

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

HAMILTON COMMUNITY SCHOOLS  
STEBEN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
02/23/2018



## 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.....	10-11
Notes to Financial Statement .....	12-16
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	18-29
Schedule of Leases and Debt .....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance .....	34-36
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	38-39
Notes to Schedule of Expenditures of Federal Awards .....	40
Schedule of Findings and Questioned Costs .....	41-52
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	54-56
Corrective Action Plan .....	57-59
Other Reports.....	60

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mark Skinner	07-01-14 to 06-30-16
	(Vacant)	07-01-16 to 08-21-16
	Robin R. Byler	08-22-16 to 06-30-18
Superintendent of Schools	Jon Willman	07-01-12 to 06-30-16
	Dr. Nicole L. Singer	07-01-16 to 06-30-18
President of the School Board	Scott Lucas	07-01-12 to 09-12-16
	Robert Gaff (interim)	09-13-16 to 11-13-16
	Mark Gould	11-14-16 to 12-31-18



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Hamilton Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis 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 January 10, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

January 10, 2018



**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](http://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 HAMILTON COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Hamilton Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated January 10, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free 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 2016-002.

**Hamilton Community Schools' Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

January 10, 2018

(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.

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

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,117,877	\$ 2,734,384	\$ 3,123,219	\$ 2,166	\$ 731,208	\$ 2,412,978	\$ 2,631,891	\$ (264,533)	\$ 247,762
Referendum Tax Levy	(323,609)	1,963,192	1,211,106	73,602	502,079	1,690,426	1,904,345	-	288,160
Debt Service	112,392	324,971	277,350	-	160,013	283,519	277,716	-	165,816
Retirement/Severance Bond Debt Service	8,086	12,158	20,512	268	-	-	-	-	-
Capital Projects	169,629	789,122	634,466	-	324,285	777,971	835,575	1,621	268,302
School Transportation	776,157	234,831	388,022	(400,000)	222,966	574,633	332,917	3,727	468,409
School Bus Replacement	76,818	147,847	123,741	-	100,924	164,131	215,937	-	49,118
Rainy Day	1,882,849	-	437,457	399,731	1,845,123	45,505	250,244	-	1,640,384
School Lunch	(4,318)	168,975	215,680	-	(51,023)	144,560	197,202	140,000	36,335
Textbook Rental	(39,949)	28,977	26,286	-	(37,258)	27,765	71,448	120,000	39,059
Levy Excess	85,149	1,143	-	(73,602)	12,690	-	-	(1,144)	11,546
Educational License Plates	6,786	75	-	-	6,861	56	6,900	-	17
2014-2015 Early Lit Intervention	-	10,000	10,000	-	-	-	-	-	-
Reading Recovery	104	-	-	-	104	-	104	-	-
Art Donation	400	-	-	-	400	-	400	-	-
Hamilton Life Center Grant	500	-	-	-	500	-	500	-	-
Lions Club Donation	500	-	-	-	500	-	500	-	-
Project Playground	14,028	32,556	18,099	(2,163)	26,322	9,655	29,553	-	6,424
J. Ervin Dekko Art Ed	4,931	-	-	-	4,931	-	4,931	-	-
Extra-Curricular Activities	(1,081)	3,636	6,031	-	(3,476)	3,497	21	-	-
Rieke Donation	1	-	-	-	1	-	1	-	-
F.I.S.T.	1,202	-	-	-	1,202	-	1,202	-	-
Steuben County Art Show Grant 15-16	-	-	-	-	-	495	495	-	-
Healthy Kids School Grant 15-16	-	-	-	-	-	900	900	-	-
Arts Partnership Grant	6,346	-	6,346	-	-	-	-	-	-
Art4More - Tides Foundation	-	1,802	1,802	-	-	-	-	-	-
2015-16 Art Dekko Grant JH	-	1,068	1,068	-	-	-	-	-	-
2015-16 Art Dekko Grant Elem	-	5,163	5,155	-	8	-	8	-	-
Art4More - Tides Foundation 15-16	-	-	-	-	-	1,125	1,125	-	-
Staff Wellness Grant	19,573	8,670	4,001	-	24,242	7,370	20,337	-	11,275
Art4More - Tides Foundation 2016	-	-	-	-	-	1,100	-	-	1,100
2016-17 Dekko Art Grant	-	-	-	-	-	4,378	2,532	-	1,846
Art4More Grant 2016-17	-	-	-	-	-	550	-	-	550

