

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH HARRISON COMMUNITY  
SCHOOL CORPORATION  
HARRISON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
06/01/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela L. Seipel	01-01-14 to 12-31-18
Superintendent of Schools	Dr. Mark A. Eastridge	07-01-14 to 06-30-18
President of the School Board	Mary J. Mathes	01-01-14 to 12-31-18



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH HARRISON COMMUNITY  
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

### **Report on the Financial Statement**

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

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

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

### ***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

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

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

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

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

***Other Matters***

*Supplementary Information*

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


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, 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 May 7, 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 solely 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 effectiveness of the School Corporation's 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

May 7, 2018



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 SOUTH HARRISON COMMUNITY  
SCHOOL CORPORATION, HARRISON 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 South Harrison Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated May 7, 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**

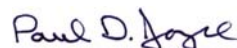
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 items 2016-001 and 2016-002.

**South Harrison Community School Corporation's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

May 7, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-14	Receipts	Disbursements		06-30-15	Receipts	Disbursements		
General	\$ 366,925	\$ 19,257,662	\$ 18,470,137	\$ (488,286)	666,164	\$ 19,714,967	\$ 18,229,795	\$ (1,460,137)	\$ 691,199
Debt Service	3,888,427	4,718,343	4,635,781	-	3,970,989	4,504,434	4,633,850	-	3,841,573
Retirement/Severance Bond Debt Service	152,519	966,587	954,459	-	164,647	918,217	955,565	-	127,299
Capital Projects	1,039,318	2,198,277	2,494,323	65,860	809,132	2,176,853	2,029,085	(93,908)	862,992
School Transportation	905,000	2,097,880	1,953,640	(12,404)	1,036,836	2,116,900	2,044,223	(46,889)	1,062,624
School Bus Replacement	367,825	226,815	155,783	-	438,857	224,458	184,536	-	478,779
Rainy Day	-	-	-	-	-	56,835	-	-	56,835
Retirement/Severance Bond	2,604,371	-	53,744	(323,559)	2,227,068	-	18,441	(21,888)	2,186,739
School Lunch	657,542	1,589,592	1,583,822	(45,713)	617,599	1,578,520	1,808,285	(48,771)	339,063
Textbook Rental	410,079	136,513	77,432	-	469,160	123,843	38,002	-	555,001
Self-Insurance	-	1,117,913	1,853,937	1,447,035	711,011	1,171,720	2,423,006	1,830,944	1,290,669
HCELC 10-11 JT Services	-	28	20	(8)	-	-	-	-	-
HCELC Joint Services	(1,032,411)	898,545	565,996	(86,963)	(786,825)	855,680	520,886	(138,243)	(590,274)
Educational License Plates	(4,257)	206	3,430	-	(7,481)	263	161	-	(7,379)
Alternative Education	51,981	20,502	15,568	-	56,915	21,429	14,488	-	63,856
Early Intervention Grant	-	-	-	-	-	40,000	40,000	-	-
Miscellaneous Grants	6,408	3,450	750	-	9,108	800	2,236	-	7,672
CCHS Miscellaneous Grants	866	2,880	1,572	-	2,174	-	-	-	2,174
SCHS Miscellaneous Grants	36	500	583	-	(47)	-	-	-	(47)
Health Insurance Escrow	203,663	201,699	-	(405,362)	-	-	-	-	-
Shireman Family Scholar CCHS	6,378	50	-	-	6,428	66	-	-	6,494
Riverboat Education	2,749,832	902,570	858,987	(87,904)	2,705,511	1,005,041	1,063,152	61,043	2,708,443
Harrison County Community Foundation Grants	51,832	69,767	70,637	-	50,962	140,019	80,661	-	110,320
HCCF Dual Credit Grant	12,370	11,240	24,823	-	(1,213)	9,477	31,823	-	(23,559)
HCCF Preschool Grant	10,260	293,214	226,738	(16,668)	60,068	260,430	215,894	(19,401)	85,203
WHAS Grant 13-14	-	353	353	-	-	-	-	-	-
WHAS Grant 14-15	-	-	18,147	-	(18,147)	18,163	16	-	-
WHAS Grant 15-16	-	-	-	-	-	16,609	17,205	-	(596)
4-Block	870	-	-	-	870	-	-	-	870
Mentor Program	401	-	-	-	401	-	-	-	401
Secured School Safety Grant	(4,555)	30,231	59,504	-	(33,828)	69,769	62,981	-	(27,040)
American Dairy Equipment Grant	-	-	-	-	-	2,276	2,276	-	-
CES Lowe's Grant Beautification	-	5,500	3,460	-	2,040	-	590	-	1,450
Cultural Competency Grant 05-06	22	-	-	-	22	-	-	-	22
Non-English Speaking Programs	10,916	-	2,466	-	8,450	-	467	-	7,983
State Connectivity Grant	10,846	6,975	17,632	-	189	6,564	-	-	6,753

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

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
Performance Based Awards	-	113,437	109,537	-	3,900	-	-	-	3,900
Fuel Up To Play 60 Grant	-	-	-	-	-	27,700	25,634	-	2,066
Title I #3190 2015-16	-	-	-	-	-	387,007	401,272	(22,179)	(36,444)
Title I 2011-2012 #3190	-	-	99	-	(99)	-	(99)	-	-
Title I 2013-14	(66,160)	188,728	122,568	-	-	-	-	-	-
Title I 2014-15	-	313,754	383,349	(19,715)	(89,310)	178,576	79,409	(9,857)	-
Title I 2014-15 WYANDOTTE	-	1,470	1,854	-	(384)	1,656	1,430	158	-
HCELC PT B FY14	(26,182)	571,550	573,132	-	(27,764)	81,038	53,274	-	-
Part B 611 FY15 Spec Education	-	717,279	825,901	(5,959)	(114,581)	556,493	527,449	(2,554)	(88,091)
Part B 611 FY16 Spec Education	-	-	-	-	-	551,560	909,182	-	(357,622)
HCELC PT B FY13	(210,016)	324,039	114,023	-	-	-	-	-	-
HCELC Technical Assistance Grant FY14	(59)	13,112	15,849	-	(2,796)	9,324	6,528	-	-
Part B 619 FY15 Preschool	-	35,879	39,068	-	(3,189)	3,189	-	-	-
Part B 619 FY16 Preschool	-	-	-	-	-	28,645	39,465	-	(10,820)
PLTW Grant 2015-17	-	10,000	1,250	-	8,750	-	8,753	-	(3)
21st CCLC Grant 2013-14	(37,220)	48,006	10,786	-	-	-	-	-	-
Hurricane Relief Fund	3,233	-	499	-	2,734	-	-	-	2,734
Title II Part A 2014-16	-	-	-	-	-	85,775	86,362	(3,428)	(4,015)
Title II Part A 2012-14	(19,022)	55,660	36,638	-	-	-	-	-	-
Title II Part A 13-15	-	64,014	75,249	(3,047)	(14,282)	38,447	22,642	(1,523)	-
Reading First, No Child Left Behind	701	-	-	-	701	-	-	-	701
CES College Success Grant 2011-12	2,221	-	1,993	-	228	-	161	-	67
CJHS College Success Grant	751	-	70	-	681	-	-	-	681
HWE College Go Week Grant 2014-15	-	1,000	227	-	773	-	449	-	324
NME College Go Grant	-	-	-	-	-	500	100	-	400
SCE College Go Grant	-	-	-	-	-	500	54	-	446
Prepaid Lunches	8,141	4,566	1,276	-	11,431	8,617	928	-	19,120
Payroll Withholdings	54,049	4,900,527	4,904,061	-	50,515	4,775,013	4,772,185	-	53,343
Clearing Accounts	78,401	207,811	130,508	-	155,704	41,365	35,568	-	161,501
Totals	<u>\$ 12,256,302</u>	<u>42,328,124</u>	<u>41,451,661</u>	<u>\$ 17,307</u>	<u>\$ 13,150,072</u>	<u>\$ 41,808,738</u>	<u>\$ 41,388,370</u>	<u>\$ 23,367</u>	<u>\$ 13,593,807</u>

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

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

*Local sources.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

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

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*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, funds held temporarily for an authorized recipient, 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.

