

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

COMMUNITY SCHOOL CORPORATION  
OF SOUTHERN HANCOCK COUNTY  
HANCOCK COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
08/02/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert L. Yoder	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Lisa Lantrip	07-01-14 to 06-30-18
President of the School Board	William Niemier Craig S. Wagoner, Sr. Brian McKinney	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-18



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 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

June 28, 2018



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Community School Corporation of Southern Hancock County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated June 28, 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, a material weakness may exist that have not been identified.


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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

June 28, 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.

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

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 5,342,883	\$ 18,890,693	\$ 18,473,280	\$ 2,400	\$ 5,762,696	\$ 20,167,833	\$ 19,652,705	\$ 8,349	\$ 6,286,173
Debt Service	2,399,228	5,794,583	5,281,901	(81,311)	2,830,599	5,622,296	5,351,310	-	3,101,585
Retirement/Severance Bond Debt Service	195,383	485,963	442,625	(10,228)	228,493	350,374	442,625	-	136,242
Capital Projects	665,120	2,487,038	2,426,995	73,117	798,280	2,532,180	2,272,528	38,898	1,096,830
School Transportation	871,962	1,860,246	1,676,215	51,888	1,107,881	1,768,553	1,684,355	-	1,192,079
School Bus Replacement	161,235	57,558	203,932	3,881	18,742	210,476	-	-	229,218
Rainy Day	-	-	-	-	-	1,998,899	-	-	1,998,899
Retirement/Severance Bond	253,327	-	1,758	-	251,569	-	16,371	-	235,198
Post-Retirement/Severance Future Benefits	458,280	-	20,357	56,881	494,804	-	2,618	56,786	548,972
Construction	-	-	76,077	2,000,000	1,923,923	-	1,336,518	-	587,405
School Lunch	279,050	1,602,438	1,396,456	-	485,032	1,513,152	1,401,920	-	596,264
Textbook Rental	748,586	355,520	628,974	442	475,574	442,872	633,523	596	285,519
Self-Insurance	21,398	38,201	41,815	-	17,784	53,201	7,117	-	63,868
Educational License Plates	412	263	-	-	675	394	-	-	1,069
Early Intervention Grant 2013-14	-	2,700	2,700	-	-	-	-	-	-
Early Intervention Grant 2014-15	-	7,758	7,758	-	-	-	-	-	-
Early Intervention Grant 2015-16	-	-	-	-	-	11,250	33,750	-	(22,500)
Sugar Creek Memorial Scholarship	916,433	2,323	1,909	-	916,847	2,566	2,374	-	917,039
Ben Moore Scholarship	17,716	1,044	500	-	18,260	1,367	500	-	19,127
Scholarships and Awards	-	-	-	-	-	550	300	-	250
Miscellaneous Programs	1,443	-	-	-	1,443	-	1,443	-	-
Summer of E-Learning	-	1,350	24	-	1,326	4,487	5,813	-	-
Lilly Volunteer Grant Program	356	-	356	-	-	-	-	-	-
Miscellaneous Projects Fund	-	-	-	-	-	200	-	-	200
United Way Youth as Resources	-	-	-	-	-	5,322	4,155	-	1,167
Pepsi/Coca-Cola	15,367	20,000	-	-	35,367	-	-	-	35,367
Rolls-Royce Robotics	2,191	3,000	1,476	-	3,715	-	2,496	-	1,219
Forum Educator Grant	-	-	-	-	-	2,500	2,500	-	-
MAC Grant	-	-	-	-	-	500	337	-	163
HCCF Youth Board	-	-	-	-	-	1,000	416	-	584
FACS Red Meat Fund	-	-	-	-	-	250	155	-	95
SHED - Education Foundation	3,145	1,800	3,210	-	1,735	7,327	1,953	-	7,109
Formative Assessment	-	-	-	-	-	24,102	-	-	24,102
High Ability Grant 2013-14	15,584	-	15,584	-	-	-	-	-	-
High Ability Grant 2014-15	-	40,244	10,180	-	30,064	-	30,064	-	-
High Ability Grant 2015-16	-	-	-	-	-	40,608	31,250	-	9,358
Secured Schools Safety Grant	-	62,675	83,913	-	(21,238)	37,325	34,315	-	(18,228)
Non-English Speaking Programs Grant 2015-16	-	-	-	-	-	3,341	-	-	3,341
School Technology	26,692	16,784	12,823	-	30,653	19,761	7,753	-	42,661
Performance Based Awards	-	138,221	133,469	-	4,752	113,987	118,739	-	-
Project Lead the Way	-	20,000	2,000	-	18,000	-	17,175	-	825
Title I 2013-14	(4,604)	16,460	11,856	-	-	-	-	-	-
Title I 2014-15	-	146,616	150,378	-	(3,762)	14,951	11,189	-	-
Title I 2015-16	-	-	-	-	-	131,598	134,852	-	(3,254)
Title II-A FFY 2013	-	27,557	27,737	-	(180)	6,653	6,473	-	-
Title II-A FFY 2014	-	11,212	11,212	-	-	16,855	18,721	-	(1,866)
Title II-A FFY 2015	-	-	-	-	-	5,599	5,599	-	-
Payroll Withholding	16,612	3,840,601	3,897,438	-	(40,224)	4,004,960	4,008,474	-	(43,738)
School Lunch Prepaid Clearing	10,433	1,020,264	1,013,131	-	17,567	991,229	992,704	-	16,092
<b>Totals</b>	<b>\$ 12,418,232</b>	<b>\$ 36,953,112</b>	<b>\$ 36,058,038</b>	<b>\$ 2,097,070</b>	<b>\$ 15,410,376</b>	<b>\$ 40,108,519</b>	<b>\$ 38,275,090</b>	<b>\$ 104,629</b>	<b>\$ 17,348,434</b>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

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

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

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

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

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

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

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

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

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

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

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

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

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

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

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

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

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains five funds with deficits in cash. This is a result of reimbursable grant expenditures that were not received by June 30, 2016. The Payroll Withholding fund also reported a negative balance due to a change in how benefits are paid for. The School Corporation switched insurance plans from one that required payment at month end, to one that required prepayment of benefits.