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

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
Formative Assessment	-	-	-	-	-	2,769	2,769	-	-
Gifted and Talented High Ability FY 11/12	(177)	-	-	-	(177)	-	-	177	-
Gifted and Talented High Ability FY 12/13	(1)	1	-	-	-	-	-	-	-
Gifted and Talented High Ability FY 13/14	1,947	-	1,947	-	-	-	-	-	-
Gifted and Talented High Ability FY 14/15	-	25,470	25,470	-	-	-	-	-	-
Gifted and Talented High Ability FY 15/16	-	-	-	-	-	26,457	26,457	-	-
Gifted and Talented High Ability FY 08/09	124	-	-	-	124	-	-	(124)	-
Secured Schools Safety Grant	(12,268)	30,292	18,156	-	(132)	36,564	51,057	-	(14,625)
Non-English Speaking Programs	193	-	-	-	193	-	193	-	-
School Technology	17,621	5,409	-	-	23,030	6,565	10,725	-	18,870
SY 14-15 Teacher Perform Grant	-	-	-	-	-	2,180	2,180	-	-
Center for School Assessment	480	-	-	-	480	-	480	-	-
Title I FY 12/13	(1)	1	-	-	-	-	-	-	-
Title I FY 13/14	(76,832)	125,082	48,250	-	-	-	-	-	-
Title I FY 14/15	-	167,540	193,940	-	(26,400)	79,309	52,909	-	-
Title I FY 15/16	-	-	-	-	-	153,865	174,480	-	(20,615)
Title I FY 07/08	92	-	-	-	92	-	-	(92)	-
TEI	2,318	-	-	-	2,318	-	2,318	-	-
Title II Part A FY 15/16	-	-	-	-	-	9,628	11,092	-	(1,464)
Title II Part A FY 12/13	1	-	1	-	-	-	-	-	-
Title II Part A FY 13/14	13,834	-	13,834	-	-	-	-	-	-
Title II Part A FY 14/15	-	8,805	9,923	-	(1,118)	5,588	4,470	-	-
Reap 2015-2016 Grant	-	-	-	-	-	29,451	29,451	-	-
Reap 2010-2011 Grant	(1,995)	-	-	-	(1,995)	-	-	1,995	-
Reap 2014-2015 Grant	-	28,677	28,677	-	-	-	-	-	-
Payroll Clearing	10,057	926,827	927,099	-	9,785	1,002,103	1,001,730	-	10,158
School Lunch Clearing	-	-	-	-	-	31,851	31,680	-	171
Fringe Benefit Clearing	2,933	557	557	-	2,933	276	276	-	2,933
Totals	<u>\$ 3,872,697</u>	<u>\$ 7,787,231</u>	<u>\$ 7,778,195</u>	<u>\$ 2</u>	<u>\$ 3,881,735</u>	<u>\$ 7,537,220</u>	<u>\$ 8,189,051</u>	<u>\$ 1,627</u>	<u>\$ 3,231,531</u>

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

HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, 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.

HAMILTON COMMUNITY SCHOOLS  
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:

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

HAMILTON COMMUNITY SCHOOLS  
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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

HAMILTON COMMUNITY SCHOOLS  
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.

HAMILTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. For the School Lunch, Textbook Rental, and Extra-Curricular Activities funds, this was a result of disbursements being greater than receipts. For reimbursable grants, this was a result of the expenditures being made before the funds were received.

#### 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.

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

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,117,877	\$ (323,609)	\$ 112,392	\$ 8,086	\$ 169,629	\$ 776,157	\$ 76,818	\$ 1,882,849	\$ (4,318)	\$ (39,949)
Receipts:										
Local sources	22,244	1,963,192	324,971	12,158	781,532	234,835	147,847	-	72,861	15,148
Intermediate sources	10	-	-	-	-	-	-	-	-	-
State sources	2,712,130	-	-	-	7,590	-	-	-	-	13,829
Federal sources	-	-	-	-	-	-	-	-	96,109	-
Other receipts	-	-	-	-	-	(4)	-	-	5	-
Total receipts	2,734,384	1,963,192	324,971	12,158	789,122	234,831	147,847	-	168,975	28,977
Disbursements:										
Instruction	1,713,325	1,211,106	-	-	-	-	-	-	-	-
Support services	1,317,857	-	-	-	361,611	388,022	123,741	49,393	-	26,286
Noninstructional services	92,037	-	-	-	-	-	-	-	215,680	-
Facilities acquisition and construction	-	-	-	-	272,855	-	-	388,064	-	-
Debt service	-	-	277,350	20,512	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	3,123,219	1,211,106	277,350	20,512	634,466	388,022	123,741	437,457	215,680	26,286
Excess (deficiency) of receipts over disbursements	(388,835)	752,086	47,621	(8,354)	154,656	(153,191)	24,106	(437,457)	(46,705)	2,691
Other financing sources (uses):										
Transfers in	48,895	73,602	-	268	-	153,000	-	1,196,754	-	-
Transfers out	(46,729)	-	-	-	-	(553,000)	-	(797,023)	-	-
Total other financing sources (uses)	2,166	73,602	-	268	-	(400,000)	-	399,731	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(386,669)	825,688	47,621	(8,086)	154,656	(553,191)	24,106	(37,726)	(46,705)	2,691
Cash and investments - ending	\$ 731,208	\$ 502,079	\$ 160,013	\$ -	\$ 324,285	\$ 222,966	\$ 100,924	\$ 1,845,123	\$ (51,023)	\$ (37,258)