*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.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 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.

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.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

*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

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 some funds, this is a result of funds being set up for reimbursable grants. The cash deficits arose from disbursements exceeding receipts due to timing delays in reimbursements being received from the grantors; these deficits are to be repaid from future grant receipts. The HCELC Joint Services, Educational License Plates, HCCF Dual Credit Grant, and Secured School Safety Grant funds incurred deficit balances due to disbursements exceeding receipts.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with South Harrison 2000 School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$4,634,281 and \$4,632,350, respectively.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. *Subsequent Events***

On March 1, 2017, the School Corporation amended its lease with South Harrison 2000 School Building Corporation. South Harrison 2000 Building Corporation refinanced its existing debt, resulting in an amendment to the lease.

**Note 10. *Other Postemployment Benefits***

The School Corporation provides medical benefits to eligible retirees and their spouses. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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#### OTHER INFORMATION - UNAUDITED

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

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 366,925	\$ 3,888,427	\$ 152,519	\$ 1,039,318	\$ 905,000	\$ 367,825	\$ -	\$ 2,604,371	\$ 657,542	\$ 410,079
Receipts:										
Local sources	46,390	4,718,343	966,587	2,197,029	2,097,880	226,815	-	-	628,670	24,571
Intermediate sources	61	-	-	-	-	-	-	-	-	-
State sources	19,211,181	-	-	-	-	-	-	-	15,658	111,942
Federal sources	-	-	-	-	-	-	-	-	945,264	-
Other receipts	30	-	-	1,248	-	-	-	-	-	-
Total receipts	19,257,662	4,718,343	966,587	2,198,277	2,097,880	226,815	-	-	1,589,592	136,513
Disbursements:										
Instruction	12,300,775	-	-	-	-	-	-	-	-	-
Support services	5,652,262	-	-	1,340,855	1,953,640	155,783	-	53,744	-	77,432
Noninstructional services	517,100	-	-	-	-	-	-	-	1,546,832	-
Facilities acquisition and construction	-	-	-	1,153,468	-	-	-	-	36,990	-
Debt service	-	4,635,781	954,459	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	18,470,137	4,635,781	954,459	2,494,323	1,953,640	155,783	-	53,744	1,583,822	77,432
Excess (deficiency) of receipts over disbursements	787,525	82,562	12,128	(296,046)	144,240	71,032	-	(53,744)	5,770	59,081
Other financing sources (uses):										
Sale of capital assets	857	-	-	-	16,450	-	-	-	-	-
Transfers in	290,000	-	-	75,000	-	-	-	-	-	-
Transfers out	(779,143)	-	-	(9,140)	(28,854)	-	-	(323,559)	(45,713)	-
Total other financing sources (uses)	(488,286)	-	-	65,860	(12,404)	-	-	(323,559)	(45,713)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	299,239	82,562	12,128	(230,186)	131,836	71,032	-	(377,303)	(39,943)	59,081
Cash and investments - ending	\$ 666,164	\$ 3,970,989	\$ 164,647	\$ 809,132	\$ 1,036,836	\$ 438,857	\$ -	\$ 2,227,068	\$ 617,599	\$ 469,160

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
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	Self Insurance	HCELC 10-11 JT Services	HCELC Joint Services	Educational License Plates	Alternative Education	Early Intervention Grant	Miscellaneous Grants	CCHS Miscellaneous Grants	SCHS Miscellaneous Grants	Health Insurance Escrow
Cash and investments - beginning	\$ -	\$ -	\$ (1,032,411)	\$ (4,257)	\$ 51,981	\$ -	\$ 6,408	\$ 866	\$ 36	\$ 203,663
Receipts:										
Local sources	1,117,913	28	898,545	-	-	-	3,450	2,880	500	201,120
Intermediate sources	-	-	-	206	-	-	-	-	-	-
State sources	-	-	-	-	20,502	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	579
Total receipts	1,117,913	28	898,545	206	20,502	-	3,450	2,880	500	201,699
Disbursements:										
Instruction	1,095,165	-	213,785	3,430	15,568	-	750	1,572	583	-
Support services	684,553	20	341,133	-	-	-	-	-	-	-
Noninstructional services	74,219	-	11,078	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,853,937	20	565,996	3,430	15,568	-	750	1,572	583	-
Excess (deficiency) of receipts over disbursements	(736,024)	8	332,549	(3,224)	4,934	-	2,700	1,308	(83)	201,699
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	1,447,035	-	8	-	-	-	-	-	-	-
Transfers out	-	(8)	(86,971)	-	-	-	-	-	-	(405,362)
Total other financing sources (uses)	1,447,035	(8)	(86,963)	-	-	-	-	-	-	(405,362)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	711,011	-	245,586	(3,224)	4,934	-	2,700	1,308	(83)	(203,663)
Cash and investments - ending	\$ 711,011	\$ -	\$ (786,825)	\$ (7,481)	\$ 56,915	\$ -	\$ 9,108	\$ 2,174	\$ (47)	\$ -

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
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	Shireman Family Scholar CCHS	Riverboat Education	Harrison County Community Foundation Grants	HCCF Dual Credit Grant	HCCF Preschool Grant	WHAS Grant 13-14	WHAS Grant 14-15	WHAS Grant 15-16	4-Block	Mentor Program
Cash and investments - beginning	\$ 6,378	\$ 2,749,832	\$ 51,832	\$ 12,370	\$ 10,260	\$ -	\$ -	\$ -	\$ 870	\$ 401
Receipts:										
Local sources	50	902,570	-	-	-	353	-	-	-	-
Intermediate sources	-	-	69,767	11,240	293,214	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	50	902,570	69,767	11,240	293,214	353	-	-	-	-
Disbursements:										
Instruction	-	278,863	42,181	24,823	226,738	353	18,147	-	-	-
Support services	-	430,810	8,685	-	-	-	-	-	-	-
Noninstructional services	-	1,578	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	147,736	19,771	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	858,987	70,637	24,823	226,738	353	18,147	-	-	-
Excess (deficiency) of receipts over disbursements	50	43,583	(870)	(13,583)	66,476	-	(18,147)	-	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(87,904)	-	-	(16,668)	-	-	-	-	-
Total other financing sources (uses)	-	(87,904)	-	-	(16,668)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	50	(44,321)	(870)	(13,583)	49,808	-	(18,147)	-	-	-
Cash and investments - ending	\$ 6,428	\$ 2,705,511	\$ 50,962	\$ (1,213)	\$ 60,068	\$ -	\$ (18,147)	\$ -	\$ 870	\$ 401

