

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

FEDERAL SINGLE AUDIT REPORT  
OF  
HANOVER COMMUNITY SCHOOL CORPORATION  
LAKE COUNTY, INDIANA  
July 1, 2014 to June 30, 2016



**FILED**  
08/08/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Eric D. Kurtz Adam C. Minth	07-01-14 to 07-31-16 08-01-16 to 06-30-17
Superintendent of Schools	Thomas L. Taylor	07-01-14 to 06-30-17
President of the School Board	James Sakelaris Mary Joan Dickson James Sakelaris	07-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE HANOVER COMMUNITY SCHOOL  
CORPORATION, LAKE COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Hanover Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, 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 from 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 to 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, 2014 to June 30, 2016.

***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, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

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

*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2017, 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

June 15, 2017



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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 HANOVER COMMUNITY SCHOOL  
CORPORATION, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Hanover Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated June 15, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

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 from 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*.

**Hanover Community School Corporation's Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 15, 2017

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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.

HANOVER COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 2,556,317	\$ 12,492,558	\$ 13,873,726	\$ -	\$ 1,175,149	\$ 13,080,906	\$ 13,274,056	\$ 41,663	\$ 1,023,662
Referendum Tax Levy	-	-	-	-	-	1,168,603	536,233	-	632,370
Debt Service	2,171,170	2,806,408	3,557,075	-	1,420,503	3,439,135	3,713,125	-	1,146,513
Exempt Debt	2,649,199	3,434,231	3,791,313	-	2,292,117	3,213,722	3,475,578	-	2,030,261
Exempt Pension Debt	116,015	153,607	185,095	-	84,527	158,644	158,388	-	84,783
Capital Projects	501,559	894,646	989,118	-	407,087	904,778	794,528	-	517,337
School Transportation	139,896	555,771	651,935	-	43,732	590,752	552,891	-	81,593
School Bus Replacement	147,698	128,492	143,000	-	133,190	93,910	96,936	-	130,164
Construction	2,357,862	-	1,011,454	-	1,346,408	-	1,130,895	-	215,513
School Lunch	99,384	1,267,866	1,198,148	-	169,102	926,895	902,313	(287)	193,397
Textbook Rental	178,906	260,213	172,381	-	266,738	336,996	174,650	-	429,084
Levy Excess	-	-	-	-	-	984	-	-	984
Educational License Plates	1,456	432	-	-	1,888	431	-	-	2,319
SAFE School Haven	(6,126)	13,650	18,525	-	(11,001)	11,001	-	-	-
Early Intervention Grant	777	39,396	33,701	-	6,472	28,473	14,688	(3,212)	17,045
School Intervention and Career Counseling	17	-	-	-	17	-	-	(17)	-
Donations/Building Trades Grant	3,159	38,058	34,061	-	7,156	25,338	16,040	(2,634)	13,820
Jr. Wildcats - Scouting	118	-	-	-	118	-	-	(118)	-
EC Football Donations	1,498	-	-	-	1,498	-	1,498	-	-
Fitness Center/Recreational Activities	9,364	688	3,243	-	6,809	-	-	-	6,809
Donations - Athletic	25	-	-	-	25	-	-	-	25
Donations - Art	110	1,240	110	-	1,240	-	90	-	1,150
Donations - Music	1,123	1,300	1,323	-	1,100	-	-	-	1,100
Donations - Preschool	68	-	-	-	68	-	-	(68)	-
Indiana Youth Institute/Prof Dev Grant	778	-	750	-	28	500	455	-	73
2006 G.O. Bond Land Purchase	24,875	-	24,875	-	-	-	-	-	-
Parents as Teachers & Miscellaneous Programs	11,006	4,877	3,000	-	12,883	-	7,318	(999)	4,566

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

HANOVER COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended June 30, 2015 and 2016  
 (Continued)