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

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with New Palestine Elementary School Building Corporation (the lessor). The lessor was organized as a 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 \$482,000 and \$484,000, respectively.

The School Corporation has entered into a capital lease with New Palestine High School Building Corporation (the lessor). The lessor was organized as a 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 \$1,327,500 and \$1,323,000, respectively.

The School Corporation has entered into a capital lease with Southern Hancock 1998 School Building Corporation (the lessor). The lessor was organized as a 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 \$1,270,125 and \$1,328,533, respectively.

The School Corporation has entered into a capital lease with Brier Creek School Building Corporation (the lessor). The lessor was organized as a 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 \$2,197,510 and \$2,200,000, respectively.

**Note 9. Subsequent Events**

In 2017, the School Corporation began the process of opening an intermediate school. In November of 2017, the School Board voted to rename Doe Creek Middle School to New Palestine Junior High School, and name the new building, New Palestine Intermediate School. The names will be effective School year 2018-2019. In September 2017, the School Corporation began the process of renovating the old middle school. The School Corporation is doing an extensive remodel of the facility, with paint, floor covering, new construction, all new technology, and new furniture. The renovation project will cost approximately \$2,500,000.

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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.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 5,342,883	\$ 2,399,228	\$ 195,383	\$ 665,120	\$ 871,962	\$ 161,235	\$ -	\$ 253,327
Receipts:								
Local sources	352,644	5,794,583	485,963	2,487,038	1,859,992	57,558	-	-
Intermediate sources	3	-	-	-	-	-	-	-
State sources	18,531,776	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	6,270	-	-	-	254	-	-	-
Total receipts	18,890,693	5,794,583	485,963	2,487,038	1,860,246	57,558	-	-
Disbursements:								
Instruction	12,547,204	-	-	-	-	-	-	-
Support service	5,649,660	28,364	-	987,810	1,676,215	203,932	-	1,758
Noninstructional services	276,416	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,439,185	-	-	-	-
Debt services	-	5,253,537	442,625	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	18,473,280	5,281,901	442,625	2,426,995	1,676,215	203,932	-	1,758
Excess (deficiency) of receipts over disbursements	417,413	512,682	43,338	60,043	184,031	(146,374)	-	(1,758)
Other financing sources (uses):								
Proceeds of long-term debt	-	36,668	-	-	-	-	-	-
Sale of capital assets	2,400	-	-	600	79	-	-	-
Transfers in	-	(117,979)	(10,228)	72,517	51,809	3,881	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,400	(81,311)	(10,228)	73,117	51,888	3,881	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	419,813	431,371	33,110	133,160	235,919	(142,493)	-	(1,758)
Cash and investments - ending	\$ 5,762,696	\$ 2,830,599	\$ 228,493	\$ 798,280	\$ 1,107,881	\$ 18,742	\$ -	\$ 251,569

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Post- Retirement/ Severance Future Benefits	Construction	School Lunch	Textbook Rental	Self-Insurance	Educational License Plates	Early Intervention Grant 2013-14
Cash and investments - beginning	\$ 458,280	\$ -	\$ 279,050	\$ 748,586	\$ 21,398	\$ 412	\$ -
Receipts:							
Local sources	-	-	1,150,862	278,580	38,201	-	-
Intermediate sources	-	-	-	-	-	263	-
State sources	-	-	19,749	76,880	-	-	2,700
Federal sources	-	-	431,130	-	-	-	-
Other receipts	-	-	697	60	-	-	-
Total receipts	-	-	1,602,438	355,520	38,201	263	2,700
Disbursements:							
Instruction	-	-	-	-	-	-	2,700
Support service	20,357	-	63,090	628,974	41,815	-	-
Noninstructional services	-	-	1,329,285	-	-	-	-
Facilities acquisition and construction	-	76,077	4,081	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	20,357	76,077	1,396,456	628,974	41,815	-	2,700
Excess (deficiency) of receipts over disbursements	(20,357)	(76,077)	205,982	(273,454)	(3,614)	263	-
Other financing sources (uses):							
Proceeds of long-term debt	56,881	2,000,000	-	-	-	-	-
Sale of capital assets	-	-	-	442	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	56,881	2,000,000	-	442	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	36,524	1,923,923	205,982	(273,012)	(3,614)	263	-
Cash and investments - ending	\$ 494,804	\$ 1,923,923	\$ 485,032	\$ 475,574	\$ 17,784	\$ 675	\$ -

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Early Intervention Grant 2014-15	Early Intervention Grant 2015-16	Sugar Creek Memorial Scholarship	Ben Moore Scholarship	Scholarships and Awards	Miscellaneous Programs	Summer of E-Learning
Cash and investments - beginning	\$ -	\$ -	\$ 916,433	\$ 17,716	\$ -	\$ 1,443	\$ -
Receipts:							
Local sources	-	-	2,323	1,044	-	-	1,350
Intermediate sources	-	-	-	-	-	-	-
State sources	7,758	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	7,758	-	2,323	1,044	-	-	1,350
Disbursements:							
Instruction	7,758	-	-	-	-	-	-
Support service	-	-	-	-	-	-	24
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,909	500	-	-	-
Total disbursements	7,758	-	1,909	500	-	-	24
Excess (deficiency) of receipts over disbursements	-	-	414	544	-	-	1,326
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	-	-	414	544	-	-	1,326
Cash and investments - ending	\$ -	\$ -	\$ 916,847	\$ 18,260	\$ -	\$ 1,443	\$ 1,326