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

	Levy Excess	Educational License Plates	2014-2015 Early Lit Intervention	Reading Recovery	Art Donation	Hamilton Life Center Grant	Lions Club Donation	Project Playground	J. Ervin Dekko Art Ed	Extra- Curricular Activities	Rieke Donation
Cash and investments - beginning	\$ 85,149	\$ 6,786	\$ -	\$ 104	\$ 400	\$ 500	\$ 500	\$ 14,028	\$ 4,931	\$ (1,081)	\$ 1
Receipts:											
Local sources	-	-	-	-	-	-	-	32,556	-	3,636	-
Intermediate sources	-	75	-	-	-	-	-	-	-	-	-
State sources	1,143	-	10,000	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	1,143	75	10,000	-	-	-	-	32,556	-	3,636	-
Disbursements:											
Instruction	-	-	10,000	-	-	-	-	-	-	6,031	-
Support services	-	-	-	-	-	-	-	3,399	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	14,700	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	10,000	-	-	-	-	18,099	-	6,031	-
Excess (deficiency) of receipts over disbursements	1,143	75	-	-	-	-	-	14,457	-	(2,395)	-
Other financing sources (uses):											
Transfers in	(73,602)	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(2,163)	-	-	-
Total other financing sources (uses)	(73,602)	-	-	-	-	-	-	(2,163)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(72,459)	75	-	-	-	-	-	12,294	-	(2,395)	-
Cash and investments - ending	\$ 12,690	\$ 6,861	\$ -	\$ 104	\$ 400	\$ 500	\$ 500	\$ 26,322	\$ 4,931	\$ (3,476)	\$ 1

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

	F.I.S.T.	Steuben County Art Show Grant 15-16	Healthy Kids School Grant 15-16	Arts Partnership Grant	Art4More - Tides Foundation	2015-16 Art Dekko Grant JH	2015-16 Art Dekko Grant Elem	Art4More - Tides Foundation 15-16	Staff Wellness Grant	Art4More - Tides Foundation 2016
Cash and investments - beginning	\$ 1,202	\$ -	\$ -	\$ 6,346	\$ -	\$ -	\$ -	\$ -	\$ 19,573	\$ -
Receipts:										
Local sources	-	-	-	-	1,802	1,068	5,163	-	8,670	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	1,802	1,068	5,163	-	8,670	-
Disbursements:										
Instruction	-	-	-	50	1,802	1,068	5,155	-	-	-
Support services	-	-	-	-	-	-	-	-	4,001	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	6,296	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	6,346	1,802	1,068	5,155	-	4,001	-
Excess (deficiency) of receipts over disbursements	-	-	-	(6,346)	-	-	8	-	4,669	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(6,346)	-	-	8	-	4,669	-
Cash and investments - ending	\$ 1,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 24,242	\$ -

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

	2016-17 Dekko Art Grant	Art4More Grant 2016-17	Formative Assessment	Gifted and Talented High Ability FY 11/12	Gifted and Talented High Ability FY 12/13	Gifted and Talented High Ability FY 13/14	Gifted and Talented High Ability FY 14/15	Gifted and Talented High Ability FY 15/16	Gifted and Talented High Ability FY 08/09	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (177)	\$ (1)	\$ 1,947	\$ -	\$ -	\$ 124	\$ (12,268)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	25,470	-	-	30,292
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	1	-	-	-	-	-
Total receipts	-	-	-	-	1	-	25,470	-	-	30,292
Disbursements:										
Instruction	-	-	-	-	-	1,947	25,470	-	-	819
Support services	-	-	-	-	-	-	-	-	-	585
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	16,752
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	1,947	25,470	-	-	18,156
Excess (deficiency) of receipts over disbursements	-	-	-	-	1	(1,947)	-	-	-	12,136
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	1	(1,947)	-	-	-	12,136
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (177)	\$ -	\$ -	\$ -	\$ -	\$ 124	\$ (132)

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

	Non-English Speaking Programs	School Technology	SY 14-15 Teacher Perform Grant	Center for School Assessment	Title I FY 12/13	Title I FY 13/14	Title I FY 14/15	Title I FY 15/16	Title I FY 07/08	TEI	Title II Part A FY 15/16
Cash and investments - beginning	\$ 193	\$ 17,621	\$ -	\$ 480	\$ (1)	\$ (76,832)	\$ -	\$ -	\$ 92	\$ 2,318	\$ -
Receipts:											
Local sources	-	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	5,409	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	125,082	167,540	-	-	-	-
Other receipts	-	-	-	-	1	-	-	-	-	-	-
Total receipts	-	5,409	-	-	1	125,082	167,540	-	-	-	-
Disbursements:											
Instruction	-	-	-	-	-	47,753	193,940	-	-	-	-
Support services	-	-	-	-	-	497	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	48,250	193,940	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	5,409	-	-	1	76,832	(26,400)	-	-	-	-
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	5,409	-	-	1	76,832	(26,400)	-	-	-	-
Cash and investments - ending	\$ 193	\$ 23,030	\$ -	\$ 480	\$ -	\$ -	\$ (26,400)	\$ -	\$ 92	\$ 2,318	\$ -