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
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	Secured School Safety Grant	American Dairy Equipment Grant	CES Lowe's Grant Beautification	Cultural Competency Grant 05-06	Non-English Speaking Programs	State Connectivity Grant	Performance Based Awards	Fuel Up To Play 60 Grant	Title I #3190 2015-16
Cash and investments - beginning	\$ (4,555)	\$ -	\$ -	\$ 22	\$ 10,916	\$ 10,846	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	5,500	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	30,231	-	-	-	-	6,975	113,437	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	30,231	-	5,500	-	-	6,975	113,437	-	-
Disbursements:									
Instruction	-	-	-	-	-	-	100,854	-	-
Support services	59,504	-	3,460	-	2,466	17,632	8,683	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	59,504	-	3,460	-	2,466	17,632	109,537	-	-
Excess (deficiency) of receipts over disbursements	(29,273)	-	2,040	-	(2,466)	(10,657)	3,900	-	-
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	(29,273)	-	2,040	-	(2,466)	(10,657)	3,900	-	-
Cash and investments - ending	\$ (33,828)	\$ -	\$ 2,040	\$ 22	\$ 8,450	\$ 189	\$ 3,900	\$ -	\$ -

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
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	Title I 2011-2012 #3190	Title I 2013-14	Title I 2014-15	Title I 2014-15 Wyandotte	HCELC PT B FY14	Part B 611 FY15 Spec Education	Part B 611 FY16 Spec Education	HCELC PT B FY13	HCELC Technical Assistance Grant FY14
Cash and investments - beginning	\$ -	\$ (66,160)	\$ -	\$ -	\$ (26,182)	\$ -	\$ -	\$ (210,016)	\$ (59)
Receipts:									
Local sources	-	-	-	-	22,073	-	-	155,764	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	188,728	313,754	1,470	549,477	717,279	-	168,275	13,112
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	188,728	313,754	1,470	571,550	717,279	-	324,039	13,112
Disbursements:									
Instruction	99	74,735	271,959	1,854	144,664	496,243	-	18,642	-
Support services	-	45,327	110,344	-	427,822	285,540	-	95,381	15,849
Noninstructional services	-	2,506	1,046	-	646	44,118	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	99	122,568	383,349	1,854	573,132	825,901	-	114,023	15,849
Excess (deficiency) of receipts over disbursements	(99)	66,160	(69,595)	(384)	(1,582)	(108,622)	-	210,016	(2,737)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(19,715)	-	-	(5,959)	-	-	-
Total other financing sources (uses)	-	-	(19,715)	-	-	(5,959)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(99)	66,160	(89,310)	(384)	(1,582)	(114,581)	-	210,016	(2,737)
Cash and investments - ending	\$ (99)	\$ -	\$ (89,310)	\$ (384)	\$ (27,764)	\$ (114,581)	\$ -	\$ -	\$ (2,796)

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	Part B 619 FY15 Preschool	Part B 619 FY16 Preschool	PLTW Grant 2015-17	21st CCLC Grant 2013-14	Hurricane Relief Fund	Title II Part A 2014-16	Title II Part A 2012-14	Title II Part A 13-15	Reading First, No Child Left Behind
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (37,220)	\$ 3,233	\$ -	\$ (19,022)	\$ -	\$ 701
Receipts:									
Local sources	-	-	-	-	-	-	6,449	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	35,879	-	10,000	48,006	-	-	49,211	64,014	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	35,879	-	10,000	48,006	-	-	55,660	64,014	-
Disbursements:									
Instruction	39,068	-	1,250	10,200	-	-	10,089	35,245	-
Support services	-	-	-	586	-	-	26,549	40,004	-
Noninstructional services	-	-	-	-	499	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	39,068	-	1,250	10,786	499	-	36,638	75,249	-
Excess (deficiency) of receipts over disbursements	(3,189)	-	8,750	37,220	(499)	-	19,022	(11,235)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(3,047)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(3,047)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,189)	-	8,750	37,220	(499)	-	19,022	(14,282)	-
Cash and investments - ending	\$ (3,189)	\$ -	\$ 8,750	\$ -	\$ 2,734	\$ -	\$ -	\$ (14,282)	\$ 701

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	CES College Success Grant 2011-12	CJHS College Success Grant	HWE College Go Week Grant 2014-15	NME College Go Grant	SCE College Go Grant	Prepaid Lunches	Payroll Withholdings	Clearing Accounts	Totals
Cash and investments - beginning	\$ 2,221	\$ 751	\$ -	\$ -	\$ -	\$ 8,141	\$ 54,049	\$ 78,401	\$ 12,256,302
Receipts:									
Local sources	-	-	-	-	-	-	-	-	14,223,480
Intermediate sources	-	-	-	-	-	-	-	-	374,488
State sources	-	-	-	-	-	-	-	-	19,509,926
Federal sources	-	-	1,000	-	-	-	-	-	3,105,469
Other receipts	-	-	-	-	-	4,566	4,900,527	207,811	5,114,761
Total receipts	-	-	1,000	-	-	4,566	4,900,527	207,811	42,328,124
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	15,427,635
Support services	1,993	70	227	-	-	-	-	-	11,840,354
Noninstructional services	-	-	-	-	-	-	-	-	2,199,622
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,357,965
Debt service	-	-	-	-	-	-	-	-	5,590,240
Nonprogrammed charges	-	-	-	-	-	1,276	4,904,061	130,508	5,035,845
Total disbursements	1,993	70	227	-	-	1,276	4,904,061	130,508	41,451,661
Excess (deficiency) of receipts over disbursements	(1,993)	(70)	773	-	-	3,290	(3,534)	77,303	876,463
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	17,307
Transfers in	-	-	-	-	-	-	-	-	1,812,043
Transfers out	-	-	-	-	-	-	-	-	(1,812,043)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	17,307
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,993)	(70)	773	-	-	3,290	(3,534)	77,303	893,770
Cash and investments - ending	\$ 228	\$ 681	\$ 773	\$ -	\$ -	\$ 11,431	\$ 50,515	\$ 155,704	\$ 13,150,072

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 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 666,164	\$ 3,970,989	\$ 164,647	\$ 809,132	\$ 1,036,836	\$ 438,857	\$ -	\$ 2,227,068	\$ 617,599	\$ 469,160
Receipts:										
Local sources	55,577	4,504,434	918,217	2,176,721	2,116,900	224,458	56,835	-	610,527	13,241
Intermediate sources	65	-	-	-	-	-	-	-	-	-
State sources	19,658,070	-	-	-	-	-	-	-	16,717	110,602
Federal sources	-	-	-	-	-	-	-	-	951,276	-
Other receipts	1,255	-	-	132	-	-	-	-	-	-
Total receipts	19,714,967	4,504,434	918,217	2,176,853	2,116,900	224,458	56,835	-	1,578,520	123,843
Disbursements:										
Instruction	11,974,448	-	-	-	-	-	-	-	-	-
Support services	5,714,150	-	-	1,309,401	2,044,223	184,536	-	18,441	-	38,002
Noninstructional services	541,197	-	-	-	-	-	-	-	1,582,829	-
Facilities acquisition and construction	-	-	-	719,684	-	-	-	-	225,456	-
Debt service	-	4,633,850	955,565	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	18,229,795	4,633,850	955,565	2,029,085	2,044,223	184,536	-	18,441	1,808,285	38,002
Excess (deficiency) of receipts over disbursements	1,485,172	(129,416)	(37,348)	147,768	72,677	39,922	56,835	(18,441)	(229,765)	85,841
Other financing sources (uses):										
Sale of capital assets	1,491	-	-	-	-	-	-	-	21,876	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(1,461,628)	-	-	(93,908)	(46,889)	-	-	(21,888)	(70,647)	-
Total other financing sources (uses)	(1,460,137)	-	-	(93,908)	(46,889)	-	-	(21,888)	(48,771)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,035	(129,416)	(37,348)	53,860	25,788	39,922	56,835	(40,329)	(278,536)	85,841
Cash and investments - ending	\$ 691,199	\$ 3,841,573	\$ 127,299	\$ 862,992	\$ 1,062,624	\$ 478,779	\$ 56,835	\$ 2,186,739	\$ 339,063	\$ 555,001

