the corporation and extra-curricular bank accounts after deputy treasurer makes deposits. The payroll disbursements will be processed by the Payroll Manager and reviewed and initialed by the Business Manager and Superintendent. The reconciliation is reviewed by the Superintendent and signed by Superintendent and School Board at the next monthly meeting.

Anticipated Completion Date: June 30, 2016

Mark Skinner
Business Manager/Treasurer

1/25/16
Date

Jon Wallman
Superintendent

1/25/16
Date

Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742



Hamilton Elementary School
Phone: (260) 488-2101
Fax: (260) 488-3634

Office of the Superintendent
Phone: (260) 488-2513
FAX: (260) 488-2348

Hamilton Junior-Senior High School
Phone: (260) 488-2161
FAX: (260) 488-3149

FINDING 2014-003

Contact Person: Mark Skinner
Title: Business Manager/Treasurer
Phone Number: 260-488-2513

The Business Manager will prepare the final expenditure reports and monthly requests for reimbursements and after being reviewed and initialed by the deputy treasurer and superintendent for accuracy will submit them via Title I portal for reimbursement.

Anticipated Completion Date: June 30, 2016

Mal Skinner
Business Manager/Treasurer

1/25/16
Date

Jon Willman
Superintendent

1/25/16
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/>.