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

	Title II Part A FY 12/13	Title II Part A FY 13/14	Title II Part A FY 14/15	Reap 2015-2016 Grant	Reap 2010-2011 Grant	Reap 2014-2015 Grant	Payroll Clearing	School Lunch Clearing	Fringe Benefit Clearing	Totals
Cash and investments - beginning	\$ 1	\$ 13,834	\$ -	\$ -	\$ (1,995)	\$ -	\$ 10,057	\$ -	\$ 2,933	\$ 3,872,697
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	3,627,683
Intermediate sources	-	-	-	-	-	-	-	-	-	85
State sources	-	-	-	-	-	-	-	-	-	2,805,863
Federal sources	-	-	8,805	-	-	28,677	-	-	-	426,213
Other receipts	-	-	-	-	-	-	926,827	-	557	927,387
Total receipts	-	-	8,805	-	-	28,677	926,827	-	557	7,787,231
Disbursements:										
Instruction	-	13,834	9,923	-	-	-	-	-	-	3,242,223
Support services	-	-	-	-	-	28,677	-	-	-	2,304,069
Noninstructional services	-	-	-	-	-	-	-	-	-	307,717
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	698,667
Debt service	-	-	-	-	-	-	-	-	-	297,862
Nonprogrammed charges	1	-	-	-	-	-	927,099	-	557	927,657
Total disbursements	1	13,834	9,923	-	-	28,677	927,099	-	557	7,778,195
Excess (deficiency) of receipts over disbursements	(1)	(13,834)	(1,118)	-	-	-	(272)	-	-	9,036
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	1,398,917
Transfers out	-	-	-	-	-	-	-	-	-	(1,398,915)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	2
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1)	(13,834)	(1,118)	-	-	-	(272)	-	-	9,038
Cash and investments - ending	\$ -	\$ -	\$ (1,118)	\$ -	\$ (1,995)	\$ -	\$ 9,785	\$ -	\$ 2,933	\$ 3,881,735

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

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 731,208	\$ 502,079	\$ 160,013	\$ -	\$ 324,285	\$ 222,966	\$ 100,924	\$ 1,845,123	\$ (51,023)	\$ (37,258)	\$ 12,690
Receipts:											
Local sources	30,713	1,690,426	283,519	-	777,971	574,633	164,131	45,505	64,517	17,739	-
Intermediate sources	11	-	-	-	-	-	-	-	-	-	-
State sources	2,382,254	-	-	-	-	-	-	-	2,012	10,026	-
Federal sources	-	-	-	-	-	-	-	-	78,031	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	2,412,978	1,690,426	283,519	-	777,971	574,633	164,131	45,505	144,560	27,765	-
Disbursements:											
Instruction	939,146	1,874,345	-	-	-	-	-	-	-	-	-
Support services	1,600,310	-	-	-	431,785	332,917	215,937	41,286	-	71,448	-
Noninstructional services	92,435	-	-	-	-	-	-	-	197,202	-	-
Facilities acquisition and construction	-	30,000	-	-	403,790	-	-	208,958	-	-	-
Debt service	-	-	277,716	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,631,891	1,904,345	277,716	-	835,575	332,917	215,937	250,244	197,202	71,448	-
Excess (deficiency) of receipts over disbursements	(218,913)	(213,919)	5,803	-	(57,604)	241,716	(51,806)	(204,739)	(52,642)	(43,683)	-
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	1,621	-	-	-	-	-	-
Transfers in	217	-	-	-	-	3,727	-	-	140,000	120,000	-
Transfers out	(264,750)	-	-	-	-	-	-	-	-	-	(1,144)
Total other financing sources (uses)	(264,533)	-	-	-	1,621	3,727	-	-	140,000	120,000	(1,144)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(483,446)	(213,919)	5,803	-	(55,983)	245,443	(51,806)	(204,739)	87,358	76,317	(1,144)
Cash and investments - ending	\$ 247,762	\$ 288,160	\$ 165,816	\$ -	\$ 268,302	\$ 468,409	\$ 49,118	\$ 1,640,384	\$ 36,335	\$ 39,059	\$ 11,546

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

	Educational License Plates	2014-2015 Early Lit Intervention	Reading Recovery	Art Donation	Hamilton Life Center Grant	Lions Club Donation	Project Playground	J. Ervin Dekko Art Ed	Extra- Curricular Activities	Rieke Donation	F.I.S.T.
Cash and investments - beginning	\$ 6,861	\$ -	\$ 104	\$ 400	\$ 500	\$ 500	\$ 26,322	\$ 4,931	\$ (3,476)	\$ 1	\$ 1,202
Receipts:											
Local sources	-	-	-	-	-	-	9,655	-	3,497	-	-
Intermediate sources	56	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	56	-	-	-	-	-	9,655	-	3,497	-	-
Disbursements:											
Instruction	-	-	-	400	-	-	-	4,931	21	1	1,202
Support services	6,900	-	104	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	500	500	29,553	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	6,900	-	104	400	500	500	29,553	4,931	21	1	1,202
Excess (deficiency) of receipts over disbursements	(6,844)	-	(104)	(400)	(500)	(500)	(19,898)	(4,931)	3,476	(1)	(1,202)
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,844)	-	(104)	(400)	(500)	(500)	(19,898)	(4,931)	3,476	(1)	(1,202)
Cash and investments - ending	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,424	\$ -	\$ -	\$ -	\$ -

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

	Steuben County Art Show Grant 15-16	Healthy Kids School Grant 15-16	Arts Partnership Grant	Art4More - Tides Foundation	2015-16 Art Dekko Grant JH	2015-16 Art Dekko Grant Elem	Art4More - Tides Foundation 15-16	Staff Wellness Grant	Art4More - Tides Foundation 2016	2016-17 Dekko Art Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 24,242	\$ -	\$ -
Receipts:										
Local sources	495	900	-	-	-	-	1,125	7,370	1,100	4,378
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	495	900	-	-	-	-	1,125	7,370	1,100	4,378
Disbursements:										
Instruction	495	900	-	-	-	8	1,125	-	-	2,532
Support services	-	-	-	-	-	-	-	20,337	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	495	900	-	-	-	8	1,125	20,337	-	2,532
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(8)	-	(12,967)	1,100	1,846
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	(8)	-	(12,967)	1,100	1,846
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,275	\$ 1,100	\$ 1,846