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
Literacy For Life Grant	4,798	-	-	-	4,798	-	-	(4,798)	-
Formative Assessment	-	-	-	-	-	21,328	21,328	-	-
High Ability Grant 15-16	-	-	-	-	-	35,222	7,015	-	28,207
High Ability Grant 2009-2010	30,337	34,612	18,369	-	46,580	-	27,337	(19,243)	-
Computer Consortium/Ed Tech Advance	-	157,241	193,820	-	(36,579)	238,676	202,097	-	-
Secured Schools Safety Grant	-	-	-	-	-	55,376	55,376	-	-
Non-English Speaking Programs	5,042	5,955	5,763	-	5,234	11,602	11,666	(5,170)	-
School Technology	45,723	15,865	58,469	-	3,119	16,714	12,879	-	6,954
Performance Based Awards	-	72,439	72,439	-	-	-	-	-	-
2008 Construction Bond	56,496	-	57,195	-	(699)	-	-	699	-
Dairy and Nutrition Council	20	-	-	-	20	-	20	-	-
Title I	(17,938)	49,685	190,508	-	(158,761)	190,666	32,086	181	-
Title I 15-16	-	-	-	-	-	74,522	133,973	-	(59,451)
Drug Free Schools	117	-	-	-	117	-	-	(117)	-
Title VI, Part A	4,609	-	-	-	4,609	-	-	(4,609)	-
Perkins	(16,454)	37,526	26,442	-	(5,370)	21,035	25,267	(1,168)	(10,770)
Tech-Prep	(42)	-	-	-	(42)	-	-	42	-
Improving Teacher Quality, No Child Left, Title II, Part A	(123)	-	20,431	-	(20,554)	50,935	30,381	-	-
Title II 14-16	-	-	8,200	-	(8,200)	28,484	26,940	-	(6,656)
Title II 15-17	-	-	-	-	-	12,483	12,483	-	-
Title III - English Proficiency Migrant	-	-	4,921	-	(4,921)	7,748	5,858	-	(3,031)
Special Education - Part B	145	-	-	-	145	-	-	(145)	-
Prepaid School Lunch	14,412	988	354	-	15,046	2,343	1,014	-	16,375
Petty Cash	200	50	50	-	200	-	200	-	-
Payroll Withholding Clearing Account	(20,423)	2,702,006	2,635,650	-	45,933	2,644,561	2,665,363	-	25,131
<b>Totals</b>	<u>\$ 11,073,173</u>	<u>\$ 25,169,800</u>	<u>\$ 28,985,444</u>	<u>\$ -</u>	<u>\$ 7,257,529</u>	<u>\$ 27,392,763</u>	<u>\$ 28,120,965</u>	<u>\$ -</u>	<u>\$ 6,529,327</u>

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

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, 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.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Temporary loans.* Amounts 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.* 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.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt services.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed 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:

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Transfers in.* Amounts 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.* Amounts 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 amounts 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 amounts 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.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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:

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.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and/or 2016.

**Note 8. Holding Corporations**

The School Corporation has entered into capital leases with the Hanover Multi-School Building Corporation and the Hanover Middle School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years ended June 30, 2015 and 2016, totaled \$4,321,526 and \$4,619,169, respectively.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Subsequent Events**

*Rainy Day Fund*

At the November 9, 2016 School Board meeting, Resolution 2016-17 #9, Rainy Day Fund Creation, was approved. Not more than ten percent of the remaining total budget could be transferred to the Rainy Day Fund, as outlined in Indiana Code 36-1-8-5.1.

*Common School Fund Loan*

On November 16, 2016, the Indiana Board of Education granted an Innovative Technology advancement of \$220,300 from the Common School Fund. The loan was accepted by the School Board on December 13, 2016. The loan will be repaid over a period not to exceed five years at an interest rate not to exceed four percent.

*2017 General Obligation Bond*

The School Corporation intends to issue up to \$2,000,000 of tax-exempt 2017 general obligation bonds for the purpose of funding the proposed acquisition, renovations, construction and equipping of projects at Hanover Central High School, Hanover Central Middle School, Jane Ball Elementary School, Lincoln Elementary School, and the Central office. The anticipated delivery date is June 29, 2017. Interest will be payable on January 15 and July 15 each year with the first interest payment on July 15, 2018.

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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 School Corporation's Financial Reports 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.

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Construction
Cash and investments - beginning	\$ 2,556,317	\$ -	\$ 2,171,170	\$ 2,649,199	\$ 116,015	\$ 501,559	\$ 139,896	\$ 147,698	\$ 2,357,862
Receipts:									
Local sources	158,521	-	2,806,408	3,434,231	153,607	894,646	555,771	128,492	-
Intermediate sources	78,835	-	-	-	-	-	-	-	-
State sources	12,204,641	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	50,561	-	-	-	-	-	-	-	-
Total receipts	12,492,558	-	2,806,408	3,434,231	153,607	894,646	555,771	128,492	-
Disbursements:									
Instruction	9,229,801	-	-	-	-	-	-	-	-
Support services	4,327,644	-	26,787	-	-	402,296	595,861	-	225
Noninstructional services	310,972	-	-	-	-	-	-	-	-
Facilities acquisition and construction	5,309	-	-	-	-	92,822	74	-	1,010,729
Debt services	-	-	3,530,288	3,791,313	185,095	494,000	56,000	143,000	500
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	13,873,726	-	3,557,075	3,791,313	185,095	989,118	651,935	143,000	1,011,454
Excess (deficiency) of receipts over disbursements	(1,381,168)	-	(750,667)	(357,082)	(31,488)	(94,472)	(96,164)	(14,508)	(1,011,454)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,381,168)	-	(750,667)	(357,082)	(31,488)	(94,472)	(96,164)	(14,508)	(1,011,454)
Cash and investments - ending	\$ 1,175,149	\$ -	\$ 1,420,503	\$ 2,292,117	\$ 84,527	\$ 407,087	\$ 43,732	\$ 133,190	\$ 1,346,408