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

	Self Insurance	HCELC 10-11 JT Services	HCELC Joint Services	Educational License Plates	Alternative Education	Early Intervention Grant	Miscellaneous Grants	CCHS Miscellaneous Grants	SCHS Miscellaneous Grants	Health Insurance Escrow
Cash and investments - beginning	\$ 711,011	\$ -	\$ (786,825)	\$ (7,481)	\$ 56,915	\$ -	\$ 9,108	\$ 2,174	\$ (47)	\$ -
Receipts:										
Local sources	1,171,720	-	855,680	-	-	-	800	-	-	-
Intermediate sources	-	-	-	263	-	-	-	-	-	-
State sources	-	-	-	-	21,429	40,000	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	1,171,720	-	855,680	263	21,429	40,000	800	-	-	-
Disbursements:										
Instruction	1,372,110	-	190,383	161	14,488	36,349	1,486	-	-	-
Support services	956,929	-	321,533	-	-	3,651	750	-	-	-
Noninstructional services	93,967	-	8,970	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,423,006	-	520,886	161	14,488	40,000	2,236	-	-	-
Excess (deficiency) of receipts over disbursements	(1,251,286)	-	334,794	102	6,941	-	(1,436)	-	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	1,830,944	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(138,243)	-	-	-	-	-	-	-
Total other financing sources (uses)	1,830,944	-	(138,243)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	579,658	-	196,551	102	6,941	-	(1,436)	-	-	-
Cash and investments - ending	\$ 1,290,669	\$ -	\$ (590,274)	\$ (7,379)	\$ 63,856	\$ -	\$ 7,672	\$ 2,174	\$ (47)	\$ -

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

	Shireman Family Scholar CCHS	Riverboat Education	Harrison County Community Foundation Grants	HCCF Dual Credit Grant	HCCF Preschool Grant	WHAS Grant 13-14	WHAS Grant 14-15	WHAS Grant 15-16	4-Block	Mentor Program
Cash and investments - beginning	\$ 6,428	\$ 2,705,511	\$ 50,962	\$ (1,213)	\$ 60,068	\$ -	\$ (18,147)	\$ -	\$ 870	\$ 401
Receipts:										
Local sources	66	1,005,041	-	-	3,042	-	18,163	16,609	-	-
Intermediate sources	-	-	140,019	9,477	257,388	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	66	1,005,041	140,019	9,477	260,430	-	18,163	16,609	-	-
Disbursements:										
Instruction	-	190,119	61,055	31,823	215,894	-	16	17,205	-	-
Support services	-	873,033	444	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	19,162	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,063,152	80,661	31,823	215,894	-	16	17,205	-	-
Excess (deficiency) of receipts over disbursements	66	(58,111)	59,358	(22,346)	44,536	-	18,147	(596)	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	75,000	-	-	-	-	-	-	-	-
Transfers out	-	(13,957)	-	-	(19,401)	-	-	-	-	-
Total other financing sources (uses)	-	61,043	-	-	(19,401)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	66	2,932	59,358	(22,346)	25,135	-	18,147	(596)	-	-
Cash and investments - ending	\$ 6,494	\$ 2,708,443	\$ 110,320	\$ (23,559)	\$ 85,203	\$ -	\$ -	\$ (596)	\$ 870	\$ 401

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

	Secured School Safety Grant	American Dairy Equipment Grant	CES Lowe's Grant Beautification	Cultural Competency Grant 05-06	Non-English Speaking Programs	State Connectivity Grant	Performance Based Awards	Fuel Up To Play 60 Grant	Title I #3190 2015-16
Cash and investments - beginning	\$ (33,828)	\$ -	\$ 2,040	\$ 22	\$ 8,450	\$ 189	\$ 3,900	\$ -	\$ -
Receipts:									
Local sources	-	2,276	-	-	-	-	-	27,700	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	69,769	-	-	-	-	6,564	-	-	-
Federal sources	-	-	-	-	-	-	-	-	387,007
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	69,769	2,276	-	-	-	6,564	-	27,700	387,007
Disbursements:									
Instruction	-	-	-	-	467	-	-	12,409	170,391
Support services	62,981	-	590	-	-	-	-	-	227,911
Noninstructional services	-	-	-	-	-	-	-	13,225	2,970
Facilities acquisition and construction	-	2,276	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	62,981	2,276	590	-	467	-	-	25,634	401,272
Excess (deficiency) of receipts over disbursements	6,788	-	(590)	-	(467)	6,564	-	2,066	(14,265)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(22,179)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(22,179)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,788	-	(590)	-	(467)	6,564	-	2,066	(36,444)
Cash and investments - ending	\$ (27,040)	\$ -	\$ 1,450	\$ 22	\$ 7,983	\$ 6,753	\$ 3,900	\$ 2,066	\$ (36,444)

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

	Title I 2011-2012 #3190	Title I 2013-14	Title I 2014-15	Title I 2014-15 Wyandotte	HCELC PT B FY14	Part B 611 FY15 Spec Education	Part B 611 FY16 Spec Education	HCELC PT B FY13	HCELC Technical Assistance Grant FY14
Cash and investments - beginning	\$ (99)	\$ -	\$ (89,310)	\$ (384)	\$ (27,764)	\$ (114,581)	\$ -	\$ -	\$ (2,796)
Receipts:									
Local sources	-	-	-	-	4,094	15,086	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	178,576	1,656	76,944	541,407	551,560	-	9,324
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	178,576	1,656	81,038	556,493	551,560	-	9,324
Disbursements:									
Instruction	(99)	-	82,489	1,430	34,537	74,766	555,087	-	-
Support services	-	-	(5,299)	-	17,574	451,667	316,026	-	6,528
Noninstructional services	-	-	2,219	-	1,163	1,016	38,069	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	(99)	-	79,409	1,430	53,274	527,449	909,182	-	6,528
Excess (deficiency) of receipts over disbursements	99	-	99,167	226	27,764	29,044	(357,622)	-	2,796
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	158	-	-	-	-	-
Transfers out	-	-	(9,857)	-	-	(2,554)	-	-	-
Total other financing sources (uses)	-	-	(9,857)	158	-	(2,554)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	99	-	89,310	384	27,764	26,490	(357,622)	-	2,796
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (88,091)	\$ (357,622)	\$ -	\$ -