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

	Art4More Grant 2016-17	Formative Assessment	Gifted and Talented High Ability FY 11/12	Gifted and Talented High Ability FY 12/13	Gifted and Talented High Ability FY 13/14	Gifted and Talented High Ability FY 14/15	Gifted and Talented High Ability FY 15/16	Gifted and Talented High Ability FY 08/09	Secured Schools Safety Grant	Non-English Speaking Programs
Cash and investments - beginning	\$ -	\$ -	\$ (177)	\$ -	\$ -	\$ -	\$ -	\$ 124	\$ (132)	\$ 193
Receipts:										
Local sources	550	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	2,769	-	-	-	-	26,457	-	36,564	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	550	2,769	-	-	-	-	26,457	-	36,564	-
Disbursements:										
Instruction	-	2,769	-	-	-	-	26,457	-	3,344	-
Support services	-	-	-	-	-	-	-	-	25,179	193
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	22,534	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	2,769	-	-	-	-	26,457	-	51,057	193
Excess (deficiency) of receipts over disbursements	550	-	-	-	-	-	-	-	(14,493)	(193)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	177	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(124)	-	-
Total other financing sources (uses)	-	-	177	-	-	-	-	(124)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	550	-	177	-	-	-	-	(124)	(14,493)	(193)
Cash and investments - ending	\$ 550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,625)	\$ -

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

	School Technology	SY 14-15 Teacher Perform Grant	Center for School Assessment	Title I FY 12/13	Title I FY 13/14	Title I FY 14/15	Title I FY 15/16	Title I FY 07/08	TEI	Title II Part A FY 15/16	Title II Part A FY 12/13
Cash and investments - beginning	\$ 23,030	\$ -	\$ 480	\$ -	\$ -	\$ (26,400)	\$ -	\$ 92	\$ 2,318	\$ -	\$ -
Receipts:											
Local sources	-	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	6,565	2,180	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	79,309	153,865	-	-	9,628	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	6,565	2,180	-	-	-	79,309	153,865	-	-	9,628	-
Disbursements:											
Instruction	-	2,180	-	-	-	52,909	174,480	-	-	11,092	-
Support services	10,725	-	480	-	-	-	-	-	2,318	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,725	2,180	480	-	-	52,909	174,480	-	2,318	11,092	-
Excess (deficiency) of receipts over disbursements	(4,160)	-	(480)	-	-	26,400	(20,615)	-	(2,318)	(1,464)	-
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(92)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(92)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,160)	-	(480)	-	-	26,400	(20,615)	(92)	(2,318)	(1,464)	-
Cash and investments - ending	\$ 18,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20,615)	\$ -	\$ -	\$ (1,464)	\$ -

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

	Title II Part A FY 13/14	Title II Part A FY 14/15	Reap 2015-2016 Grant	Reap 2010-2011 Grant	Reap 2014-2015 Grant	Payroll Clearing	School Lunch Clearing	Fringe Benefit Clearing	Totals
Cash and investments - beginning	\$ -	\$ (1,118)	\$ -	\$ (1,995)	\$ -	\$ 9,785	\$ -	\$ 2,933	\$ 3,881,735
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,678,224
Intermediate sources	-	-	-	-	-	-	-	-	67
State sources	-	-	-	-	-	-	-	-	2,468,827
Federal sources	-	5,588	29,451	-	-	-	-	-	355,872
Other receipts	-	-	-	-	-	1,002,103	31,851	276	1,034,230
Total receipts	-	5,588	29,451	-	-	1,002,103	31,851	276	7,537,220
Disbursements:									
Instruction	-	4,470	-	-	-	-	-	-	3,102,807
Support services	-	-	29,451	-	-	-	-	-	2,789,370
Noninstructional services	-	-	-	-	-	-	-	-	289,637
Facilities acquisition and construction	-	-	-	-	-	-	-	-	695,835
Debt service	-	-	-	-	-	-	-	-	277,716
Nonprogrammed charges	-	-	-	-	-	1,001,730	31,680	276	1,033,686
Total disbursements	-	4,470	29,451	-	-	1,001,730	31,680	276	8,189,051
Excess (deficiency) of receipts over disbursements	-	1,118	-	-	-	373	171	-	(651,831)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,621
Transfers in	-	-	-	1,995	-	-	-	-	266,116
Transfers out	-	-	-	-	-	-	-	-	(266,110)
Total other financing sources (uses)	-	-	-	1,995	-	-	-	-	1,627
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,118	-	1,995	-	373	171	-	(650,204)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,158	\$ 171	\$ 2,933	\$ 3,231,531

(This page intentionally left blank.)

HAMILTON COMMUNITY SCHOOLS  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2016

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
General obligation bonds	General Bond	<u>\$ 665,000</u>	<u>\$ 276,620</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](http://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 HAMILTON COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

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

We have audited the Hamilton Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

***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 2016-004 and 2016-005. 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.


