

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

COMMUNITY SCHOOL CORPORATION
OF EASTERN HANCOCK COUNTY
HANCOCK COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
12/11/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-31
Schedule of Leases and Debt	33
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	36-38
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43-53
Auditee-Prepared Document:	
Corrective Action Plan	56-61
Other Reports.....	62

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jill Muegge	07-01-13 to 12-31-14
	Kara Horseman	01-01-15 to 08-31-15
	Jill Muegge (interim)	09-01-15 to 02-28-16
	Adam Kinder	02-29-16 to 12-31-17
Superintendent of Schools	Randy Harris	07-01-13 to 06-30-14
	Steve Welsh (interim)	07-01-14 to 12-31-15
	Vicki McGuire	01-01-16 to 12-31-17
President of the School Board	Scott Petry	07-01-13 to 12-31-15
	Thomas Younts	01-01-16 to 12-31-17



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

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Community School Corporation of Eastern Hancock County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, 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, 2013 to June 30, 2015.

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, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 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

October 26, 2017



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Community School Corporation of Eastern Hancock County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated October 26, 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 a material weakness.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 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 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 2015-001.

Community School Corporation of Eastern Hancock County'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

October 26, 2017

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 1,580,872	\$ 6,975,096	\$ 7,018,024	\$ -	\$ 1,537,944	\$ 7,202,102	\$ 7,090,201	\$ -	\$ 1,649,845
Debt Service	725,296	1,277,451	1,238,454	-	764,293	1,523,014	1,261,416	-	1,025,891
Retirement/Severance Bond Debt Service	98,564	135,628	139,669	-	94,523	57,597	72,051	-	80,069
Capital Projects	231,677	913,803	938,698	-	206,782	941,078	1,069,095	-	78,765
School Transportation	288,922	769,819	934,107	46,033	170,667	859,583	986,469	-	43,781
School Bus Replacement	151,923	246,960	127,465	-	271,418	249,668	222,177	-	298,909
Rainy Day	200,000	-	-	-	200,000	-	-	-	200,000
Construction	-	-	-	-	-	-	36,713	800,000	763,287
School Lunch	15,568	562,326	567,403	-	10,491	518,624	579,545	-	(50,430)
Textbook Rental	49,324	159,359	181,373	-	27,310	131,070	168,214	-	(9,834)
Levy Excess	47,704	-	-	(46,033)	1,671	-	-	-	1,671
Educational License Plates	335	150	354	-	131	169	-	-	300
Donations/ Contributions	800	1,000	1,800	-	-	-	-	-	-
Lifeskills Class	5	-	-	-	5	-	-	-	5
BSU Grant German Class	28	-	-	-	28	-	-	-	28
Outdoor Lab	1,203	-	1,203	-	-	-	-	-	-
Employee Wellness	500	-	-	-	500	2,520	40	-	2,980
Safe Hire Fees	(13)	1,015	1,550	-	(548)	1,147	3,333	-	(2,734)
Grants Miscellaneous	679	-	-	-	679	1,145	-	-	1,824
Library Endowment - HCCF	-	845	-	-	845	-	822	-	23
Griffith Library Endowment	524	-	524	-	-	-	-	-	-
High Ability 2011-2012	(8,494)	-	576	-	(9,070)	-	-	-	(9,070)
High Ability 2012-2013	6,078	-	6,593	-	(515)	-	-	-	(515)
High Ability 2013-2014	-	28,854	26,218	-	2,636	-	5,270	-	(2,634)
High Ability 2014-2015	-	-	-	-	-	29,640	26,237	-	3,403
2014 Making a Difference Grant	-	-	-	-	-	16,800	16,800	-	-
SSS Grant	-	-	-	-	-	30,741	56,140	-	(25,399)
Non-English Speaking Programs P.L. 273-1999	775	-	775	-	-	-	-	-	-
School Technology	7,379	23,312	10,050	-	20,641	21,571	24,720	-	17,492
Performance Based Awards	-	-	-	-	-	52,922	51,102	-	1,820
Construction, Remodeling, and Equipping Buildings	-	2,233	-	-	2,233	-	-	-	2,233
Miscellaneous Programs	-	10,250	-	-	10,250	13,750	4,875	-	19,125
Title I 2011-2012	10,063	-	-	-	10,063	-	-	-	10,063
Title I 2012-2013	(5,847)	-	(5,623)	-	(224)	-	-	-	(224)
Title I 2013-2014	-	53,468	53,468	-	-	-	-	-	-
Title I 2014-2015	-	-	-	-	-	53,879	58,986	-	(5,107)
Title I Migrant	874	-	874	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(3,217)	-	-	-	(3,217)	-	-	-	(3,217)
Title II FY 2012	-	16,200	16,200	-	-	-	-	-	-
ITQ, Enhanced Education Through Technology, Title II, Part D	13	-	-	-	13	-	-	-	13
Prepaid Food Collections - SFS	119,850	237,273	346,048	-	11,075	265,592	195,147	-	81,520
Payroll Clearing	25,849	2,682,492	2,621,383	-	86,958	2,807,913	2,835,162	-	59,709
Retiree Medical Insurance Premium	(1,983)	33,188	27,980	-	3,225	44,447	39,890	-	7,782
Totals	\$ 3,545,251	\$ 14,130,722	\$ 14,255,166	\$ -	\$ 3,420,807	\$ 14,824,972	\$ 14,804,405	\$ 800,000	\$ 4,241,374