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

	Part B 619 FY15 Preschool	Part B 619 FY16 Preschool	PLTW Grant 2015-17	21st CCLC Grant 2013-14	Hurricane Relief Fund	Title II Part A 2014-16	Title II Part A 2012-14	Title II Part A 13-15	Reading First, No Child Left Behind
Cash and investments - beginning	\$ (3,189)	\$ -	\$ 8,750	\$ -	\$ 2,734	\$ -	\$ -	\$ (14,282)	\$ 701
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	3,189	28,645	-	-	-	85,775	-	38,447	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	3,189	28,645	-	-	-	85,775	-	38,447	-
Disbursements:									
Instruction	-	39,465	8,753	-	-	34,911	-	10,183	-
Support services	-	-	-	-	-	51,451	-	12,459	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	39,465	8,753	-	-	86,362	-	22,642	-
Excess (deficiency) of receipts over disbursements	3,189	(10,820)	(8,753)	-	-	(587)	-	15,805	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(3,428)	-	(1,523)	-
Total other financing sources (uses)	-	-	-	-	-	(3,428)	-	(1,523)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,189	(10,820)	(8,753)	-	-	(4,015)	-	14,282	-
Cash and investments - ending	\$ -	\$ (10,820)	\$ (3)	\$ -	\$ 2,734	\$ (4,015)	\$ -	\$ -	\$ 701

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

	CES College Success Grant 2011-12	CJHS College Success Grant	HWE College Go Week Grant 2014-15	NME College Go Grant	SCE College Go Grant	Prepaid Lunches	Payroll Withholdings	Clearing Accounts	Totals
Cash and investments - beginning	\$ 228	\$ 681	\$ 773	\$ -	\$ -	\$ 11,431	\$ 50,515	\$ 155,704	\$ 13,150,072
Receipts:									
Local sources	-	-	-	-	-	-	-	-	13,797,187
Intermediate sources	-	-	-	-	-	-	-	-	407,212
State sources	-	-	-	-	-	-	-	-	19,923,151
Federal sources	-	-	-	500	500	-	-	-	2,854,806
Other receipts	-	-	-	-	-	8,617	4,775,013	41,365	4,826,382
Total receipts	-	-	-	500	500	8,617	4,775,013	41,365	41,808,738
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	15,130,326
Support services	161	-	449	100	54	-	-	-	12,607,745
Noninstructional services	-	-	-	-	-	-	-	-	2,285,625
Facilities acquisition and construction	-	-	-	-	-	-	-	-	966,578
Debt service	-	-	-	-	-	-	-	-	5,589,415
Nonprogrammed charges	-	-	-	-	-	928	4,772,185	35,568	4,808,681
Total disbursements	161	-	449	100	54	928	4,772,185	35,568	41,388,370
Excess (deficiency) of receipts over disbursements	(161)	-	(449)	400	446	7,689	2,828	5,797	420,368
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	23,367
Transfers in	-	-	-	-	-	-	-	-	1,906,102
Transfers out	-	-	-	-	-	-	-	-	(1,906,102)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	23,367
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(161)	-	(449)	400	446	7,689	2,828	5,797	443,735
Cash and investments - ending	\$ 67	\$ 681	\$ 324	\$ 400	\$ 446	\$ 19,120	\$ 53,343	\$ 161,501	\$ 13,593,807

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 258,474</u>	<u>\$ 398,084</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple Inc.	Purchase of iPads for elementary classrooms.	\$ 110,000	9/25/2015	9/25/2018 *
South Harrison 2000 School Building Corporation	Series 2008 - Refunding of Bonds for Renovation/Expansion of Multiple Schools	1,229,500	1/8/2008	7/15/2020
South Harrison 2000 School Building Corporation	Series 2014 - Refunding of Bonds for Renovations/Expansion of Multiple Schools	802,794	10/7/2014	7/15/2019
South Harrison 2000 School Building Corporation	Series 2007 - Refunding of Bonds for Renovation/Expansion of Multiple Schools	<u>2,599,350</u>	3/6/2007	1/15/2026
Total governmental activities		<u>4,741,644</u>		
Total of annual lease payments		<u>\$ 4,741,644</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Retirement/Severance Liability Funding	\$ 465,000	\$ 478,532
Totals		<u>\$ 465,000</u>	<u>\$ 478,532</u>

\* Note: The Apple Inc. lease obligation is being paid by the South Harrison 2000 School Building Corporation on behalf of the School Corporation.

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTH HARRISON COMMUNITY  
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

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

**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 2016-003, 2016-004, 2016-005, 2016-007, 2016-010, and 2016-011. 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, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, and 2016-11, to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-15	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	3190	\$ 178,653	\$ 215,096
School Breakfast Program					
Total - School Breakfast Program				178,653	215,096
National School Lunch Program					
National School Lunch Program	Indiana Department of Education	10.555	3190	766,611	724,023
National School Lunch Program-Commodities			3190	102,170	92,995
Total - National School Lunch Program				868,781	817,018
Total - Child Nutrition Cluster				1,047,434	1,032,114
Child Nutrition Discretionary Grants Limited Availability 2014 NSLP Equipment Grant	Indiana Department of Education	10.579	A58-6-16SS-0113	-	11,640
Total - Department of Agriculture				1,047,434	1,043,754
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States					
Special Education Technical Assistance	Indiana Department of Education	84.027	99914-028-TA01	6,986	4,968
Part B 611 FY 2013			14213-028-PN01	89,655	-
Part B 611 FY 2014			14214-028-PN01	295,114	41,325
Part B 611 FY 2015			14215-028-PN01	383,146	246,495
Part B 611 FY 2016			14216-026-PN01	-	298,021
Total - Special Education Grants to States				774,901	590,809
Special Education Preschool Grants					
FY 2014-16	Indiana Department of Education	84.173	45715-028-PN01	17,431	-
FY 2015-17			45716-028-PN01	-	14,006
Total - Special Education Preschool Grants				17,431	14,006
Total - Special Education Cluster (IDEA)				792,332	604,815

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-15	Total Federal Awards Expended 06-30-16
Title I Grants to Local Educational Agencies	Indiana Department of Education				
Title I 2013-2014		84.010	14-3190	188,728	-
Title I 2014-2015 Wyandotte			15-3190	1,470	1,656
Title I 2014-2015			15-3190	313,754	178,576
Title I 2015-2016			16-3190	-	387,007
<b>Total - Title I Grants to Local Education Agencies</b>				<u>503,952</u>	<u>567,239</u>
Twenty-First Century Community Learning Centers 21st Century Grant 2013-14	Indiana Department of Education	84.287	3190	48,006	-
Improving Teacher Quality State Grants	Indiana Department of Education				
Title II Part A 2012-14		84.367	12-3190	49,211	-
Title II Part A 2013-15			13-3190	64,014	38,447
Title II Part A 2014-16			14-3190	-	85,775
<b>Total - Improving Teacher Quality State Grants</b>				<u>113,225</u>	<u>124,222</u>
College Access Challenge Grant Program	Indiana Commission of Higher Education				
HWE Coll Go Week Grant 2014-15		84.378	3190	227	449
CES College Success Grant 11-12			3190	1,993	161
NME College Go Grant			3190	-	100
SCE College Go Grant			3190	-	54
CJHS College Success Grant			3190	70	-
<b>Total - College Access Challenge Grant Program</b>				<u>2,290</u>	<u>764</u>
<b>Total - Department of Education</b>				<u>1,459,805</u>	<u>1,297,040</u>
<b>Total federal awards expended</b>				<u>\$ 2,507,239</u>	<u>\$ 2,340,794</u>

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

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

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

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

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

The School Corporation is a member of a special education cooperative and serves as the fiscal agent of the special education cooperative. As a result, some activity for the Special Education Cluster (IDEA) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member school corporations as appropriate.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
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	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2016-001**

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

*Repeat Finding*

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

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

*Condition*

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

The School Corporation had not established effective internal controls over the federal award information entered into Indiana Gateway for Government Units (Gateway), which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The Special Education Grants to States program was overstated by \$508,476 for the fiscal year 2016.
2. The Special Education Preschool Grants program was overstated by \$14,639 for the fiscal year 2016.
3. The College Access Challenge Grant Program was understated by \$2,063 for the fiscal year 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:

"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. . . ."