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 2016-003, 2016-004, and 2016-005 to be material weaknesses.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

January 10, 2018

#### 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.

HAMILTON COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 2014-2015	\$ -	\$ 14,450	\$ -	\$ -
			FY 2015-2016	-	-	-	13,561
Total - School Breakfast Program				-	14,450	-	13,561
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY 2014-2015	-	79,627	-	-
Commodities			FY 2014-2015	-	13,442	-	-
School Lunch			FY 2015-2016	-	-	-	64,469
Commodities			FY 2015-2016	-	-	-	11,427
Total - National School Lunch Program				-	93,069	-	75,896
Total - Child Nutrition Cluster				-	107,519	-	89,457
Total - Department of Agriculture				-	107,519	-	89,457
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14213-046-PN01	-	30	-	-
			14214-046-PN01	-	33,000	-	-
			14215-046-PN01	-	90,855	-	26,197
			99914-46-TA01	-	1,460	-	7
			14216-044-PN01	-	-	-	95,274
Total - Special Education_Grants to States				-	125,345	-	121,478
Special Education_Preschool Grants	Indiana Department of Education	84.173					
			45715-046-PN01	-	1,733	-	-
			45716-044-PN01	-	-	-	1,719
Total - Special Education_Preschool Grants				-	1,733	-	1,719
Total - Special Education Cluster (IDEA)				-	127,078	-	123,197

HAMILTON COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			14-7610	-	110,206	-	-
			15-7610	-	167,540	-	79,310
			16-7610	-	-	-	153,865
				-	277,746	-	233,175
Total - Title I Grants to Local Educational Agencies				-	277,746	-	233,175
Rural Education	Direct	84.358					
			S358A147377	-	28,677	-	-
			S358A157377	-	-	-	29,451
				-	28,677	-	29,451
Total - Rural Education				-	28,677	-	29,451
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education	84.367					
			14-7610	-	6,352	-	-
			15-7610	-	8,805	-	5,588
			16-7610	-	-	-	9,628
				-	15,157	-	15,216
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	15,157	-	15,216
Total - Department of Education				-	448,658	-	401,039
Total federal awards expended				\$ -	\$ 556,177	\$ -	\$ 490,496

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

HAMILTON COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

**Note 2. *Summary of Significant Accounting Policies***

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

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

The School Corporation is a member of the Northeast Indiana Special Education Cooperative (NEISEC). As a result, some activity for the NEISEC that is presented as federal awards expended on the SEFA is not presented as receipts and disbursements on the financial statement of Hamilton Community Schools. This activity is reported on the financial statement of DeKalb Eastern Community Schools, the administrator for the NEISEC.

HAMILTON COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported

Type of auditor's report issued on compliance for major programs:	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes
---	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Special Education Cluster (IDEA) Title I Grants to Local Education Agencies

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

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

**Section II - Financial Statement Findings**

**FINDING 2016-001**

Subject: Internal Controls over Financial Transactions and Reporting - Payroll  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-002.

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

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not adequately separated incompatible activities related to payroll.

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Clerk input, prepared, recorded, and remitted payroll disbursements without an adequate system of oversight or review. A process was not in place to ensure that employees were paid the correct rate of pay; that any adjustments or corrections made to employees' earnings records included supporting documentation and were approved; and that employees pay histories could not be deleted from the computer system without approval.

*Context*

The lack of internal controls was a systemic issue, occurring throughout the audit period.

*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. . . ."

*Cause*

Management of the School Corporation had not implemented a proper system of internal control over financial transactions and reporting.

*Effect*

The failure to implement controls could have enabled material misstatements or irregularities to remain undetected.

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

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to financial transactions and reporting.

*Views of Responsible Officials*

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

**FINDING 2016-002**

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

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-001.

*Condition*

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

*Context*

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$3,376 for fiscal year 2014-2015 and \$11,427 for fiscal year 2015-2016.
2. The Title I Grants to Local Educational Agencies expenditures were overstated by \$14,875 for fiscal year 2014-2015.
3. The Special Education Cluster (IDEA) expenditures were understated by \$8,293 for fiscal year 2014-2015 and \$5,430 for fiscal year 2015-2016.
4. The Improving Teacher Quality State Grants expenditures were understated by \$6,352 for fiscal year 2014-2015.

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:

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

"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."

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."

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*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, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

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

*Recommendation*

We recommended that 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.

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

**FINDING 2016-003**

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-7610, 15-7610, 16-7610  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-003.

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement that has a direct and material effect to the program.

*Context*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting, specifically for payroll. There were no controls in place to ensure that only Title I employees were paid from the Title I Grants to Local Educational Agencies grant. The same person performed all activities of the payroll process. There was lack of evidence that payrolls prepared were adequately reviewed or approved by anyone other than the preparer. The School Corporation had not adequately separated incompatible activities related to payroll.

*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. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation had not designed or implemented a system of internal controls that segregated key functions.

*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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to 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 2016-004**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-7610, 15-7610, 16-7610

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Findings: Material Weakness, Other Matters

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

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation removed two students from the cohort due to being expelled, when in fact they were still enrolled.

*Context*

Of the 115 students listed on the 2015 and 2016 Graduation Cohort Status Report as mobile, 12 were tested. Of the 12 students tested, 2 students did not have the required supporting documentation to substantiate removing them from the cohort for mobility reasons.