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Early Intervention Grant	School Intervention and Career Counseling	Donations/ Building Trades Grant	Jr. Wildcats - Scouting
Cash and investments - beginning	\$ 99,384	\$ 178,906	\$ -	\$ 1,456	\$ (6,126)	\$ 777	\$ 17	\$ 3,159	\$ 118
Receipts:									
Local sources	940,493	193,563	-	-	-	-	-	38,058	-
Intermediate sources	-	-	-	432	-	-	-	-	-
State sources	12,925	66,650	-	-	13,650	39,396	-	-	-
Federal sources	314,448	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,267,866	260,213	-	432	13,650	39,396	-	38,058	-
Disbursements:									
Instruction	-	-	-	-	-	33,701	-	30,498	-
Support services	12,639	172,381	-	-	18,525	-	-	3,213	-
Noninstructional services	1,184,632	-	-	-	-	-	-	-	-
Facilities acquisition and construction	877	-	-	-	-	-	-	350	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,198,148	172,381	-	-	18,525	33,701	-	34,061	-
Excess (deficiency) of receipts over disbursements	69,718	87,832	-	432	(4,875)	5,695	-	3,997	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	69,718	87,832	-	432	(4,875)	5,695	-	3,997	-
Cash and investments - ending	\$ 169,102	\$ 266,738	\$ -	\$ 1,888	\$ (11,001)	\$ 6,472	\$ 17	\$ 7,156	\$ 118

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	EC Football Donations	Fitness Center/ Recreational Activities	Donations - Athletic	Donations - Art	Donations - Music	Donations - Preschool	Indiana Youth Institute/Prof Dev Grant	2006 G.O. Bond Land Purchase	Parents as Teachers & Miscellaneous Programs
Cash and investments - beginning	\$ 1,498	\$ 9,364	\$ 25	\$ 110	\$ 1,123	\$ 68	\$ 778	\$ 24,875	\$ 11,006
Receipts:									
Local sources	-	688	-	1,240	1,300	-	-	-	4,877
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	688	-	1,240	1,300	-	-	-	4,877
Disbursements:									
Instruction	-	3,243	-	110	1,173	-	750	-	-
Support services	-	-	-	-	150	-	-	-	3,000
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	24,875	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	3,243	-	110	1,323	-	750	24,875	3,000
Excess (deficiency) of receipts over disbursements	-	(2,555)	-	1,130	(23)	-	(750)	(24,875)	1,877
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,555)	-	1,130	(23)	-	(750)	(24,875)	1,877
Cash and investments - ending	\$ 1,498	\$ 6,809	\$ 25	\$ 1,240	\$ 1,100	\$ 68	\$ 28	\$ -	\$ 12,883

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Literacy For Life Grant	Formative Assessment	High Ability Grant 15-16	High Ability Grant 2009-2010	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Performance Based Awards
Cash and investments - beginning	\$ 4,798	\$ -	\$ -	\$ 30,337	\$ -	\$ -	\$ 5,042	\$ 45,723	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	34,612	-	-	5,955	15,865	72,439
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	157,241	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	34,612	157,241	-	5,955	15,865	72,439
Disbursements:									
Instruction	-	-	-	18,369	190,224	-	5,793	-	72,439
Support services	-	-	-	-	3,596	-	(30)	54,046	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	4,423	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	18,369	193,820	-	5,763	58,469	72,439
Excess (deficiency) of receipts over disbursements	-	-	-	16,243	(36,579)	-	192	(42,604)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	16,243	(36,579)	-	192	(42,604)	-
Cash and investments - ending	\$ 4,798	\$ -	\$ -	\$ 46,580	\$ (36,579)	\$ -	\$ 5,234	\$ 3,119	\$ -

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	2008 Construction Bond	Dairy and Nutrition Council	Title I	Title I 15-16	Drug Free Schools	Title VI, Part A	Perkins	Tech- Prep	Improving Teacher Quality, No Child Left, Title II, Part A
Cash and investments - beginning	\$ 56,496	\$ 20	\$ (17,938)	\$ -	\$ 117	\$ 4,609	\$ (16,454)	\$ (42)	\$ (123)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	49,685	-	-	-	37,526	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	49,685	-	-	-	37,526	-	-
Disbursements:									
Instruction	436	-	139,321	-	-	-	26,442	-	-
Support services	-	-	49,712	-	-	-	-	-	20,431
Noninstructional services	-	-	1,475	-	-	-	-	-	-
Facilities acquisition and construction	56,759	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	57,195	-	190,508	-	-	-	26,442	-	20,431
Excess (deficiency) of receipts over disbursements	(57,195)	-	(140,823)	-	-	-	11,084	-	(20,431)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(57,195)	-	(140,823)	-	-	-	11,084	-	(20,431)
Cash and investments - ending	\$ (699)	\$ 20	\$ (158,761)	\$ -	\$ 117	\$ 4,609	\$ (5,370)	\$ (42)	\$ (20,554)