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
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 For the Year Ended June 30, 2015

	Lilly Volunteer Grant Program	Miscellaneous Projects Fund	United Way Youth as Resources	Pepsi/ Coca-Cola	Rolls- Royce Robotics	Forum Educator Grant	MAC Grant
Cash and investments - beginning	\$ 356	\$ -	\$ -	\$ 15,367	\$ 2,191	\$ -	\$ -
Receipts:							
Local sources	-	-	-	20,000	3,000	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	20,000	3,000	-	-
Disbursements:							
Instruction	356	-	-	-	1,476	-	-
Support service	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	356	-	-	-	1,476	-	-
Excess (deficiency) of receipts over disbursements	(356)	-	-	20,000	1,524	-	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	(356)	-	-	20,000	1,524	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 35,367	\$ 3,715	\$ -	\$ -

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	HCCF Youth Board	FACS Red Meat Fund	SHED - Education Foundation	Formative Assessment	High Ability Grant 2013-14	High Ability Grant 2014-15	High Ability Grant 2015-16
Cash and investments - beginning	\$ -	\$ -	\$ 3,145	\$ -	\$ 15,584	\$ -	\$ -
Receipts:							
Local sources	-	-	1,800	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	40,244	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	1,800	-	-	40,244	-
Disbursements:							
Instruction	-	-	45	-	15,584	10,180	-
Support service	-	-	3,165	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	3,210	-	15,584	10,180	-
Excess (deficiency) of receipts over disbursements	-	-	(1,410)	-	(15,584)	30,064	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	-	-	(1,410)	-	(15,584)	30,064	-
Cash and investments - ending	\$ -	\$ -	\$ 1,735	\$ -	\$ -	\$ 30,064	\$ -

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
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 For the Year Ended June 30, 2015

	Secured Schools Safety Grant	Non-English Speaking Programs Grant 2015-16	School Technology	Performance Based Awards	Project Lead the Way	Title I 2013-14	Title I 2014-15
Cash and investments - beginning	\$ -	\$ -	\$ 26,692	\$ -	\$ -	\$ (4,604)	\$ -
Receipts:							
Local sources	-	-	16,784	-	-	-	-
Intermediate sources	-	-	-	-	20,000	-	-
State sources	62,675	-	-	138,221	-	-	-
Federal sources	-	-	-	-	-	16,460	146,616
Other receipts	-	-	-	-	-	-	-
Total receipts	62,675	-	16,784	138,221	20,000	16,460	146,616
Disbursements:							
Instruction	-	-	-	133,469	2,000	11,856	150,378
Support service	33,950	-	12,823	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	49,963	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	83,913	-	12,823	133,469	2,000	11,856	150,378
Excess (deficiency) of receipts over disbursements	(21,238)	-	3,961	4,752	18,000	4,604	(3,762)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	(21,238)	-	3,961	4,752	18,000	4,604	(3,762)
Cash and investments - ending	\$ (21,238)	\$ -	\$ 30,653	\$ 4,752	\$ 18,000	\$ -	\$ (3,762)

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2015

	Title I 2015-16	Title II-A FFY 2013	Title II-A FFY 2014	Title II-A FFY 2015	School Lunch Prepaid Clearing	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 16,612	\$ 10,433	\$ 12,418,232
Receipts:							
Local sources	-	-	-	-	-	-	12,551,722
Intermediate sources	-	-	-	-	-	-	20,266
State sources	-	-	-	-	-	-	18,880,003
Federal sources	-	27,557	11,212	-	-	-	632,975
Other receipts	-	-	-	-	1,020,264	3,840,601	4,868,146
Total receipts	-	27,557	11,212	-	1,020,264	3,840,601	36,953,112
Disbursements:							
Instruction	-	-	-	-	-	-	12,883,006
Support service	-	27,737	11,212	-	-	-	9,390,886
Noninstructional services	-	-	-	-	-	-	1,605,701
Facilities acquisition and construction	-	-	-	-	-	-	1,569,306
Debt services	-	-	-	-	-	-	5,696,162
Nonprogrammed charges	-	-	-	-	1,013,131	3,897,438	4,912,977
Total disbursements	-	27,737	11,212	-	1,013,131	3,897,438	36,058,038
Excess (deficiency) of receipts over disbursements	-	(180)	-	-	7,134	(56,836)	895,074
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	2,093,549
Sale of capital assets	-	-	-	-	-	-	3,521
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	2,097,070
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(180)	-	-	7,134	(56,836)	2,992,144
Cash and investments - ending	\$ -	\$ (180)	\$ -	\$ -	\$ 23,746	\$ (46,403)	\$ 15,410,376