*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 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 200.19(b) states in part:

*"High schools—*

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:
  - (i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .
  - (ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

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

- (A) The term 'students who transfer into the cohort' means students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.
  - (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.
    - (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .
- (2) *Transitional graduation rate.*
- (i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—
    - (A) A graduation rate that measures the percentage of students from the beginning of high school how graduate with a regular high school diploma in the standard number of years; or. . . .
  - (ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—
    - (A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;
    - (B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and
    - (C) A dropout may not be counted as a transfer. . . ."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-005**

Subject: Special Education Cluster (IDEA) - Internal Controls

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): 14213-046-PN01, 14214-046-PN01,  
99914-046-TA01, 14215-046-PN01,  
14216-044-PN01, 45715-046-PN01,  
45716-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a member of the Northeast Indiana Special Education Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a Fiscal Agent who was responsible for the accounting records of the Cooperative. The Fiscal Agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the requirements related to the Allowable Costs/Cost Principles compliance requirement.

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Because the grant agreements were between the IDOE and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The Fiscal Agent had not implemented adequate controls to ensure that Semi-Annual Certifications prepared were properly signed by the Special Education Director.

*Context*

The Semi-Annual Certifications were not all properly signed by the Special Education Director of the Cooperative.

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

*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 200.303 states in part:

"The non-Federal entity must:

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

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

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

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS) . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

*Cause*

Management of the Cooperative and the participating school corporations had not designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the Cooperative and the participating school corporations in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and could have allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that management of the Cooperative and the participating school corporations establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. We also recommended that the Cooperative and the participating school corporations monitor and have proper oversight of the Cooperative.

*Views of Responsible Officials*

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

#### AUDITEE-~~PREPARED~~ DOCUMENTS

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

# Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742

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

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

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



## Summary Schedule of Prior Audit Findings

FINDINGS: 2014-001 Internal controls over the preparation of the schedule of expenditures of federal awards

2014-002 Internal controls over financial transactions and reporting

2014-003 Allowable costs

Fiscal year in which the finding initially occurred: 2014

Contact person for the corrective action: Dr. Nicole L. Singer and/or Mrs. Robin R. Byler

Contact phone number: 260-488-2513

### Status of Audit Findings:

2014-001 Upon obtainment of their current positions, the superintendent and treasurer reviewed the previous audit findings to determine where corrective action needed to occur. Immediate attention was given to the federal grants and cafeteria funds. The individuals worked together to ensure the charging policy for the cafeteria was being implemented correctly and that low balance letters were being issued to students. This work has continued with the hiring of a new cafeteria manager in 2017 and the account is making a slow recovery. Lunch prices were reviewed and adjusted, individual student lunch balances are in the negative less often, and hours the staff works has been evaluated and adjusted.

Additionally, the current administration completed an internal audit of payroll records to ensure grant funded employees were being paid correctly and made payroll adjustments as needed. The present staff, on a regular basis, reviews distribution codes and payroll claims at multiple levels. Federal grants are also reviewed semi-annually with Form 9 and the MOE required by our Special Education Cooperative. Furthermore, when discrepancies in dollar amounts were located by the administration at the beginning of this current audit, the figures were called into question and were not verified until validation from DOE and Gateway could be secured by the audit team.

2014-002 Upon obtainment of their current positions, the superintendent and treasurer reviewed the previous audit findings to determine where corrective action needed to occur. Immediate attention was given to bank reconciliation, review of financial statements, opening of mail, and separation of duties for these roles.

# Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742

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

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

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



Payroll is reviewed by the deputy treasurer and superintendent each pay. Notes are made and questions are asked and answered. Payroll claims are submitted for board review for each month at the board meeting. Great care is taken to ensure the board reviews only one month of payroll claims at a time versus submitting several months at once. Additionally, the treasurer and deputy treasurer work together to pay pre-written claims, taxes, and post payroll. It is through this process numerous and involved discrepancies were found and corrected for the period that is being audited.

2014-003

Upon obtainment of their current positions, the superintendent and treasurer reviewed the previous audit findings to determine where corrective action needed to occur. Immediate attention was given to the federal grants and cafeteria funds. The individuals worked together to ensure the charging policy for the cafeteria was being implemented correctly and that low balance letters were being issued to students. This work has continued with the hiring of a new cafeteria manager in 2017 and the account is making a slow recovery. Lunch prices were reviewed and adjusted, individual student lunch balances are in the negative less often, and hours the staff works has been evaluated and adjusted.

Additionally, the current administration completed an internal audit of payroll records to ensure grant funded employees were being paid correctly and made payroll adjustments as needed. The present staff, on a regular basis, reviews distribution codes and payroll claims at multiple levels. Federal grants are also reviewed semi-annually with Form 9 and the MOE required by our Special Education Cooperative. Furthermore, when discrepancies in dollar amounts were located by the administration at the beginning of this current audit, the figures were called into question and were not verified until validation from DOE and Gateway could be secured by the audit team.