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Title II 14-16	Title II 15-17	Title III - English Proficiency Migrant	Special Education - Part B	Prepaid School Lunch	Petty Cash	Payroll Withholding Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 145	\$ 14,412	\$ 200	\$ (20,423)	\$ 11,073,173
Receipts:								
Local sources	-	-	-	-	-	-	-	9,311,895
Intermediate sources	-	-	-	-	-	-	-	79,267
State sources	-	-	-	-	-	-	-	12,466,133
Federal sources	-	-	-	-	-	-	-	401,659
Temporary loans	-	-	-	-	-	-	-	157,241
Other receipts	-	-	-	-	988	50	2,702,006	2,753,605
Total receipts	-	-	-	-	988	50	2,702,006	25,169,800
Disbursements:								
Instruction	2,343	-	4,521	-	-	-	-	9,759,164
Support services	5,857	-	400	-	-	-	-	5,696,733
Noninstructional services	-	-	-	-	-	-	-	1,497,079
Facilities acquisition and construction	-	-	-	-	-	-	-	1,196,218
Debt services	-	-	-	-	-	-	-	8,200,196
Nonprogrammed charges	-	-	-	-	354	50	2,635,650	2,636,054
Total disbursements	8,200	-	4,921	-	354	50	2,635,650	28,985,444
Excess (deficiency) of receipts over disbursements	(8,200)	-	(4,921)	-	634	-	66,356	(3,815,644)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,200)	-	(4,921)	-	634	-	66,356	(3,815,644)
Cash and investments - ending	\$ (8,200)	\$ -	\$ (4,921)	\$ 145	\$ 15,046	\$ 200	\$ 45,933	\$ 7,257,529

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Construction
Cash and investments - beginning	\$ 1,175,149	\$ -	\$ 1,420,503	\$ 2,292,117	\$ 84,527	\$ 407,087	\$ 43,732	\$ 133,190	\$ 1,346,408
Receipts:									
Local sources	174,275	1,168,603	3,439,135	3,213,722	158,644	904,778	590,752	93,910	-
Intermediate sources	52,700	-	-	-	-	-	-	-	-
State sources	12,849,725	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	4,206	-	-	-	-	-	-	-	-
Total receipts	<u>13,080,906</u>	<u>1,168,603</u>	<u>3,439,135</u>	<u>3,213,722</u>	<u>158,644</u>	<u>904,778</u>	<u>590,752</u>	<u>93,910</u>	<u>-</u>
Disbursements:									
Instruction	9,011,782	492,907	-	-	-	-	-	-	-
Support services	3,874,127	43,326	79,192	-	-	725,977	552,891	96,936	11,250
Noninstructional services	385,279	-	-	-	-	-	-	-	-
Facilities acquisition and construction	2,868	-	-	-	-	68,551	-	-	1,119,645
Debt services	-	-	3,633,933	3,475,578	158,388	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>13,274,056</u>	<u>536,233</u>	<u>3,713,125</u>	<u>3,475,578</u>	<u>158,388</u>	<u>794,528</u>	<u>552,891</u>	<u>96,936</u>	<u>1,130,895</u>
Excess (deficiency) of receipts over disbursements	<u>(193,150)</u>	<u>632,370</u>	<u>(273,990)</u>	<u>(261,856)</u>	<u>256</u>	<u>110,250</u>	<u>37,861</u>	<u>(3,026)</u>	<u>(1,130,895)</u>
Other financing sources (uses):									
Transfers in	41,663	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>41,663</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>(151,487)</u>	<u>632,370</u>	<u>(273,990)</u>	<u>(261,856)</u>	<u>256</u>	<u>110,250</u>	<u>37,861</u>	<u>(3,026)</u>	<u>(1,130,895)</u>
Cash and investments - ending	<u>\$ 1,023,662</u>	<u>\$ 632,370</u>	<u>\$ 1,146,513</u>	<u>\$ 2,030,261</u>	<u>\$ 84,783</u>	<u>\$ 517,337</u>	<u>\$ 81,593</u>	<u>\$ 130,164</u>	<u>\$ 215,513</u>