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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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
Cash and investments - beginning	\$ 5,762,696	\$ 2,830,599	\$ 228,493	\$ 798,280	\$ 1,107,881	\$ 18,742	\$ -	\$ 251,569
Receipts:								
Local sources	390,184	5,622,296	350,374	2,531,019	1,767,574	210,476	1,998,899	-
Intermediate sources	4	-	-	-	-	-	-	-
State sources	19,776,926	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	719	-	-	1,161	979	-	-	-
Total receipts	20,167,833	5,622,296	350,374	2,532,180	1,768,553	210,476	1,998,899	-
Disbursements:								
Instruction	13,619,138	-	-	-	-	-	-	-
Support service	5,759,722	36,282	-	769,503	1,684,355	-	-	16,371
Noninstructional services	273,845	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,503,025	-	-	-	-
Debt services	-	5,315,028	442,625	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	19,652,705	5,351,310	442,625	2,272,528	1,684,355	-	-	16,371
Excess (deficiency) of receipts over disbursements	515,128	270,986	(92,251)	259,652	84,198	210,476	1,998,899	(16,371)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	8,349	-	-	38,898	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	8,349	-	-	38,898	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	523,477	270,986	(92,251)	298,550	84,198	210,476	1,998,899	(16,371)
Cash and investments - ending	\$ 6,286,173	\$ 3,101,585	\$ 136,242	\$ 1,096,830	\$ 1,192,079	\$ 229,218	\$ 1,998,899	\$ 235,198

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Post- Retirement/ Severance Future Benefits	Construction	School Lunch	Textbook Rental	Self-Insurance	Educational License Plates	Early Intervention Grant 2013-14
Cash and investments - beginning	\$ 494,804	\$ 1,923,923	\$ 485,032	\$ 475,574	\$ 17,784	\$ 675	\$ -
Receipts:							
Local sources	-	-	1,087,640	354,847	53,201	-	-
Intermediate sources	-	-	-	-	-	394	-
State sources	-	-	23,833	88,002	-	-	-
Federal sources	-	-	400,979	-	-	-	-
Other receipts	-	-	700	23	-	-	-
Total receipts	-	-	1,513,152	442,872	53,201	394	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support service	2,618	-	78,341	633,523	7,117	-	-
Noninstructional services	-	-	1,322,694	-	-	-	-
Facilities acquisition and construction	-	1,336,518	885	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,618	1,336,518	1,401,920	633,523	7,117	-	-
Excess (deficiency) of receipts over disbursements	(2,618)	(1,336,518)	111,232	(190,651)	46,084	394	-
Other financing sources (uses):							
Proceeds of long-term debt	56,786	-	-	-	-	-	-
Sale of capital assets	-	-	-	596	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	56,786	-	-	596	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	54,168	(1,336,518)	111,232	(190,055)	46,084	394	-
Cash and investments - ending	\$ 548,972	\$ 587,405	\$ 596,264	\$ 285,519	\$ 63,868	\$ 1,069	\$ -

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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 For the Year Ended June 30, 2016

	Early Intervention Grant 2014-15	Early Intervention Grant 2015-16	Sugar Creek Memorial Scholarship	Ben Moore Scholarship	Scholarships and Awards	Miscellaneous Programs	Summer of E-Learning
Cash and investments - beginning	\$ -	\$ -	\$ 916,847	\$ 18,260	\$ -	\$ 1,443	\$ 1,326
Receipts:							
Local sources	-	-	2,566	1,367	550	-	4,487
Intermediate sources	-	-	-	-	-	-	-
State sources	-	11,250	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	11,250	2,566	1,367	550	-	4,487
Disbursements:							
Instruction	-	33,750	-	-	-	1,443	-
Support service	-	-	-	-	-	-	5,813
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	2,374	500	300	-	-
Total disbursements	-	33,750	2,374	500	300	1,443	5,813
Excess (deficiency) of receipts over disbursements	-	(22,500)	192	867	250	(1,443)	(1,326)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	-	(22,500)	192	867	250	(1,443)	(1,326)
Cash and investments - ending	\$ -	\$ (22,500)	\$ 917,039	\$ 19,127	\$ 250	\$ -	\$ -

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

	Lilly Volunteer Grant Program	Miscellaneous Projects Fund	United Way Youth as Resources	Pepsi/ Coca-Cola	Rolls- Royce Robotics	Forum Educator Grant	MAC Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 35,367	\$ 3,715	\$ -	\$ -
Receipts:							
Local sources	-	200	5,322	-	-	2,500	500
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	200	5,322	-	-	2,500	500
Disbursements:							
Instruction	-	-	4,155	-	2,496	2,500	337
Support service	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	4,155	-	2,496	2,500	337
Excess (deficiency) of receipts over disbursements	-	200	1,167	-	(2,496)	-	163
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	-	200	1,167	-	(2,496)	-	163
Cash and investments - ending	\$ -	\$ 200	\$ 1,167	\$ 35,367	\$ 1,219	\$ -	\$ 163

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

	HCCF Youth Board	FACS Red Meat Fund	SHED - Education Foundation	Formative Assessment	High Ability Grant 2013-14	High Ability Grant 2014-15	High Ability Grant 2015-16
Cash and investments - beginning	\$ -	\$ -	\$ 1,735	\$ -	\$ -	\$ 30,064	\$ -
Receipts:							
Local sources	1,000	250	7,327	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	24,102	-	-	40,608
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	1,000	250	7,327	24,102	-	-	40,608
Disbursements:							
Instruction	416	155	1,184	-	-	30,064	31,250
Support service	-	-	769	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	416	155	1,953	-	-	30,064	31,250
Excess (deficiency) of receipts over disbursements	584	95	5,374	24,102	-	(30,064)	9,358
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	584	95	5,374	24,102	-	(30,064)	9,358
Cash and investments - ending	\$ 584	\$ 95	\$ 7,109	\$ 24,102	\$ -	\$ -	\$ 9,358