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

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources. 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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
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.

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 service. 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:

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

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
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. Negative Receipts and Disbursements

The financial statement contains some receipts and disbursements, which appear as negative entries. This is a result of the correction of errors from the prior period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of disbursements exceeding receipts due to the underestimation of current requirements or funds being set up as reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014 and 2015.

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

Note 9. Restatement

For the year ended June 30, 2014, a change had been made to a beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance:

Fund	Balance as of June 30, 2013	Prior Period Adjustment	Balance as of July 1, 2013
Payroll Clearing	\$ 26,086	\$ (237)	\$ 25,849

Note 10. Holding Corporation

The School Corporation has entered into capital leases with Eastern Hancock Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2014 and 2015 totaled \$1,217,000 and \$1,241,000, respectively.

Note 11. Subsequent Event

On May 16, 2016, a resolution was passed by the School Board to authorize the School Corporation to refund the 2007 lease and enter into a capital lease with the Eastern Hancock Middle School Building Corporation. The lease for \$10,060,000 is for building repairs and a new HVAC system throughout all schools.

Note 12. Other Postemployment Benefit

The School Corporation provides to eligible retirees and their spouses the following benefit: health insurance. This benefit poses a liability to the School Corporation for this year and in future years. Information regarding this benefit can be obtained by contacting the School Corporation.

Note 13. Combined Funds

Funds related to Payroll Clearing were reported individually in the prior financial statement, but were combined into one fund for the current financial statement.

(This page intentionally left blank.)

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.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 1,580,872	\$ 725,296	\$ 98,564	\$ 231,677	\$ 288,922	\$ 151,923	\$ 200,000	\$ -
Receipts:								
Local sources	4,484	1,277,451	135,628	913,803	769,819	246,960	-	-
Intermediate sources	7,410	-	-	-	-	-	-	-
State sources	6,963,069	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	133	-	-	-	-	-	-	-
Total receipts	<u>6,975,096</u>	<u>1,277,451</u>	<u>135,628</u>	<u>913,803</u>	<u>769,819</u>	<u>246,960</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	4,644,710	-	-	-	-	-	-	-
Support services	2,208,871	-	-	449,195	934,107	127,465	-	-
Noninstructional services	160,884	-	-	-	-	-	-	-
Facilities acquisition and construction	3,559	-	-	489,503	-	-	-	-
Debt service	-	1,238,454	139,669	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>7,018,024</u>	<u>1,238,454</u>	<u>139,669</u>	<u>938,698</u>	<u>934,107</u>	<u>127,465</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(42,928)</u>	<u>38,997</u>	<u>(4,041)</u>	<u>(24,895)</u>	<u>(164,288)</u>	<u>119,495</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	46,033	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,033</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(42,928)</u>	<u>38,997</u>	<u>(4,041)</u>	<u>(24,895)</u>	<u>(118,255)</u>	<u>119,495</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,537,944</u>	<u>\$ 764,293</u>	<u>\$ 94,523</u>	<u>\$ 206,782</u>	<u>\$ 170,667</u>	<u>\$ 271,418</u>	<u>\$ 200,000</u>	<u>\$ -</u>