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Early Intervention Grant	School Intervention and Career Counseling	Donations/ Building Trades Grant	Jr. Wildcats - Scouting
Cash and investments - beginning	\$ 169,102	\$ 266,738	\$ -	\$ 1,888	\$ (11,001)	\$ 6,472	\$ 17	\$ 7,156	\$ 118
Receipts:									
Local sources	610,073	206,642	984	-	-	-	-	25,338	-
Intermediate sources	-	-	-	431	-	-	-	-	-
State sources	13,345	118,472	-	-	11,001	28,473	-	-	-
Federal sources	303,459	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	18	11,882	-	-	-	-	-	-	-
Total receipts	926,895	336,996	984	431	11,001	28,473	-	25,338	-
Disbursements:									
Instruction	-	-	-	-	-	14,688	-	5,614	-
Support services	28,851	174,650	-	-	-	-	-	10,291	-
Noninstructional services	860,576	-	-	-	-	-	-	-	-
Facilities acquisition and construction	12,886	-	-	-	-	-	-	135	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	902,313	174,650	-	-	-	14,688	-	16,040	-
Excess (deficiency) of receipts over disbursements	24,582	162,346	984	431	11,001	13,785	-	9,298	-
Other financing sources (uses):									
Transfers in	439,536	-	-	-	-	(3,212)	(17)	(2,634)	(118)
Transfers out	(439,823)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(287)	-	-	-	-	(3,212)	(17)	(2,634)	(118)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,295	162,346	984	431	11,001	10,573	(17)	6,664	(118)
Cash and investments - ending	\$ 193,397	\$ 429,084	\$ 984	\$ 2,319	\$ -	\$ 17,045	\$ -	\$ 13,820	\$ -

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	EC Football Donations	Fitness Center/ Recreational Activities	Donations - Athletic	Donations - Art	Donations - Music	Donations - Preschool	Indiana Youth Institute/Prof Dev Grant	2006 G.O. Bond Land Purchase	Parents as Teachers & Miscellaneous Programs
Cash and investments - beginning	\$ 1,498	\$ 6,809	\$ 25	\$ 1,240	\$ 1,100	\$ 68	\$ 28	\$ -	\$ 12,883
Receipts:									
Local sources	-	-	-	-	-	-	500	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	500	-	-
Disbursements:									
Instruction	1,498	-	-	90	-	-	-	-	-
Support services	-	-	-	-	-	-	455	-	7,318
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,498	-	-	90	-	-	455	-	7,318
Excess (deficiency) of receipts over disbursements	(1,498)	-	-	(90)	-	-	45	-	(7,318)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	(68)	-	-	(999)
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(68)	-	-	(999)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,498)	-	-	(90)	-	(68)	45	-	(8,317)
Cash and investments - ending	\$ -	\$ 6,809	\$ 25	\$ 1,150	\$ 1,100	\$ -	\$ 73	\$ -	\$ 4,566

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Literacy For Life Grant	Formative Assessment	High Ability Grant 15-16	High Ability Grant 2009-2010	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Performance Based Awards
Cash and investments - beginning	\$ 4,798	\$ -	\$ -	\$ 46,580	\$ (36,579)	\$ -	\$ 5,234	\$ 3,119	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	21,328	35,222	-	-	55,376	11,602	16,714	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	238,676	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	21,328	35,222	-	238,676	55,376	11,602	16,714	-
Disbursements:									
Instruction	-	-	7,015	27,337	4,790	-	10,470	-	-
Support services	-	21,328	-	-	-	55,376	1,196	12,462	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	197,307	-	-	417	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	21,328	7,015	27,337	202,097	55,376	11,666	12,879	-
Excess (deficiency) of receipts over disbursements	-	-	28,207	(27,337)	36,579	-	(64)	3,835	-
Other financing sources (uses):									
Transfers in	(4,798)	-	-	(19,243)	-	-	(5,170)	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(4,798)	-	-	(19,243)	-	-	(5,170)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,798)	-	28,207	(46,580)	36,579	-	(5,234)	3,835	-
Cash and investments - ending	\$ -	\$ -	\$ 28,207	\$ -	\$ -	\$ -	\$ -	\$ 6,954	\$ -

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	2008 Construction Bond	Dairy and Nutrition Council	Title I	Title I 15-16	Drug Free Schools	Title VI, Part A	Perkins	Tech- Prep	Improving Teacher Quality, No Child Left, Title II, Part A
Cash and investments - beginning	\$ (699)	\$ 20	\$ (158,761)	\$ -	\$ 117	\$ 4,609	\$ (5,370)	\$ (42)	\$ (20,554)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	190,666	74,522	-	-	21,035	-	50,935
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	190,666	74,522	-	-	21,035	-	50,935
Disbursements:									
Instruction	-	-	24,616	123,215	-	-	25,076	-	22,337
Support services	-	-	7,470	10,136	-	-	191	-	8,044
Noninstructional services	-	20	-	622	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	20	32,086	133,973	-	-	25,267	-	30,381
Excess (deficiency) of receipts over disbursements	-	(20)	158,580	(59,451)	-	-	(4,232)	-	20,554
Other financing sources (uses):									
Transfers in	699	-	181	-	(117)	(4,609)	(1,168)	42	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	699	-	181	-	(117)	(4,609)	(1,168)	42	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	699	(20)	158,761	(59,451)	(117)	(4,609)	(5,400)	42	20,554
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (59,451)	\$ -	\$ -	\$ (10,770)	\$ -	\$ -