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

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

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

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

*Cause*

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

*Effect*

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

*Recommendation*

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

*Views of Responsible Officials*

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

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

***FINDING 2016-002***

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

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

*Condition*

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting of some payroll transactions. The payroll deduction clearing bank account was used to account for employee withholding activity to four payroll vendors using an electronic payment method (ACH) that did not require checks. These amounts were set up in the payroll system as payroll direct deductions. The receipt and disbursement activity was not recorded to the clearing accounts in the School Corporation's financial records. The deductions did not appear on the School Corporation's vendor history reports, revenue reports, or expense reports and the deductions were not approved by the School Board.

*Context*

The lack of controls over Financial Transactions and Reporting of these payroll transactions was a systemic problem throughout the entire audit period. The activity for the four payroll vendors totaled \$288,812 for fiscal year 2015 and \$284,252 for fiscal year 2016.

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

*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. . . ."

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

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payments of the claim. . . ."

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipts and disbursement entries in the general ledger and the subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements, and balance of the funds of the school corporation in accordance with IC 5-11-1-2. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

*Cause*

Management of the School Corporation had not established a proper system of internal control to ensure all financial activity was reported within the financial records.

*Effect*

The failure to establish controls enabled misstatements or irregularities to remain undetected.

*Recommendations*

We recommended that the School Corporation's management establish a system of internal controls related to Financial Transactions and Reporting to ensure that all financial activity is properly recorded within the financial records.

*Views of the Responsible Officials*

For views of the 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: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program, School Breakfast Program  
CFDA Numbers: 10.555, 10.553  
Federal Award Number and Year (or Other Identifying Number): 3190  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

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

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The School Corporation failed to comply with the Cash Management compliance requirement that the net cash resources in the School Lunch fund should not exceed three months average expenditures for its nonprofit school food service program.

*Context*

The net cash resources in the School Lunch fund exceeded 3 months average expenditures for 11 out of the 12 months during the 2014-2015 school year. The excess cash balances ranged in amounts from \$44,148 to \$196,458. This was a systemic problem for just the 2014-2015 school year.

*Criteria*

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

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

7 CFR 210.14(b) states: "*Net cash resources.* The School food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the state agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the Cash Management compliance requirement.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the Cash Management compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Cash Management 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 2016-004**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program, School Breakfast Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 3190  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*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. Salaries and benefits were approved in summary totals only. Details of salary and benefit transactions comprised of summary totals were not reviewed to verify that employees' costs expended to the grant funds were for employees that had actually performed work for the grant program and that the costs charged were proper. No controls were in place to ensure compliance with time and effort reporting requirements; therefore, none of the required reports or time records were properly maintained.

*Context*

No detailed payroll distribution records were presented to the School Board for review prior to payment of salaries and wages from grant funds. This was a systemic problem for the entire audit period. No Semi-Annual Certifications or Personnel Activity Reports were completed for any employees whose costs were charged to the School Breakfast Program and National School Lunch Program during fiscal year 2015. Although time records were maintained for fiscal year 2016, they did not specifically indicate what activities the employee worked on.

*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. . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
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). . . ."

7 CFR 3016.20(b) states in part:

". . . (5) *Allowable Costs.* Applicable OMB cost principles, agency program regulations, and the terms of the grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability costs.

(6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

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

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

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

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); . . .

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

(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. . . ."

*Cause*

The School Corporation's management did not have a system in place that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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: Child Nutrition Cluster - Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 3190  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the Suspension and Debarment compliance requirement.

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

*Context*

The School Corporation utilized a third-party purchasing agent for food purchases. Procedures used by the third-party purchasing agent were not reviewed to determine that requirements for suspension and debarment were being followed. During the audit period, the School Corporation did not determine if vendors paid through the National School Lunch Program and School Breakfast Program had been suspended or debarred from participation in federal programs.

*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). . . ."

2 CFR 180.300 states:

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

You do this by:

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

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Suspension and Debarment compliance requirement.

*Effect*

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Suspension and Debarment 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 2016-006**

Subject: Child Nutrition Cluster - Activities Allowable or Unallowed, Eligibility, Reporting, Program Income, Special Tests and Provisions - School Food Accounts and National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Programs: National School Lunch Program, School Breakfast Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 3190

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowable or Unallowed, Eligibility, Reporting, Program Income, Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Eligibility, Reporting, Program Income, Special Tests and Provisions - School Food Account, and Special Tests and Provisions - Paid Lunch Equity.

*Activities Allowed or Unallowed*

Expenditure reports had limited detail transactions with a reference of payroll transactions and benefits. These transactions were reference in summary totals. No procedures were in place to review the detail of the summary transactions to verify the activities were allowable.

*Eligibility*

Determination of eligibility was made by one individual without the oversight or review by another individual.

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

*Reporting*

Monthly Sponsor Claims (claims for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were completed by one individual without the oversight or review by another individual.

*Program Income*

Proper procedures were not in place to ensure financial activity related to program income was properly recorded in the financial records. The prepaid food control account was not reconciled with the detail student subsidiary record to ensure that all sales transactions recorded in the subsidiary records were properly identified and recorded in the financial ledger.

*Special Tests and Provisions - School Food Accounts*

The same individual responsible for receipting transactions to the ledger for the school lunch account was also responsible for reviewing the financial transactions of the School Lunch fund to verify that all school lunch receipts were properly recorded and all expenditures were related to the improvement of the school lunch program.

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

One individual was responsible for computing the paid lunch equity meal pricing without oversight or review to ensure the pricing was calculated correctly and in compliance with the program requirements.

*Context*

The lack of adequate internal controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

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

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

2 CFR 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). . . ."

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

*Cause*

Management had not developed 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 above mentioned compliance requirements. Non-compliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds.

*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 requirements listed above.

*Views of Responsible Officials*

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

***FINDING 2016-007***

Subject: Title I Grant 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): 14-3190, 15-3190, 16-3190  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately 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.

Proper controls were not in place to ensure costs associated with salaries and benefits were properly charged and allocated to the grant program. Salaries and benefits were approved in summary totals only. Details of salary and benefit transactions were not reviewed to verify that employees' costs expended were for employees that had performed work for the grant program and were in agreement with supporting time records.

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

Proper controls were not in place to ensure that detailed documentation supporting all adjustment/transfer transactions was being reviewed and approved prior to the recording of the transactions. Adjustments/transfers were approved in summary total only. In addition, controls were not in place to ensure that any adjustments/transfer transactions for benefits related to salaries were required.

Procedures were not in place to ensure all employees completed Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personal expenses. Semi-Annual Certifications, Personnel Activity Report, or other documentation of personal expenses were not completed for all employees or were not properly completed for employees who performed services for the grant program.