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

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Donations/ Contributions	Lifeskills Class	BSU Grant German Class	Outdoor Lab
Cash and investments - beginning	\$ 15,568	\$ 49,324	\$ 47,704	\$ 335	\$ 800	\$ 5	\$ 28	\$ 1,203
Receipts:								
Local sources	409,510	131,674	-	-	1,000	-	-	-
Intermediate sources	-	-	-	150	-	-	-	-
State sources	6,048	27,685	-	-	-	-	-	-
Federal sources	146,768	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	562,326	159,359	-	150	1,000	-	-	-
Disbursements:								
Instruction	-	29,775	-	354	-	-	-	-
Support services	20,763	151,598	-	-	1,800	-	-	1,203
Noninstructional services	546,640	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	567,403	181,373	-	354	1,800	-	-	1,203
Excess (deficiency) of receipts over disbursements	(5,077)	(22,014)	-	(204)	(800)	-	-	(1,203)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(46,033)	-	-	-	-	-
Total other financing sources (uses)	-	-	(46,033)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,077)	(22,014)	(46,033)	(204)	(800)	-	-	(1,203)
Cash and investments - ending	\$ 10,491	\$ 27,310	\$ 1,671	\$ 131	\$ -	\$ 5	\$ 28	\$ -

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

	Employee Wellness	Safe Hire Fees	Grants Miscellaneous	Library Endowment - HCCF	Griffith Library Endowment	High Ability 2011-2012	High Ability 2012-2013
Cash and investments - beginning	\$ 500	\$ (13)	\$ 679	\$ -	\$ 524	\$ (8,494)	\$ 6,078
Receipts:							
Local sources	-	1,015	-	845	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	1,015	-	845	-	-	-
Disbursements:							
Instruction	-	-	-	-	-	576	6,593
Support services	-	-	-	-	524	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	1,550	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	1,550	-	-	524	576	6,593
Excess (deficiency) of receipts over disbursements	-	(535)	-	845	(524)	(576)	(6,593)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(535)	-	845	(524)	(576)	(6,593)
Cash and investments - ending	\$ 500	\$ (548)	\$ 679	\$ 845	\$ -	\$ (9,070)	\$ (515)

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

	High Ability 2013-2014	High Ability 2014-2015	2014 Making a Difference Grant	SSS Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Performance Based Awards
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 775	\$ 7,379	\$ -
Receipts:							
Local sources	-	-	-	-	-	15,824	-
Intermediate sources	-	-	-	-	-	-	-
State sources	28,854	-	-	-	-	7,488	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>28,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,312</u>	<u>-</u>
Disbursements:							
Instruction	26,218	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	775	10,050	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>26,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>775</u>	<u>10,050</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(775)</u>	<u>13,262</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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>2,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(775)</u>	<u>13,262</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,641</u>	<u>\$ -</u>

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

	Construction, Remodeling, and Equipping Buildings	Miscellaneous Programs	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Title I Migrant
Cash and investments - beginning	\$ -	\$ -	\$ 10,063	\$ (5,847)	\$ -	\$ -	\$ 874
Receipts:							
Local sources	2,233	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	53,468	-	-
Other receipts	-	10,250	-	-	-	-	-
Total receipts	<u>2,233</u>	<u>10,250</u>	<u>-</u>	<u>-</u>	<u>53,468</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	(5,623)	53,468	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	874
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,623)</u>	<u>53,468</u>	<u>-</u>	<u>874</u>
Excess (deficiency) of receipts over disbursements	<u>2,233</u>	<u>10,250</u>	<u>-</u>	<u>5,623</u>	<u>-</u>	<u>-</u>	<u>(874)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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>2,233</u>	<u>10,250</u>	<u>-</u>	<u>5,623</u>	<u>-</u>	<u>-</u>	<u>(874)</u>
Cash and investments - ending	<u>\$ 2,233</u>	<u>\$ 10,250</u>	<u>\$ 10,063</u>	<u>\$ (224)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Improving Teaching Quality, No Child Left, Title II, Part A	Title II FY 2012	ITQ, Enhanced Education Through Technology, Title II, Part D	Prepaid Food Collections - SFS	Payroll Clearing	Retiree Medical Insurance Premium	Totals
Cash and investments - beginning	\$ (3,217)	\$ -	\$ 13	\$ 119,850	\$ 25,849	\$ (1,983)	\$ 3,545,251
Receipts:							
Local sources	-	-	-	-	-	-	3,910,246
Intermediate sources	-	-	-	-	-	-	7,560
State sources	-	-	-	-	-	-	7,033,144
Federal sources	-	16,200	-	-	-	-	216,436
Other receipts	-	-	-	237,273	2,682,492	33,188	2,963,336
Total receipts	-	16,200	-	237,273	2,682,492	33,188	14,130,722
Disbursements:							
Instruction	-	-	-	-	-	-	4,756,071
Support services	-	16,200	-	-	-	-	3,911,726
Noninstructional services	-	-	-	-	-	-	707,524
Facilities acquisition and construction	-	-	-	-	-	-	506,311
Debt service	-	-	-	-	-	-	1,378,123
Nonprogrammed charges	-	-	-	346,048	2,621,383	27,980	2,995,411
Total disbursements	-	16,200	-	346,048	2,621,383	27,980	14,255,166
Excess (deficiency) of receipts over disbursements	-	-	-	(108,775)	61,109	5,208	(124,444)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	46,033
Transfers out	-	-	-	-	-	-	(46,033)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(108,775)	61,109	5,208	(124,444)
Cash and investments - ending	\$ (3,217)	\$ -	\$ 13	\$ 11,075	\$ 86,958	\$ 3,225	\$ 3,420,807