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Title II 14-16	Title II 15-17	Title III - English Proficiency Migrant	Special Education - Part B	Prepaid School Lunch	Petty Cash	Payroll Withholding Clearing Account	Totals
Cash and investments - beginning	\$ (8,200)	\$ -	\$ (4,921)	\$ 145	\$ 15,046	\$ 200	\$ 45,933	\$ 7,257,529
Receipts:								
Local sources	-	-	-	-	-	-	-	10,587,356
Intermediate sources	-	-	-	-	-	-	-	53,131
State sources	-	-	7,748	-	-	-	-	13,169,006
Federal sources	28,484	12,483	-	-	-	-	-	681,584
Temporary loans	-	-	-	-	-	-	-	238,676
Other receipts	-	-	-	-	2,343	-	2,644,561	2,663,010
Total receipts	<u>28,484</u>	<u>12,483</u>	<u>7,748</u>	<u>-</u>	<u>2,343</u>	<u>-</u>	<u>2,644,561</u>	<u>27,392,763</u>
Disbursements:								
Instruction	18,522	-	5,135	-	-	-	-	9,795,092
Support services	8,418	12,483	723	-	-	-	-	5,743,091
Noninstructional services	-	-	-	-	-	-	-	1,246,497
Facilities acquisition and construction	-	-	-	-	-	-	-	1,401,809
Debt services	-	-	-	-	-	-	-	7,267,899
Nonprogrammed charges	-	-	-	-	1,014	200	2,665,363	2,666,577
Total disbursements	<u>26,940</u>	<u>12,483</u>	<u>5,858</u>	<u>-</u>	<u>1,014</u>	<u>200</u>	<u>2,665,363</u>	<u>28,120,965</u>
Excess (deficiency) of receipts over disbursements	<u>1,544</u>	<u>-</u>	<u>1,890</u>	<u>-</u>	<u>1,329</u>	<u>(200)</u>	<u>(20,802)</u>	<u>(728,202)</u>
Other financing sources (uses):								
Transfers in	-	-	-	(145)	-	-	-	439,823
Transfers out	-	-	-	-	-	-	-	(439,823)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,544</u>	<u>-</u>	<u>1,890</u>	<u>(145)</u>	<u>1,329</u>	<u>(200)</u>	<u>(20,802)</u>	<u>(728,202)</u>
Cash and investments - ending	<u>\$ (6,656)</u>	<u>\$ -</u>	<u>\$ (3,031)</u>	<u>\$ -</u>	<u>\$ 16,375</u>	<u>\$ -</u>	<u>\$ 25,131</u>	<u>\$ 6,529,327</u>

HANOVER COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Hanover Middle School Building Corporation	School Facilities	\$ 2,561,287	02/14/2008	01/15/2030
Hanover Multi-School Building Corporation	School Facilities	918,294	10/20/2003	01/15/2029
Hanover Multi-School Building Corporation	School Facilities	911,774	02/16/2008	01/15/2030
Hanover Multi-School Building Corporation	School Facilities	434,400	07/04/2014	06/30/2032
Ricoh USA Inc	Copier lease	<u>29,028</u>	07/15/2015	07/14/2020
Total of annual lease payments		<u>\$ 4,854,783</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds		Facilities renovations and equipment	\$ 1,775,000	\$ 777,776
General obligation bonds		2004 Pension/Retirement GO Bond	225,000	159,938
Notes and loans payable		School improvements and technology	<u>12,976,387</u>	<u>1,727,684</u>
Totals			<u>\$ 14,976,387</u>	<u>\$ 2,665,398</u>

HANOVER COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2016

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	\$ 2,948,284
Infrastructure	1,937,000
Buildings	34,533,487
Improvements other than buildings	5,301,865
Machinery, equipment, and vehicles	1,458,180
Books and other	1,420,034
Total capital assets	\$ 47,598,850

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE HANOVER COMMUNITY SCHOOL  
CORPORATION, LAKE COUNTY, INDIANA

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

We have audited the Hanover Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. 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, 2014 to June 30, 2016.

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

**Report on Internal Control over Compliance**


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

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 a 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a material weakness.

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

June 15, 2017

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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.