*Context*

No detailed payroll distribution records or detailed supporting documentation for adjustment/transfer transactions were presented to the School Board for review prior to payment of salaries and wages or recording of adjustments/transfers from grant funds. This was a systematic problem for the entire audit period.

For nine of the employees tested, Semi-Annual Certifications were completed; however, the employees should have completed Personnel Activity Reports, since they worked on other activities outside of the Title I programs. For thirty-one employees paid from Title I funds, no Personnel Activity Reports, Semi-Annual Certifications, or other documentation of personal expenses were completed.

*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). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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

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

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

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. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

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

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 2016-008**

Subject: Title I Grants to Local Educational Agencies - Activities  
Allowed or Unallowed, Period of Performance

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): 14-3190, 15-3190, 16-3190

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Period of Performance

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding Activities Allowed or Unallowed. The prior audit finding number was 2014-003.

*Condition*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed and Period of Performance.

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

*Activities Allowed or Unallowed*

There were no controls in place to ensure expenditures charged to the grant program were for allowable activities. Summary total amounts recorded to the grants with the ledger reference description, payroll transactions; FICA; or insurance, were not reviewed to ensure the underlying detailed transactions actually related to the ledger posting description and were for allowable activities. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were for allowable activities.

*Period of Performance*

There were no controls in place to ensure the underlying obligation for salary and benefit expenditures charged to the grant program were within the period of performance. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were within the period of performance.

*Context*

The lack of adequate internal controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

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

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

2 CFR 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*

Management had not developed a system of internal controls including the segregation of 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 above mentioned compliance requirements. Non-compliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2016-009**

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Cash Management, Period of Performance

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): 99914-028-TA01, 14213-028-PN01, 14214-028-PN01, 14215-028-PN01, 14216-028-PN01, 45715-028-PN01, 45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Cash Management, Period of Performance

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding Activities Allowed or Unallowed. The prior audit finding number was 2014-005.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, and Period of Performance.

*Activities Allowed or Unallowed*

There were no controls in place to ensure expenditures charged to the grant programs were for allowable activities. Summary total amounts recorded to the grants with the ledger reference description, payroll transactions; FICA; or insurance, were not reviewed to ensure the underlying detailed transactions actually related to the ledger posting description and were allowable activities. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were for allowable activities.

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

*Cash Management*

There were no controls in place to ensure that cash reimbursement requests were reviewed by someone other than the preparer and to verify that the amounts requested were in agreement with the underlying financial records for costs that had been paid prior to making the request.

*Period of Performance*

There were no controls in place to ensure the underlying obligation for salary and benefit expenditures charged to the grant programs were within the period of performance. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were within the period of performance.

*Context*

The lack of adequate internal controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

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

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

2 CFR 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*

Management had not developed a system of internal controls, including the segregation of 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 above mentioned compliance requirements. Non-compliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2016-010**

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.173, 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-028-TA01, 14213-028-PN01,  
14214-028-PN01, 14215-028-PN01,  
14216-026-PN01, 45715-028-PN01,  
45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-005.

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. There were no controls in place to verify that backup documentation per the financial ledger attached to the Final Financial Expenditure Reports were in agreement with amounts reported on the Final Financial Expenditure Reports submitted. There were no controls in place whereby Cash Request for Reimbursement were reviewed by someone other than the preparer prior to the request being submitted.

The Final Expenditure Reports and Cash Request for Reimbursement submitted did not agree with the underlying accounting financial ledger reports for the grant funds. Expenditures were recorded to the financial records in excess of the grant award budget amounts. As a result of overspending the grant award amounts, the grant funds had deficit balances. Management resolved the deficits in the grant funds by transferring monies from local sources.

*Context*

One Final Expenditure Report submitted during fiscal year 2015 did not match the School Corporation's underlying ledger expenditure reports that were attached as supporting documentation. Two Final Expenditure Reports submitted during fiscal year 2016 did not match the School Corporation's expenditure reports that were attached as supporting documentation.

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

One Cash Request for Reimbursement report submitted during fiscal year 2015 did not match the School Corporation's underlying ledger expenditure report attached to support the amount being requested. The amount requested to be reimbursed was less than the amount shown as expended in the ledger. The School Corporation was forced to request less than the actual amount reported in the ledger due to the fact that expenditures recorded were in excess of the approved grant budget award amounts.

The following differences existed between the amounts reported on the Final Expenditure Reports and the Cash Request for Reimbursement and the total expenditures for the fund per the ledger reports:

<i>Final Financial Expenditure Report</i>						
Fund Number	Grant Award Number	Report Filed	Grant Award Amount	Final Expenditure Report Amount	Total Grant Expenditures Per Funds Ledger	Difference
5209	14213-028-PN01	12/11/2014	\$ 1,389,959	\$ 1,389,865	\$ 2,202,010	\$ (812,145)
5202	14214-028-PN01	11/30/2015	1,355,436	1,355,436	1,381,603	(26,167)
5403	45715-028-PN01	11/30/2015	35,879	35,879	39,068	(3,189)

<i>Request for Advance or Reimbursement Report</i>						
Fund Number	Grant Award Number	Report Filed	Grant Award Amount	Cash Reimbursement Report Amount	Total Grant Expenditures Per Funds Ledger	Difference
5403	45715-028-PN01	6/1/2015	\$ 35,879	\$ 7,973	\$ 11,162	\$ (3,189)

*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 80.20(b)(1) states: "*Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

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

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the requirements for the Reporting compliance requirement.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the 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 2016-011**

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

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.173, 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-028-TA01, 14213-028-PN01,  
14214-028-PN01, 14215-028-PN01,  
14216-026-PN01, 45715-028-PN01,  
45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-005.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

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

Proper controls were not in place to ensure costs associated with salaries and benefits were properly charged and allocated to the grant programs. Salaries and benefits were approved in summary totals only. Details of salary and benefit transactions were not reviewed to verify that employees' costs expended were for employees that had performed work for the grant programs and were in agreement with the amounts reported on supporting time records.

Proper controls were not in place to ensure that detailed documentation supporting all adjustment/transfer transactions was being reviewed and approved prior to the recording of the transactions. Adjustments/transfers were approved in summary total only. In addition, controls were not in place to ensure that any adjustments/transfer transactions for benefits related to salaries were required.

Proper controls were not in place to ensure all employees completed Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personal expenses. Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personal expenses were not completed for some employees that were paid from special education funds. In addition, no controls were in place to verify the accuracy of the Personnel Activity Reports or other documentation of personal expenses to the employee time cards.

*Context*

No detailed payroll distribution records or detailed supporting documentation for adjustment/transfer transactions were presented to the School Board for review prior to payment of salaries and wages or recording of adjustments/transfers from grant funds. This was a systematic problem for the entire audit period.

A review of grant expenditures for fiscal year 2015 identified actual unallowable costs of \$199 for freight, shipping, and surcharges paid from grant funds. This resulted in projected likely unallowable costs in the amount of \$3,119. A review of grant expenditures for fiscal year 2016 identified actual unallowable costs of \$4,121 for shipping and payroll adjustments that did not have proper supporting documentation to determine if costs have been properly allocated. This resulted in projected likely unallowable costs in the amount of \$23,036.