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 1,537,944	\$ 764,293	\$ 94,523	\$ 206,782	\$ 170,667	\$ 271,418	\$ 200,000	\$ -
Receipts:								
Local sources	23,009	1,523,014	57,597	939,378	859,583	249,668	-	-
Intermediate sources	10	-	-	-	-	-	-	-
State sources	7,171,228	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	7,855	-	-	1,700	-	-	-	-
Total receipts	<u>7,202,102</u>	<u>1,523,014</u>	<u>57,597</u>	<u>941,078</u>	<u>859,583</u>	<u>249,668</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	4,636,094	-	-	-	-	-	-	-
Support services	2,282,563	9,819	-	417,077	986,469	222,177	-	11,952
Noninstructional services	169,571	-	-	-	-	-	-	-
Facilities acquisition and construction	1,973	-	-	652,018	-	-	-	24,761
Debt service	-	1,251,597	72,051	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>7,090,201</u>	<u>1,261,416</u>	<u>72,051</u>	<u>1,069,095</u>	<u>986,469</u>	<u>222,177</u>	<u>-</u>	<u>36,713</u>
Excess (deficiency) of receipts over disbursements	<u>111,901</u>	<u>261,598</u>	<u>(14,454)</u>	<u>(128,017)</u>	<u>(126,886)</u>	<u>27,491</u>	<u>-</u>	<u>(36,713)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	800,000
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>111,901</u>	<u>261,598</u>	<u>(14,454)</u>	<u>(128,017)</u>	<u>(126,886)</u>	<u>27,491</u>	<u>-</u>	<u>763,287</u>
Cash and investments - ending	<u>\$ 1,649,845</u>	<u>\$ 1,025,891</u>	<u>\$ 80,069</u>	<u>\$ 78,765</u>	<u>\$ 43,781</u>	<u>\$ 298,909</u>	<u>\$ 200,000</u>	<u>\$ 763,287</u>

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
 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	Donations/ Contributions	Lifeskills Class	BSU Grant German Class	Outdoor Lab
Cash and investments - beginning	\$ 10,491	\$ 27,310	\$ 1,671	\$ 131	\$ -	\$ 5	\$ 28	\$ -
Receipts:								
Local sources	319,973	106,194	-	-	-	-	-	-
Intermediate sources	-	-	-	169	-	-	-	-
State sources	7,277	24,876	-	-	-	-	-	-
Federal sources	191,374	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	518,624	131,070	-	169	-	-	-	-
Disbursements:								
Instruction	-	48,665	-	-	-	-	-	-
Support services	26,178	119,549	-	-	-	-	-	-
Noninstructional services	553,367	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	579,545	168,214	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(60,921)	(37,144)	-	169	-	-	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(60,921)	(37,144)	-	169	-	-	-	-
Cash and investments - ending	\$ (50,430)	\$ (9,834)	\$ 1,671	\$ 300	\$ -	\$ 5	\$ 28	\$ -

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

	Employee Wellness	Safe Hire Fees	Grants Miscellaneous	Library Endowment - HCCF	Griffith Library Endowment	High Ability 2011-2012	High Ability 2012-2013
Cash and investments - beginning	\$ 500	\$ (548)	\$ 679	\$ 845	\$ -	\$ (9,070)	\$ (515)
Receipts:							
Local sources	2,520	1,147	1,145	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>2,520</u>	<u>1,147</u>	<u>1,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	40	-	-	822	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	3,333	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>40</u>	<u>3,333</u>	<u>-</u>	<u>822</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,480</u>	<u>(2,186)</u>	<u>1,145</u>	<u>(822)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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>2,480</u>	<u>(2,186)</u>	<u>1,145</u>	<u>(822)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,980</u>	<u>\$ (2,734)</u>	<u>\$ 1,824</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ (9,070)</u>	<u>\$ (515)</u>