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

	Secured Schools Safety Grant	Non-English Speaking Programs Grant 2015-16	School Technology	Performance Based Awards	Project Lead the Way	Title I 2013-14	Title I 2014-15
Cash and investments - beginning	\$ (21,238)	\$ -	\$ 30,653	\$ 4,752	\$ 18,000	\$ -	\$ (3,762)
Receipts:							
Local sources	-	-	18,843	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	37,325	3,341	918	113,987	-	-	-
Federal sources	-	-	-	-	-	-	14,951
Other receipts	-	-	-	-	-	-	-
Total receipts	37,325	3,341	19,761	113,987	-	-	14,951
Disbursements:							
Instruction	-	-	-	118,739	17,175	-	11,189
Support service	18,227	-	7,753	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	16,088	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	34,315	-	7,753	118,739	17,175	-	11,189
Excess (deficiency) of receipts over disbursements	3,010	3,341	12,008	(4,752)	(17,175)	-	3,762
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	3,010	3,341	12,008	(4,752)	(17,175)	-	3,762
Cash and investments - ending	\$ (18,228)	\$ 3,341	\$ 42,661	\$ -	\$ 825	\$ -	\$ -

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 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 2015-16	Title II-A FFY 2013	Title II-A FFY 2014	Title II-A FFY 2015	School Lunch Prepaid Clearing	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ (180)	\$ -	\$ -	\$ 17,567	\$ (40,224)	\$ 15,410,376
Receipts:							
Local sources	-	-	-	-	-	-	14,411,422
Intermediate sources	-	-	-	-	-	-	398
State sources	-	-	-	-	-	-	20,120,292
Federal sources	131,598	6,653	16,855	5,599	-	-	576,635
Other receipts	-	-	-	-	991,229	4,004,960	4,999,772
Total receipts	131,598	6,653	16,855	5,599	991,229	4,004,960	40,108,519
Disbursements:							
Instruction	134,368	-	-	-	-	-	14,008,359
Support service	-	6,473	18,721	5,599	-	-	9,051,187
Noninstructional services	484	-	-	-	-	-	1,597,023
Facilities acquisition and construction	-	-	-	-	-	-	2,856,516
Debt services	-	-	-	-	-	-	5,757,653
Nonprogrammed charges	-	-	-	-	992,704	4,008,474	5,004,352
Total disbursements	134,852	6,473	18,721	5,599	992,704	4,008,474	38,275,090
Excess (deficiency) of receipts over disbursements	(3,254)	180	(1,866)	-	(1,475)	(3,514)	1,833,429
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	56,786
Sale of capital assets	-	-	-	-	-	-	47,843
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	104,629
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,254)	180	(1,866)	-	(1,475)	(3,514)	1,938,058
Cash and investments - ending	\$ (3,254)	\$ -	\$ (1,866)	\$ -	\$ 16,092	\$ (43,738)	\$ 17,348,434

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COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 485,294</u>	<u>\$ 23,369</u>

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Brier Creek School Building Corporation	School Building	\$ 2,193,500	07/15/09	01/15/29
New Palestine Elementary School Building Corporation	School Building	484,000	06/20/08	01/05/24
New Palestine High School Building Corporation	School Building	1,411,000	02/12/96	01/15/17
Southern Hancock 1998 School Building Corporation	School Building	<u>1,270,250</u>	06/28/98	01/15/20
Total governmental activities		<u>5,358,750</u>		
Total of annual lease payments		<u>\$ 5,358,750</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Taxable Retirement Severance Liability Funding Bonds of 2003	\$ 425,000	\$ 441,000
General obligation bonds	General Obligation Bonds of 2015	<u>2,000,000</u>	<u>535,750</u>
Total governmental activities		<u>2,425,000</u>	<u>976,750</u>
Totals		<u>\$ 2,425,000</u>	<u>\$ 976,750</u>

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 1,207,800
Buildings	72,059,200
Improvements other than buildings	2,800,000
Machinery, equipment, and vehicles	<u>9,100,000</u>
Total governmental activities	<u>85,167,000</u>
Total capital assets	<u><u>\$ 85,167,000</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the Community School Corporation of Southern Hancock County's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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 2016-001, 2016-002, 2016-004, and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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

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


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 2016-001, 2016-003, 2016-004, and 2016-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a significant deficiency.

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.

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

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

  
Paul D. Joyce, CPA  
State Examiner

June 28, 2018

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

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

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COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
			FY 2014-2015	\$ -	\$ 45,326	\$ -	\$ -
			FY 2015-2016	-	-	-	45,508
Total - School Breakfast Program				-	45,326	-	45,508
National School Lunch Program	Indiana Department of Education	10.555					
School Lunch			FY 2014-2015	-	385,804	-	-
Commodities			FY 2014-2015	-	42,065	-	-
School Lunch			FY 2015-2016	-	-	-	355,471
Commodities			FY 2015-2016	-	-	-	65,116
Total - National School Lunch Program				-	427,869	-	420,587
Total - Child Nutrition Cluster				-	473,195	-	466,095
Total - Department of Agriculture				-	473,195	-	466,095
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Federal Part B 611 FY 2013			14213-027-PN01	-	2,617	-	-
Federal Part B 611 FY 2014			14214-027-PN01	-	134,880	-	1,597
Federal Part B 611 FY 2015			14215-027-PN01	-	465,076	-	162,304
Federal Part B 611 FY 2016			14216-027-PN01	-	-	-	565,330
Federal Technical Assistance FY 2014			99914-027-TA01	-	2,496	-	619
Total - Special Education_Grants to States				-	605,069	-	729,850
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Preschool Part B 619 FY 2013			45713-027-PN01	-	282	-	-
Preschool Part B 619 FY 2014			45714-027-PN01	-	7,207	-	2,658
Preschool Part B 619 FY 2015			45715-027-PN01	-	22,916	-	5,404
Preschool Part B 619 FY 2016			45716-027-PN01	-	-	-	28,399
Total - Special Education_Preschool Grants				-	30,405	-	36,461
Total - Special Education Cluster (IDEA)				-	635,474	-	766,311
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2013-14			14-3115	-	16,460	-	-
Title I 2014-15			15-3115	-	146,616	-	14,951
Title I 2015-16			16-3115	-	-	-	131,598
Total - Title I Grants to Local Educational Agencies				-	163,076	-	146,549
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II 2013-14			14-3115	-	27,557	-	6,653
Title II 2014-15			15-3115	-	11,212	-	16,855
Title II 2015-16			16-3115	-	-	-	5,599
Total - Supporting Effective Instruction State Grants				-	38,769	-	29,107
Total - Department of Education				-	837,319	-	941,967
Total federal awards expended				\$ -	\$ 1,310,514	\$ -	\$ 1,408,062