During the review of Semi-Annual Certifications, Personnel Activity Reports, for fiscal year 2016, or other documentation of personnel expenses five instances were noted where proper documentation was not maintained for employees paid from grant funds. Four of the five instances involved substitute teachers.

*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. . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION  
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). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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

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

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets that standards in subsection (5) unless a statistical sampling system . . . or substitute system have been approved by the cognizant Federal agency. . . ."

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

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. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

Known questioned costs of \$4,320 were identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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



***315 South Harrison Drive, Corydon, IN 47112 • Phone (812) 738-2168 • Fax (812) 738-2158***

*Dr. Mark A. Eastridge  
Superintendent*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Original SBA Audit Report Number: B45701  
Fiscal Year: June 30, 2014  
Pass Through Entity: Indiana Department of Education  
Auditee Contact Persons/Titles: Dr. Mark A. Eastridge, Superintendent  
Ms. Carolyn Wallace, Director of Business Operations  
Ms. Pamela Seipel, Treasurer  
Corporation Phone Number: (812) 738-2168

***Finding 2014-003 – Activities Allowed or Unallowed and Allowable Costs***

SHCSC continues to review practices to assure that effective internal control procedures are in place to provide reasonable assurance of compliance. Specifically cited in this finding was the failure to include the employer portion of the FICA and Medicare taxes within the claim docket for approval by the Board of School Trustees on a monthly basis. Detailed payroll records, including FICA and Medicare tax payments are included within the claim docket presented to and approved by the Board of School Trustees on a monthly basis.

***Finding 2014-004 – Cash Management and Reporting***


SHCSC continues to review practices to assure that effective internal control procedures are in place to provide reasonable assurance of compliance. Reimbursement requests are prepared and reviewed by multiple individuals on a regular basis. The multi-faceted review process assures levels of control concerning cash management and reporting.


***Finding 2014-005 – Activities Allowed or Unallowed, Allowable Costs and Reporting***

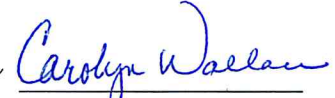
SHCSC continues to review practices to assure that effective internal control procedures are in place to provide reasonable assurance of compliance. Specifically cited in this finding was the failure to include detailed payroll records and the employer portion of the FICA and Medicare taxes within the claim docket for approval by the Board of School Trustees on a monthly basis. Procedures to include this information within the claim docket have been implemented and continue.

Respectfully Submitted on February 14, 2018

*The mission of South Harrison Community School Corporation is to create an environment which develops, nurtures and reinforces the success of students as well as all people served by the corporation. Further, through the shared involvement of home, community and school, our purpose is to develop and provide quality work to prepare each student to think, reason and participate in a diverse society as a lifelong, self-directed learner.*

  
Mark A. Eastridge, Ph.D.  
Superintendent

  
Pamela L. Seipel  
Treasurer

  
Carolyn Wallace  
Director of Business Operations

*An Equal Opportunity Employer*



## South Harrison: Safe ♦ Supportive ♦ Successful

### CORRECTIVE ACTION PLAN

#### FINDING 2016-001

Contact Person Responsible for Corrective Action:	Dr. Mark A. Eastridge, Superintendent Pam Seipel, Treasurer Carolyn Wallace, Director of Business Operations
Contact Phone Number:	(812) 738-2168
View of Responsible Official:	We concur with the finding.
Description of Corrective Action Plan:	The School Corporation has established a control process which provides for a review of the data input into Gateway to verify accuracy prior to submission. This review will be conducted by someone other than the one inputting information into Gateway.
Anticipated Completion Date:	Effective with the June 30, 2018 submission.

#### FINDING 2016-002

Contact Person Responsible for Corrective Action:	Dr. Mark A. Eastridge, Superintendent Pam Seipel, Treasurer Carolyn Wallace, Director of Business Operations
Contact Phone Number:	(812) 738-2168
View of Responsible Official:	We concur with the finding.
Description of Corrective Action Plan:	The School Corporation will contact financial software vendor to incorporate the payroll deduction clearing account into the records and record the transactions within.
Anticipated Completion Date:	Fall 2018

#### FINDING 2016-003

Contact Person Responsible for Corrective Action:	Dr. Mark A. Eastridge, Superintendent
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**South Harrison: Safe ♦ Supportive ♦ Successful**

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Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number:

(812) 738-2168

View of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The following control procedure will be implemented:  
Monthly comparison of fund balance to the calculated  
three month average expenditures.

Anticipated Completion Date:

Immediate

**FINDING 2016-004**

Contact Person Responsible for Corrective Action:

Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number:

(812) 738-2168

View of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The following control procedures will be implemented:  
Detailed salary and benefit transactions will be reviewed  
to verify allowable costs.

Payroll distribution reports will be reviewed and  
employees will complete the report. These records will  
then be reviewed and maintained.

Anticipated Completion Date:

June 30, 2018

**FINDING 2016-005**

Contact Person Responsible for Corrective Action:

Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number:

(812) 738-2168

View of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The following control procedure will be implemented:  
The Suspension and Debarment listing will be searched  
to verify that vendors are not included therein.

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Anticipated Completion Date: June 30, 2018

### **FINDING 2016-006**

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedures will be implemented:  
Each of these times will be reviewed by someone other than the preparer during the food service meetings:

- Detailed salary and benefit transactions;
- Eligibility determination;
- Monthly claims for reimbursement;
- Annual financial reports;
- Verification summary reports;
- Recording of program income;
- Reconciliation of prepaid food control account;
- Details of all receipts and expenditures to/from School Lunch Fund; and,
- Paid lunch equity meal pricing.

Anticipated Completion Date: Immediate

### **FINDING 2016-007**

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedures will be implemented:  
Detailed salary and benefit transactions will be reviewed by the program director prior to the submission of reimbursement requests and/or transfers to verify that the costs are both allowable and within the period of performance.

Payroll distribution reports will be reviewed and compared to time and effort reporting logs to determine

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that all required employees are completing the correct form. These records will then be reviewed and maintained in the grant files.

Anticipated Completion Date: Immediate

**FINDING 2016-008**

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:  
Detailed salary and benefit transactions will be reviewed by the program director prior to the submission of reimbursement requests and/or transfers to verify that the costs are both allowable and within the period of performance.

Anticipated Completion Date: Immediate

**FINDING 2016-009**

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:  
Detailed salary and benefit transactions will be reviewed by the program director prior to the submission of reimbursement requests and/or transfers to verify that the costs are both allowable and within the period of performance.

Anticipated Completion Date: Immediate

**FINDING 2016-010**

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Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:  
Detailed expenditure reports will be included with the final reports and will be reviewed by the program director prior to submission for purposes of verifying allowable cost and period of performance.

Anticipated Completion Date: Immediate

**FINDING 2016-011**

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent  
Pam Seipel, Treasurer  
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedures will be implemented:  
Detailed salary and benefit transactions will be reviewed by the program director or by someone other than the preparer to verify allowable costs prior to the submission of reimbursement requests and/or completion of transfers.

Payroll distribution reports will be reviewed and compared to time and effort reporting logs to determine that all required employees are completing the correct form. These records will then be reviewed and maintained in the grant files.

Anticipated Completion Date: Immediate

Signatures:

  
Dr. Mark E. Eastridge  
Superintendent

  
Pamela L. Seipel  
Treasurer

  
Carolyn E. Wallace  
Director of Business Operations

## 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/>.