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

	High Ability 2013-2014	High Ability 2014-2015	2014 Making a Difference Grant	SSS Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Performance Based Awards
Cash and investments - beginning	\$ 2,636	\$ -	\$ -	\$ -	\$ -	\$ 20,641	\$ -
Receipts:							
Local sources	-	-	-	-	-	12,682	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	29,640	16,800	30,741	-	8,889	52,922
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>29,640</u>	<u>16,800</u>	<u>30,741</u>	<u>-</u>	<u>21,571</u>	<u>52,922</u>
Disbursements:							
Instruction	5,270	26,237	16,800	-	-	-	51,102
Support services	-	-	-	10,017	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	46,123	-	24,720	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>5,270</u>	<u>26,237</u>	<u>16,800</u>	<u>56,140</u>	<u>-</u>	<u>24,720</u>	<u>51,102</u>
Excess (deficiency) of receipts over disbursements	<u>(5,270)</u>	<u>3,403</u>	<u>-</u>	<u>(25,399)</u>	<u>-</u>	<u>(3,149)</u>	<u>1,820</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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>(5,270)</u>	<u>3,403</u>	<u>-</u>	<u>(25,399)</u>	<u>-</u>	<u>(3,149)</u>	<u>1,820</u>
Cash and investments - ending	<u>\$ (2,634)</u>	<u>\$ 3,403</u>	<u>\$ -</u>	<u>\$ (25,399)</u>	<u>\$ -</u>	<u>\$ 17,492</u>	<u>\$ 1,820</u>

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

	Construction, Remodeling, and Equipping Buildings	Miscellaneous Programs	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Title I 2014-2015	Title I Migrant
Cash and investments - beginning	\$ 2,233	\$ 10,250	\$ 10,063	\$ (224)	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	53,879	-
Other receipts	-	13,750	-	-	-	-	-
Total receipts	-	13,750	-	-	-	53,879	-
Disbursements:							
Instruction	-	-	-	-	-	58,986	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	4,875	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	4,875	-	-	-	58,986	-
Excess (deficiency) of receipts over disbursements	-	8,875	-	-	-	(5,107)	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	8,875	-	-	-	(5,107)	-
Cash and investments - ending	\$ 2,233	\$ 19,125	\$ 10,063	\$ (224)	\$ -	\$ (5,107)	\$ -

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

	Improving Teaching Quality, No Child Left, Title II, Part A	Title II FY 2012	ITQ, Enhanced Education Through Technology, Title II, Part D	Prepaid Food Collections - SFS	Payroll Clearing	Retiree Medical Insurance Premium	Totals
Cash and investments - beginning	\$ (3,217)	\$ -	\$ 13	\$ 11,075	\$ 86,958	\$ 3,225	\$ 3,420,807
Receipts:							
Local sources	-	-	-	-	-	-	4,095,910
Intermediate sources	-	-	-	-	-	-	179
State sources	-	-	-	-	-	-	7,342,373
Federal sources	-	-	-	-	-	-	245,253
Other receipts	-	-	-	265,592	2,807,913	44,447	3,141,257
Total receipts	-	-	-	265,592	2,807,913	44,447	14,824,972
Disbursements:							
Instruction	-	-	-	-	-	-	4,843,154
Support services	-	-	-	-	-	-	4,086,663
Noninstructional services	-	-	-	-	-	-	722,938
Facilities acquisition and construction	-	-	-	-	-	-	757,803
Debt service	-	-	-	-	-	-	1,323,648
Nonprogrammed charges	-	-	-	195,147	2,835,162	39,890	3,070,199
Total disbursements	-	-	-	195,147	2,835,162	39,890	14,804,405
Excess (deficiency) of receipts over disbursements	-	-	-	70,445	(27,249)	4,557	20,567
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	800,000
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	800,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	70,445	(27,249)	4,557	820,567
Cash and investments - ending	\$ (3,217)	\$ -	\$ 13	\$ 81,520	\$ 59,709	\$ 7,782	\$ 4,241,374

(This page intentionally left blank.)