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

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

**Note 1. Basis of Presentation**

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

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

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

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

**Note 3. Special Education Cooperative**

The School Corporation is a member of the Hancock Madison Shelby Educational Services Cooperative (Cooperative) which operates the special education program from the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Cooperative.

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

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	yes
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
--	----

**Section II - Financial Statement Findings**

No matters were reportable.

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

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

**FINDING 2016-001**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-3115, 15-3115, 16-3115  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Findings: Material Weakness, Other Matters

*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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation was unaware of the documentation requirements for removing a student from the cohort. The School Corporation did not always maintain sufficient documentation for students who were removed from the cohorts and reported as transferred to another public or non-public school. Of the 40 students tested who were removed from the cohorts for the 2014-2015 and 2015-2016 school years, 32 of these students files did not contain sufficient documentation. The Director of Instruction was solely responsible for maintaining the graduation cohort and reporting the graduation rate data to the state.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred during the period audited.

*Criteria*

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

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

2 CFR 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). . . ."

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

34 CFR 200.19(b) states in part:

"High schools—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

- (2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system, which would have included segregation of duties, placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2016-002**

Subject: Title I Grants to Local Educational Agencies - Special  
Tests and Provisions - Assessment System Security  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): 16-3115  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Assessment System Security  
Audit Findings: Significant Deficiency, Other Matters

*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 Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation established guidelines for Assessment System Security. However, out of 36 staff members tested, 17 "Indiana Testing Security and Integrity" agreement forms were not provided for audit. Two buildings could not locate the signed agreements to provide for audit.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the 2016 fiscal year.

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

*Criteria*

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). . . ."

The administrative regulation 511 IAC 5-5-5 states in part: ". . . (b) Any individual who administers, handles, or has access to secure test materials at the school or school corporation shall complete assessment training and sign a testing security and integrity agreement to remain on file in the appropriate building-level office each year. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

*Views of Responsible Officials*

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

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

***FINDING 2016-003***

Subject: Special Education Cluster (IDEA) - Cash Management, Procurement  
and Suspension and Debarment, Reporting

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): 99914-027-TA01, 14214-027-PN01,  
45714-027-PN01, 14215-027-PN01,  
45715-027-PN01, 14216-027-PN01,  
45716-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Procurement and Suspension  
and Debarment, Reporting

Audit Finding: Material Weakness

*Condition*

The School Corporation was a member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the 2015-2016 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The School Corporation was ultimately responsible for compliance with the compliance requirements.

An effective internal control system was not in place at the School Corporation for the 2015-2016 school year in order to ensure compliance with requirements related to the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

*Cash Management*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that compliance requirements for cash management were properly charged to the applicable federal grants. Reimbursement requests were prepared and submitted by the Treasurer with no review or oversight.

*Procurement*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was proper segregation of duties regarding procurement. The Treasurer prepared claims for payment and paid the claims with no review or oversight.

*Reporting*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was proper segregation of duties regarding reporting. Reimbursement requests and Final Expenditure Reports were prepared and submitted by the Treasurer with no review or oversight.

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

*Context*

The lack of 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 that would have ensured compliance with the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system, which would have included segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Procurement and Suspension and Debarment, and Reporting compliance requirements.

*Views of Responsible Officials*

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

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

***FINDING 2016-004***

Subject: Special Education Cluster (IDEA) - Activities Allowed  
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-027-TA01, 14214-027-PN01,  
45714-027-PN01, 14215-027-PN01,  
45715-027-PN01, 14216-027-PN01,  
45716-027-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the 2015-2016 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The School Corporation was ultimately responsible for compliance with the compliance requirements.

An effective internal control system was not in place at the School Corporation for the 2015-2016 school year in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Activities Allowed or Unallowed*

The Treasurer prepared claims for payment and paid the claims prior to review or approval by any other individual or School Board member.

*Allowable Costs/Cost Principles*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the required Semi-Annual Certifications or other documentation of personnel expenses were reviewed and approved by the employee's supervisor and retained for audit. No Semi-Annual Certifications were presented for the period of July 1, 2015 to December 31, 2015. Semi-Annual Certifications provided during the audit period were not always approved by the Executive Director of the School Corporation Council.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal 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 B, section 8h(3) states:

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

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; . . .
- (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. . . ."

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

34 CFR 300.202 states:

"(a) *General.* Amounts provided to the LEA under Part B of the ACT—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds.

(b) *Excess cost requirement—*

(1) *General.*

(i) The excess cost requirement prevents an LEA from using funds provided under Part B of the Act to pay for all of the costs directly attributable to the education of a child with a disability, subject to paragraph (b)(1)(ii) of this section.

(ii) The excess cost requirement does not prevent an LEA from using Part B funds to pay for all of the costs directly attributable to the education of a child with a disability in any of the ages 3, 4, 5, 18, 19, 20, or 21, if no local or State funds are available for nondisabled children of these ages. However, the LEA must comply with the nonsupplanting and other requirements of this part in providing the education and services for these children.