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

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	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program							
School Breakfast							
School Breakfast							
Total - School Breakfast Program							
National School Lunch Program							
School Lunch							
School Lunch							
School Lunch - Commodities							
School Lunch - Commodities							
Total - National School Lunch Program							
Total - Child Nutrition Cluster							
Total - Department of Agriculture							
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States							
IDEA Part B Section 611							
IDEA Part B Section 611							
IDEA Part B Section 611							
IDEA Part B Section 611							
Technical Assistance Part B							
Total - Special Education_Grants to States							
Special Education_Preschool Grants							
IDEA Part B Section 619							
IDEA Part B Section 619							
IDEA Part B Section 619							
Total - Special Education_Preschool Grants							
Total - Special Education Cluster (IDEA)							

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016  
(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	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Education (continued)</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2013-2014			14-4580	-	49,685	-	-
Title I 2014-2015			15-4580	-	-	-	190,666
Title I 2015-2016			16-4580	-	-	-	<u>74,522</u>
Total - Title I Grants to Local Educational Agencies				<u>-</u>	<u>49,685</u>	<u>-</u>	<u>265,188</u>
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048					
Perkins Grant 2013-2014			14-4580	-	32,526	-	-
Perkins Grant 2014-2015			15-4580	-	5,000	-	17,111
Perkins Grant 2015-2016			16-4580	-	-	-	<u>3,924</u>
Total - Career and Technical Education -- Basic Grants to States				<u>-</u>	<u>37,526</u>	<u>-</u>	<u>21,035</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 2013-15			01114-102-P	-	1,100	-	-
Title III 2014-2016			01115-108-P	-	-	-	<u>7,748</u>
Total - English Language Acquisition State Grants				<u>-</u>	<u>1,100</u>	<u>-</u>	<u>7,748</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title II-A 2013-15 FFY- 2013			14-4580	-	-	-	50,935
Title II-A 2014-16 FFY- 2014			15-4580	-	-	-	28,484
Title II-A 2015-17 FFY- 2015			16-4580	-	-	-	<u>12,483</u>
Total - Improving Teacher Quality State Grants				<u>-</u>	<u>-</u>	<u>-</u>	<u>91,902</u>
Total - Department of Education				<u>-</u>	<u>516,188</u>	<u>-</u>	<u>831,535</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 887,839</u>	<u>\$ -</u>	<u>\$ 1,199,808</u>

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

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. *Summary of Significant Accounting Policies***

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. *Special Education Cooperative***

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit finding disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) 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 2016-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS**

*Condition*

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

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts and payroll disbursements.

Receipts: One individual received collections, issued and recorded receipts, prepared the deposits, and took the deposits to the bank without evidence of a proper system of oversight or review.

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

Payroll Disbursements: One individual was responsible for entering pay rates into the accounting software system without evidence of a proper system of oversight or review.

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

Accurate and timely recording of transactions. . . .

Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

*Cause*

Management of the School Corporation had not established a proper system of internal controls related to receipts and payroll disbursements.

*Effect*

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

**FINDING 2016-002 - ELIGIBILITY, SUSPENSION AND DEBARMENT,  
REPORTING, AND SPECIAL TESTS AND PROVISIONS - VERIFICATION  
OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)**

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): FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

This is a partial repeat of Finding 2014-002 from the immediate prior year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Eligibility*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that students' eligibility for free and reduced price meals were properly determined.

A computer software program was used to determine eligibility; however, one employee manually entered family information into the computer software program without a proper system of oversight or review to ensure correct information was entered. In addition, the School Corporation did not have any procedures in place to ensure that the eligibility guidelines in the software program were accurate.

*Procurement and Suspension and Debarment*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with suspension and debarment requirements. Food Service officials were unaware of the suspension and debarment requirements of the program.

*Reporting*

The Annual Financial Report and Sponsor Claim (claims for reimbursement) were prepared by the Nutrition Services Director without a proper system of oversight or review.

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

The School Corporation had designed policies and procedures to ensure that the verification of free and reduced price applications were accurate; however, evidence of the review process was not documented.

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

*Context*

The lack of controls was a systemic problem. There was no evidence of controls over Eligibility, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements throughout the audit period.

*Criteria*

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. . . ."

2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The School Corporation failed to establish a proper internal control structure to ensure compliance with requirements associated with the Eligibility, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. The 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 programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Eligibility, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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#### AUDITEE-PREPARED DOCUMENTS

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



**Board of School Trustees**

Scott Burdan  
James Sakelaris  
Connie Sterkowitz  
Dennis Wilkening  
Kelly York

**Central Office**

Thomas L. Taylor, Ed.S.  
Superintendent of Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2014-002***

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Federal Agency  
Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Status of Audit Finding: The district is continuing to improve the internal controls over the areas noted for this particular finding.