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
SCHEDULE OF LEASES AND DEBT
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental Activities:				
Eastern Hancock Middle School Building Corporation	Middle School Construction (2007)	\$ 584,000	12/31/2007	12/31/2022
Eastern Hancock Middle School Building Corporation	New Roof; Renovations (2009)	<u>679,000</u>	12/31/2009	12/31/2020
Total governmental activities		<u>1,263,000</u>		
Total of annual lease payments		<u>\$ 1,263,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Renovations; General Improvements	<u>\$ 800,000</u>	<u>\$ 282,956</u>
Totals		<u>\$ 800,000</u>	<u>\$ 282,956</u>

(This page intentionally left blank.)

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 EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Community School Corporation of Eastern Hancock County's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015. 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.

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

Basis for Disclaimer of Opinion on Child Nutrition Cluster

As described in item 2015-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of the School Corporation with Child Nutrition Cluster regarding Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity, nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by other auditing procedures.

Disclaimer of Opinion on Child Nutrition Cluster

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on Child Nutrition Cluster* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the School Corporation's compliance with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2013 to June 30, 2015.

Unmodified Opinion on the Special Education Cluster (IDEA)

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 Special Education Cluster (IDEA) identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, and 2015-006. Our opinion on each major federal program is not modified with respect to these matters.

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

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.

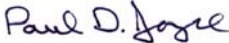
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002, 2015-003, 2015-004, 2015-005, and 2015-006 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

October 26, 2017

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.

(This page intentionally left blank.)

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015

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 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 14 / FY15	\$ -	\$ 15,935	\$ -	\$ 21,868
National School Lunch Program Commodities	Indiana Department of Education	10.555	FY 14 / FY15	-	130,833	-	169,506
				-	28,732	-	29,443
Total - National School Lunch Program				-	159,565	-	198,949
Total - Child Nutrition Cluster				-	175,500	-	220,817
Total - Department of Agriculture				-	175,500	-	220,817
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	FY 14 FY 15	-	53,468	-	-
				-	-	-	53,879
Total - Title I Grants to Local Educational Agencies				-	53,468	-	53,879
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14212-027-PN01	-	1,813	-	-
			14213-027-PN01	-	62,669	-	1,140
			14214-027-PN01	-	216,696	-	59,584
			14215-027-PN01	-	-	-	209,486
Total - Special Education_Grants to States				-	281,178	-	270,210
Special Education_Preschool Grants	Indiana Department of Education	84.173	45713-027-PN01	-	1,597	-	129
			45714-027-PN01	-	8,645	-	3,330
			45715-027-PN01	-	-	-	10,670
Total - Special Education_Preschool Grants				-	10,242	-	14,129
Total - Special Education Cluster (IDEA)				-	291,419	-	284,340
Improving Teacher Quality State Grants	Indiana Department of Education	84.367		-	16,200	-	-
Total - Department of Education				-	361,087	-	338,219
Total federal awards expended				\$ -	536,587	\$ -	559,036

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

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. 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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified - Special Education Cluster (IDEA); Disclaimer - Child Nutrition Cluster
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
Special Education Cluster (IDEA)
Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

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

Condition

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which is a financial reporting system used to compile the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

Due to the lack of controls, the following errors occurred on the SEFA:

1. The School Breakfast Program and National School Lunch Program were understated by \$70,679 for the fiscal year 2013-2014 and overstated by \$46,458 for fiscal year 2014-2015.
2. The Special Education_Grants to States and Special Education_Preschool Grants were not included, resulting in an understatement of \$291,419 for fiscal year 2013-2014 and \$284,340 for fiscal year 2014-2015.
3. Information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were either incorrectly reported or omitted.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

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. . . ."

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 § __.310. . . ."

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

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

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

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

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Recommendation

We recommended the School Corporation's management establish controls, including segregation of duties, related to the SEFA.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-002

Subject: Child Nutrition Cluster - Activities Allowed and Unallowed,
Allowable Costs/Cost Principles, Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 14 / FY 15
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/
Cost Principles, Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Cash Management.

Context

The lack of controls over the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management compliance requirements were systemic issues 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. . . ."

Cause

Management had not developed a system of internal controls for the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management 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.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management compliance requirements.

Views of Responsible Officials

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

FINDING 2015-003

Subject: Child Nutrition Cluster - Equipment and Real Property Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 14 / FY 15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation was not in compliance with the requirements for the Equipment and Real Property Management compliance requirement. Equipment was purchased for the programs during the audit period, but inventory or property records had not been updated for the purchase. There was no evidence of a control, such as an oversight, review, and approval process, to ensure that inventory or property records were maintained.

Context

The inventory records provided were last updated through June 20, 2013, and did not include equipment that was purchased during the audit period. The lack of controls was a systemic problem for the period audited.