(2) (i) An LEA meets the excess cost requirement if it has spent at least a minimum average amount for the education of its children with disabilities before funds under Part B of the Act are used.

(iii) The amount described in paragraph (b)(2)(i) of this section is determined in accordance with the definition of *excess costs* in § 300.16. That amount may not include capital outlay or debt service.

(3) If two or more LEAs jointly establish eligibility in accordance with § 300.223, the minimum average amount is the average of the combined minimum average amounts determined in accordance with the definition of *excess costs* in § 300.16 in those agencies for elementary or secondary school students, as the case may be."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system, which would have included segregation of duties, placed the School Corporation in noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
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 to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2016-005**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*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 Cash Management compliance requirement.

The School Corporation had not monitored the net cash resources of the School Lunch fund and had not ensured that the net cash resources had not exceeded the three months average expenditures. The net cash resources in the School Lunch fund exceeded the three months average expenditures for twenty-three of the twenty-four months of the audit period. The three months average expenditures were \$349,114 and \$350,480 for fiscal years 2015 and 2016, respectively. For fiscal year 2015 the largest School Lunch fund net cash resources was October 2014 with \$734,705 and fiscal year 2016 the largest School Lunch fund net cash resources was in February 2016 with \$1,025,709.

*Context*

The lack of controls and noncompliance were systemic issues, 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. . . ."

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY  
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 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:

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management 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.

#### AUDITEE-PREPARED DOCUMENTS

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



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Findings No. 2014-001 – Eligibility / Reporting

Fiscal Year of Funding: 2014  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible  
For Corrective Action: Robert L. Yoder  
Assistant Superintendent  
Contact Phone Number: 317-861-4463 Ext. 1011

Eligibility – Effective April of 2016 the Food Service Administrative Assistant has entered the application information into the food service software. The Food Service Director reviews the data entered prior to processing the application through the software which automatically makes the determination based upon the information entered.

Reporting – As of April 2016, the Food Service Director prepares the monthly claim for reimbursement and Annual Financial Report (AFR). The Corporation Deputy Treasurer reviews and submits the monthly claim for reimbursement. The Assistant Superintendent reviews the AFR with the Food Service Director and Corporation Deputy Treasurer prior to the submission on an annual basis.

The Corrective Action Plan was fully implemented as of April 1, 2016.

Robert L. Yoder  
Assistant Superintendent  
CSCSHC



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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

### **Findings No. 2014-002 – Allowable Cost / Cost Principles**

Fiscal Year of Funding: 2014  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible For Corrective Action: Robert L. Yoder  
Assistant Superintendent  
Contact Phone Number: 317-861-4463 Ext. 1011

Allowable Cost / Cost Principles – Time and Effort Reporting. The School Corporation obtained the semi-annual certification reports for the Special Education Cluster Programs for both fiscal years.

Allowable Cost / Cost Principles – The Special Education Administrative Assistant collects the semi-annual certification activity reports. These reports are reviewed by the Assistant Superintendent and maintained in a 3-ring notebook.

The Corrective Action Plan has been implemented since September, 2016.

Robert L. Yoder  
Assistant Superintendent  
CSCSHC



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## **CORRECTIVE ACTION PLAN**

### **FINDING 2016-001**

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

**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 requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

**Context:** The School Corporation was unaware of the documentation requirements for removing a student from the cohort. The School Corporation did not always maintain sufficient documentation for students who were removed from the cohorts and reported as transferred to another public or non-public school. Of the 40 students tested who were removed from the cohorts for the 2014-15 and 2015-16 school years, 32 of these students files did not contain sufficient documentation. The Director of Instruction was solely responsible for maintaining the graduation cohort and reporting the graduation rate data to the state.

**Description of Corrective Action Plan:** CSC Southern Hancock County has begun utilizing the attached Student Withdrawal/Transfer Report form for tracking students that withdraw from the graduation cohort after the cohort is developed. The high school registrar is responsible for completion of the form, secures verification from the receiving school, and obtains and retains the required documentation. Copies of completed forms are sent to the Administration Office to be retained by the Director of Instructional Services to support the Graduation Rate state report.

**Anticipated Completion Date:** This procedure was implemented during the 2017-2018 school year.

**Robert L. Yoder**  
Assistant Superintendent  
(317) 861-4463 x1011  
[byoder@newpal.k12.in.us](mailto:byoder@newpal.k12.in.us)

June 27, 2018

# STUDENT WITHDRAWAL/TRANSFER REPORT

**\*\*TO BE COMPLETED BY A PARENT/GUARDIAN\*\***

Student Name: \_\_\_\_\_ Grade: \_\_\_\_\_ Date: \_\_\_\_\_

Current Home Address: \_\_\_\_\_

New Home Address (if applicable): \_\_\_\_\_

I hereby verify that the above named student will no longer be attending New Palestine High School and has been/will be enrolled at the school listed below.

\_\_\_\_\_  
*Parent/Guardian Signature*

\_\_\_\_\_  
*Parent/Guardian PRINTED*

\_\_\_\_\_  
*Relationship to Student*

\_\_\_\_\_  
*Contact Number*

**\*\*TO BE COMPLETED BY A SCHOOL REPRESENTATIVE\*\***

Year of Graduation: \_\_\_\_\_

\_\_\_ **Homeschool** (\_\_\_ State Form Completed)

\_\_\_ **Accredited Online School**

Name & Address of Online School: \_\_\_\_\_

\_\_\_ **Transfer Out of Indiana**

Name & Address of School: \_\_\_\_\_

\_\_\_ **Transfer in Indiana**

Name & Address of School: \_\_\_\_\_

\_\_\_ **Other** (\_\_\_ State Form Completed)

Withdrawal grades and/or current transcript are attached.