Upon obtainment of their current positions, the superintendent and treasurer reviewed the previous audit findings to determine where corrective action needed to occur. Immediate attention was given to bank reconciliation, review of financial statements, opening of mail, and separation of duties for these roles. Payroll is reviewed by the deputy treasurer and superintendent each pay. Notes are made and questions are asked and answered. Payroll claims are submitted for board review for each month at the board meeting. Great care is taken to ensure the board reviews only one month of payroll claims at a time versus submitting several months at once. Additionally, the treasurer and deputy treasurer work together to pay pre-written claims, taxes, and post payroll. It is through this

# Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742



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

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

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

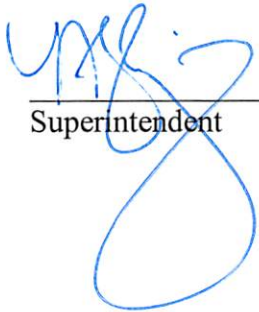
process numerous and involved discrepancies were found and corrected for the period that is being audited.

Mrs. Robin R. Byler

  
\_\_\_\_\_  
Treasurer

12-15-2017  
Date

Dr. Nicole L. Singer

  
\_\_\_\_\_  
Superintendent

15 DECEMBER 2017  
Date

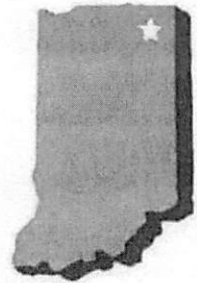
# Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742

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

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

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



Indiana State Board of Accounts  
302 West Washington St.  
Room E418  
Indianapolis, IN 46204-2765

Re: Corrective Action Plan

Contact Person(s) Responsible for Corrective Action: Mrs. Robin R. Byler 260-488-2513  
Dr. Nicole L. Singer 260-488-2513

This letter serves as the official response to the results and comments listed in the audit report for the years July 1, 2014 through and including June 30, 2016. Please understand that the personnel responsible for the finances audited, herein, are no longer employed at the corporation and the current officials assumed responsibilities July 1, 2016 or after. Additionally, this corrective action plan is based on a *draft* copy of the findings. The corporation respectfully requests the opportunity to address different or additional findings, if any, after the report is finalized.

## **FINDING 2016-001**

Upon arrival to the corporation in July 1, 2016, the superintendent was alerted to abnormalities with payroll processes. The corporation paid for a partial external audit and alerted the State Board of Accounts to the activities. Internal controls were implemented within Central Office. The superintendent, building administration, and area directors verify time sheets and submit them to the deputy treasurer. The deputy treasurer enters payroll into the system and the superintendent checks payroll before submission to the bank. The deputy treasurer and treasurer work together to ensure employees are charged to the correct payroll distribution; post payroll; and pay taxes and prewritten claims such as insurance, Valic, and retirement on time.

Anticipated Completion Date: Continued and ongoing. Parties named above will provide notes and/or initials as proof of review.

## **FINDING 2016-002**

The treasurer and superintendent along with the Directors of Food Service and Title I will work together to compile a list of federal awards each fiscal year. The treasurer will prepare the Schedule of Expenditures of Federal Awards as required at the end of each fiscal year. The superintendent and aforementioned directors will review to ensure amounts have been reported

HCS Corrective Action I

# Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742

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

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

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



correctly and supporting documentation accompanies the Schedule prior to submission in Gateway.

Anticipated Completion Date: Continued and ongoing. Parties named above will provide notes and/or initials as proof of review.

## **FINDING 2016-003**

The superintendent and elementary principal verify time sheets and submit them to the deputy treasurer. The deputy treasurer enters payroll into the system and the superintendent checks payroll before submission to the bank. The deputy treasurer and treasurer work together to ensure employees are charged to the correct payroll distribution; post payroll; and pay taxes and prewritten claims such as insurance, Valic, and retirement on time. Once all payroll and claims have been posted, the treasurer runs the expenditure reports. The superintendent submits the claim for reimbursement on the Title I website and the treasurer verifies it was submitted timely and accurately.

Anticipated Completion Date: Continued and ongoing. Parties named above will provide notes and/or initials as proof of review.

## **FINDING 2016-004**

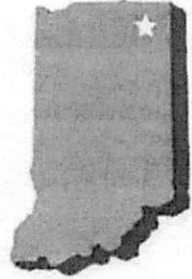
Two students were suspended for 1 day from the elementary school. Elementary building secretary would withdraw the student from PowerSchool and not list them as suspended, only withdrawn. Secretary would then re-enroll said student the day they came back from suspension. This created a glitch in the reporting. The current administration has since rectified this issue by reporting suspensions and expulsions properly in PowerSchool. The building level secretaries enter the information and the Corporation secretary in charge of state reporting then verifies all information is correctly input before reports are filed with the state. The superintendent also verifies said information.

Anticipated Completion Date: Continued and ongoing. Parties above will provide notes and/or initials on state reports as proof of review.

## **FINDING 2016-005**

# Hamilton Community Schools

903 SOUTH WAYNE STREET HAMILTON, IN 46742



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

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

Hamilton Junior-Senior High School  
Phone: (260) 488-2181  
FAX: (260) 488-3149

Payroll records for each individual employee show funding allocation from IDEA Part B Grant and IDEA Preschool grant. The NEISEC Director will print off and sign all Semi-Annual Certifications semi-annually.

Anticipated Completion Date: Twice, annually. The NEISEC Director will sign off on the certification logs as proof of review.

A handwritten signature in black ink, appearing to read 'Nicole L. Singer', written over a horizontal line.

Dr. Nicole L. Singer  
Superintendent

A handwritten signature in black ink, appearing to read 'Robin R. Byler', written over a horizontal line.

Mrs. Robin R. Byler  
Treasurer

## 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/>.