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. . . ."

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

7 CFR 3016.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Cause

Management of the School Corporation had not established an effective internal control system that would have ensured that the requirements over the Equipment and Real Property Management compliance requirement were being met.

Effect

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management establish a system with internal controls to ensure that the School Corporation is in compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

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

FINDING 2015-004

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 14 / FY 15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement.

The School Corporation did not verify that the contracted vendors were not suspended or debarred during the audit period. There was no evidence of a control, such as an oversight, review, and approval process, to ensure that compliance with the Suspension and Debarment requirements were maintained.

Context

The lack of controls and noncompliance were systemic problems for the period audited.

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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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

Cause

Management of the School Corporation had not established an effective internal control system that would have ensured that requirements over the Suspension and Debarment compliance requirement were being met.

Effect

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management establish a system with internal controls to ensure that the School Corporation was in compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2015-005

Subject: Child Nutrition Cluster - Eligibility, Program Income, Reporting,
and Special Tests and Provisions - Verification of Free and Reduced
Price Applications (NSLP) and National School Lunch Program - Special
Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY 14 / FY 15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Program Income, Reporting, Special
Tests and Provisions - Verification of Free and Reduced
Price Applications (NSLP), Special Tests and
Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Modified Opinion/Scope Limitation

Repeat Finding

This is not a repeat finding from the immediate prior year.

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

The School Corporation was unable to locate accounting records needed to complete the audit including sales reports, eligibility determinations, verification summaries, verifications, and paid lunch equity calculations for the audit period and; therefore, compliance related to the Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements could not be tested.

Context

The lack of controls and missing records were systemic problems 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. . . ."

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Cause

Management had not developed a system of internal controls that would have ensured that accounting records were made available for audit.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation was maintained and made available for audit relating to the Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2015-006

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-027-PN01, 14213-027-PN01,
14214-027-PN01, 14215-027-PN01,
45713-027-PN01, 45714-027-PN01,
45715-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain or complete Semi-Annual Certifications and Personnel Activity Reports for employees whose salaries were charged to the programs.

Context

The lack of internal controls and noncompliance was systemic during the period under audit.

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. . . ."

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

OMB Circular A-87, Attachment B, section 8h states in part:

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

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed an effective system of internal controls to ensure that all requirements related to the Allowable Costs/Cost Principles compliance requirement of the grant were met.

Effect

The failure to establish an effective internal control system resulted in the School Corporation's noncompliance with the grant agreement and the compliance requirement.

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 requirements related to the Allowable Costs/Cost Principles compliance requirement to ensure compliance with the requirements listed above.

Views of Responsible Officials

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

(This page intentionally left blank.)

AUDITEE-PREPARED DOCUMENT

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

CSC of Eastern Hancock County

10370 East County Road 250 North • Charlottesville, IN 46117 • www.easternhancock.org
(317) 936-5444 Phone • (317) 467-0064 Phone • (317) 936-5516 Fax

FINDING 2015-001


Contact Person Responsible for Corrective Action: Adam Kinder, Business Manager
Contact Phone Number: (317) 936-5444

Views of the Responsible Official: Community School Corporation of Eastern Hancock agrees with the above finding.

Description of Corrective Action Plan:

The Community School Corporation will work to segregate duties to help improve internal controls on all state and federal grants. Any grant will be reviewed by the business manager and superintendent prior to submission. All future SEFA's will be reviewed by the individual responsible for the grant, reviewed and input by the business manager and signed off on by the superintendent prior to submission.

Anticipated Completion Date: January 2018



(Signature)

Business Manager

(Title)

10-18-17

(Date)

CSC of Eastern Hancock County

10370 East County Road 250 North • Charlottesville, IN 46117 • www.easternhancock.org
(317) 936-5444 Phone • (317) 467-0064 Phone • (317) 936-5516 Fax

Finding 2015-002


Contact Person Responsible for Corrective Action: Tracy Wilson, Food Service Director
Contact Phone Number: (317) 936-5829

Views of the Responsible Official: Community School Corporation of Eastern Hancock agrees with the above finding.

Description of Corrective Action Plan:

The Community School Corporation of Eastern Hancock will work to correct the cash management practices of the School Breakfast and National School Lunch Program. The cash balance and program activities related to cash management will be monitored monthly to ensure compliance with laws, regulations and provisions of contracts or grant agreements. The food service director and the business manager will work to implement proper internal controls and provide oversight to the program moving forward.