\_\_\_\_\_  
*School Counselor/Administrator Signature*

Office Use: \_\_\_ Bookstore/Treasurer \_\_\_ Library \_\_\_ Technology

Note: School policy precludes the sending of a student's transcript until any and all monies, books and/or computer equipment due to the school are received. This original form must remain in the counseling office at NPHS.





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## **CORRECTIVE ACTION PLAN**

### **FINDING 2016-003**

*Special Education Cluster (IDEA) - Cash Management, Procurement and Suspension and Debarment, Reporting*

**Condition:** An effective internal control system was not in place at the Service Center in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Procurement, Suspension and Debarment and Reporting

- Cash Management  
The Service Center had not designed or implemented adequate policies and procedures to ensure that compliance requirements for cash management were properly charged to the applicable federal grants. No evidence of segregation of duties, oversight, review, or approval was documented.
- Procurement, Suspension and Debarment  
The Service Center had not designed or implemented adequate policies and procedures to ensure that proper segregation of duties regarding procurement occurred. No evidence of oversight, review, or approval was documented.
- Reporting  
The Service Center had not designed or implemented adequate policies and procedures to ensure that proper segregation of duties regarding reporting occurred. No evidence of oversight, review, or approval was documented.

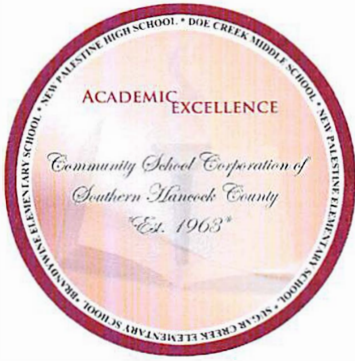
**Context:** This was a systemic issue occurring throughout the audit period.

**Description of Corrective Action Plan:** CSC Southern Hancock County has implemented the proper internal control procedures required by the grant agreement since assuming financial responsibility at the start of the 2016-2017 school year. The Director of Student Services is responsible for approving all expenditures from the special education grants to ensure they are allowable per the grant agreement. The Director of Student Services, along with the Deputy Treasurer, prepares and submits reimbursements for expenditures twice a month to properly manage cash flow. The School Corporation has policies and procedures in place to ensure segregation of duties regarding procurement and reporting of federal special education funds.

**Anticipated Completion Date:** These procedures were implemented July 1, 2016.

**Robert L. Yoder**  
Assistant Superintendent  
(317) 861-4463 x1011  
[byoder@newpal.k12.in.us](mailto:byoder@newpal.k12.in.us)

June 27, 2018



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## **CORRECTIVE ACTION PLAN**

### **FINDING 2016-004**

*Special Education Cluster (IDEA) - Activities Allowed, Allowable Costs/Cost Principles*

**Condition:** The Service Center had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Allowable Costs Time & Effort Reporting compliance requirement.

The Service Center had not designed or implemented adequate policies and procedures to ensure that the required Semi-Annual Certifications are retained and are approved by a supervisory official through signature. In fiscal year 2016, no certifications were presented for the period of July 1, 2015 to December 31, 2015. Only one of the four certifications provided during the audit period had been approved by the Executive Director of the Service Center Council.

**Context:** The lack of controls was a systemic problem during the audit period.

**Description of Corrective Action Plan:** CSC Southern Hancock County has implemented the proper internal control procedures required by the grant agreement since assuming financial responsibility at the start of the 2016-2017 school year. The Director of Student Services is responsible for obtaining, approving, and retaining time and effort reporting documentation for those staff members paid from the federal special education funds. The Director of Student Services also determines whether the staff members require Semi-Annual Certifications for a single cost objective or Personal Activity Reports for multiple cost objectives.

**Anticipated Completion Date:** These procedures were implemented as a result of the 2014 audit as of September 30, 2016.

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June 27, 2018



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## **CORRECTIVE ACTION PLAN**

### **FINDING 2016-005**

#### *Child Nutrition Cluster - Cash Management*

**Condition:** 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 did not monitor the net cash resources of the School Lunch Fund and failed to ensure that the amount did not exceed the three month average expenditures.

**Context:** The lack of controls and noncompliance were systemic problems. The net cash resources in the School Lunch Fund exceeded the three month average expenditures for 23 of the 24 months of the audit period. The three month average expenditures were \$349,114 and \$350,480 for FY 2015 and 2016, respectively. For FY 2015 the largest School Lunch Fund Balance was October 2014 with \$734,705 and FY 2016 the largest School Lunch Fund Balance was in February 2016 with \$1,025,709.

**Description of Corrective Action Plan:** CSC Southern Hancock County has improved internal controls procedures pertaining to cash management of the School Lunch Fund by requiring a more timely monthly review of the Aramark services billed. The Nutrition Programs Director presents the detailed invoice to the Assistant Superintendent each month to ensure proper expenditures are being recorded and invoices are being paid timely to avoid an excess cash balance in the School Lunch Fund. The School Corporation has identified time spent by specific custodial staff in the cafeterias on school days and has begun charging wages and payroll benefits related to this time to the School Lunch Fund. In addition, the School Corporation has had plans to reopen an unoccupied school building in the fall of 2018 that expands the district's operating school buildings from five to six. The excess cash balance is being used to supply the building with necessary kitchen equipment to operate.

**Anticipated Completion Date:** These procedures were implemented in January 2018 and the equipment expenditures will be finalized by August 2018.

  
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June 27, 2018

#### 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/>.