Adam C. Minth  
(Signature)

Director of Business Services  
(Title)

6/12/17  
(Date)



**Board of School Trustees**

Scott Burdan  
James Sakelaris  
Connie Sterkowitz  
Dennis Wilkening  
Kelly York

**Central Office**

Thomas L. Taylor, Ed.S.  
Superintendent of Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2014-003***

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Federal Agency  
Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Status of Audit Finding: The School Corporation has enhanced its internal control system to correct deficiency in Special Tests and Provisions-School Food Account. As of March 2014 the Food Services department receipts federal reimbursements in a timely fashion.

Adam C. Minth  
(Signature)

Director of Business Svcs  
(Title)

6/12/17  
(Date)



**Board of School Trustees**

Scott Burdan  
James Sakelaris  
Connie Sterkowitz  
Dennis Wilkening  
Kelly York

**Central Office**

Thomas L. Taylor, Ed.S.  
Superintendent of Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2014-004***

Fiscal year in which the finding initially occurred: 2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Federal Grantor Agency  
Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Status of Audit Finding: The School Corporation has enhanced its internal control system to correct deficiency in Title 1 Grants to Local Educational Agencies. Multiple procedures were implemented to ensure stronger segregation of duties including the following: The Title 1 Grant coordinator regularly reviews the payroll distribution report by fund. Additionally, all claims for reimbursement are prepared by a member of the Business Services Department and reviewed and verified by a different member whom has knowledge of the Grant.

Adam C. Minth  
(Signature)

Director of Business Sics  
(Title)

6/12/17  
(Date)



Board of School Trustees

Scott Burdan  
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Dennis Wilkening  
Kelly York

Central Office

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Superintendent of Schools

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CORRECTIVE ACTION PLAN

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Views of Responsible Official: The School Corporation is aware of its need to enhance its internal controls and oversight and will be implementing corrective procedures immediately.

Description of Corrective Action Plan: The School Corporation will continue to enhance its internal controls and oversight. Procedures have been implemented to ensure segregation of duties and adequate oversight. Beginning in June of 2017 the following segregation of duties will occur in respect to Receipts: A member of the Business Services Department will be responsible for receiving collections as well as issuing and recording receipts. A separate member of the Business Services Department will then prepare the deposit which will be reviewed and initialed by both members and then taken to the bank. Also beginning in June of 2017 the following segregation of duties will occur in respect to Payroll Disbursements: A member of the Business Services Department will be responsible for entering in any and all School Board approved pay rates into the accounting software while a separate member of the Business Services Department reviews and verifies the approved changes.

The School Corporation will continue to enhance its internal control procedures and oversight. It is the School Corporations intent to have adequate internal controls in place in order to provide reasonable assurance that said controls will prevent, or detect and correct, material misstatements in a timely manner.

Anticipated Completion Date: 6/16/2017

Adam C. Minth  
(Signature)

Director of Business Svcs  
(Title)

6/14/17  
(Date)



**Board of School Trustees**

Scott Burdan  
James Sakelaris  
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Kelly York

**Central Office**

Thomas L. Taylor, Ed.S.  
Superintendent of Schools

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CORRECTIVE ACTION PLAN

***FINDING 2016-002***

Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Views of Responsible Official: The School Corporation is aware of its need to enhance its internal controls and oversight and will be implementing corrective procedures immediately.

Description of Corrective Action Plan: The following procedures will be implemented in the 2017-2018 school year for determining eligibility and the verification process: The Director of Food Services will continue to manually enter eligibility information into the computer software program but going forward it will then be reviewed and verified by the Nutrition Services Office Manager to ensure the correct information was entered.

The School Corporation utilizes the services of and is a member of the Northwest Indiana Education Service Center (NWIESC), a governmental entity, and relies on them in regards to Suspension and Debarment requirements and reporting. Starting in the 2017-2018 school year the Director of Food Services as well as the Nutrition Services Office Manager will verify Suspension and Debarment results for each vendor via [sam.gov](http://sam.gov).

The following procedures will be implemented in the 2017-2018 school year for preparing the Annual Financial Report and Monthly Claims for Reimbursement: The Director of Food Services will continue to prepare the Annual Financial report as well as Monthly Claims for Reimbursement and they will then be reviewed and verified by the Nutrition Services Office Manager to ensure the correct information was entered.

The following procedures will be implemented in the 2017-2018 school year in regards to the accuracy of Verification of Free and Reduced Price Applications: All Free and Reduced Price Applications will continue to be verified by either the Director of Food Services or the Nutrition Services Office Manager and this review process will be documented on each individual application via signature.

Anticipated Completion Date: 6/16/2017

Adam E. Minth

(Signature)

Director of Business Svcs

(Title)

6/14/17

(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/>.