Anticipated Completion Date: January 2018



(Signature)

FOOD SERVICE DIR

(Title)

10/18/17

(Date)

CSC of Eastern Hancock County

10370 East County Road 250 North • Charlottesville, IN 46117 • www.easternhancock.org
(317) 936-5444 Phone • (317) 467-0064 Phone • (317) 936-5516 Fax

Finding 2015-003


Contact Person Responsible for Corrective Action: Tracy Wilson, Food Service Director
Contact Phone Number: (317) 936-5829

Views of Responsible Official: Community School Corporation of Eastern Hancock agrees with the above finding.

Description of Corrective Action Plan:

The Community School Corporation of Eastern Hancock will work to implement internal controls, including segregation of duties, to meet inventory requirements related to equipment and real property records under the School Breakfast and National School Lunch Programs.

Anticipated Completion Date: January 2018



(Signature)

FOOD SERVICE DIR.

(Title)

10/18/17

(Date)

CSC of Eastern Hancock County

10370 East County Road 250 North • Charlottesville, IN 46117 • www.easternhancock.org
(317) 936-5444 Phone • (317) 467-0064 Phone • (317) 936-5516 Fax

Finding 2015-004

Contact Person Responsible for Corrective Action: Tracy Wilson, Food Service Director
Contact Phone Number: (317) 936-5829

Views of Responsible Official: Community School Corporation of Eastern Hancock agrees with the above finding.

Description of Corrective Action Plan:

The Community School Corporation of Eastern Hancock will confirm any vendors awarded contracts under the School Breakfast and National School Lunch Program are not suspended or debarred entities. The food service director will be responsible for checking SAM.gov, collecting a certification from the entity and maintaining proper records of approved vendors.

Anticipated Completion Date: January 2018

Tracy Wilson
(Signature)

FOOD SERVICE DIR.
(Title)

10/18/17
(Date)

CSC of Eastern Hancock County

10370 East County Road 250 North • Charlottesville, IN 46117 • www.easternhancock.org
(317) 936-5444 Phone • (317) 467-0064 Phone • (317) 936-5516 Fax

Finding 2015-005

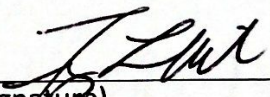
Contact Person Responsible for Corrective Action: Tracy Wilson, Food Service Director
Contact Phone Number: (317) 936-5829

Views of Responsible Official: Community School Corporation of Eastern Hancock agrees with the above finding.

Description of Corrective Action Plan:

The Community School Corporation of Eastern Hancock will work to establish effective internal controls, with segregated duties, for the verifications and paid lunch equity as related to the School Breakfast and National Lunch Program. Effective controls will be implemented to comply with the grant requirement which includes eligibility verification, program income, reporting, as well as file and maintain all records as required by the grant.

Anticipated Completion Date: January 2018



(Signature)

FOOD SERVICE DIR.

(Title)

10/18/17

(Date)

Vicki McGuire
Superintendent

Adam Kinder
Business Manager

Trisha Armstrong
Director of Technology

Jennifer Goble
HR Specialist

Kathy Clark
Director of Special Education

Tracy McCarty
Executive Secretary

CSC of Eastern Hancock County

10370 East County Road 250 North • Charlottesville, IN 46117 • www.easternhancock.org
(317) 936-5444 Phone • (317) 467-0064 Phone • (317) 936-5516 Fax

Finding 2015-006

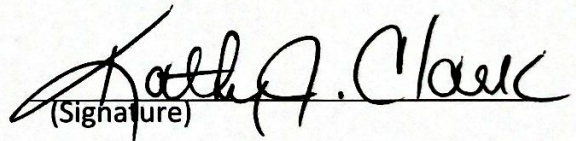
Contact Person Responsible for Corrective Action: Kathy Clark, Special Education Director
Contact Phone Number: (317) 936-5444

Views of Responsible Official: Community School Corporation of Eastern Hancock agrees with the above finding.

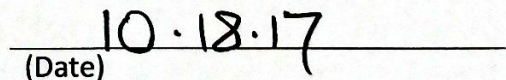
Description of Corrective Action Plan:

The Community School Corporation of Eastern Hancock will work to establish effective internal controls, with segregated duties, to maintain proper records for any personnel paid from IDEA, Part B and Special Education Grants including IDEA Preschool. Requirements will be implemented to ensure either a semiannual certification or personnel activity reports for salaries charged to federal programs will be completed and retained for record keeping and for compliance.

Anticipated Completion Date: January 2018


(Signature)


(Title)


(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/>.