

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

HANOVER COMMUNITY SCHOOL CORPORATION  
LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
03/26/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Eric D. Kurtz	07-01-14 to 07-31-16
	Adam C. Minth	08-01-16 to 06-11-18
	Denise Sempf	06-12-18 to 06-30-19
Superintendent of Schools	Thomas L. Taylor	07-01-14 to 06-30-18
	Mary Tracy-MacAulay	07-01-18 to 06-30-21
President of the School Board	Mary Joan Dickson	01-01-16 to 12-31-16
	James Sakelaris	01-01-17 to 12-31-17
	Kelly York	01-01-18 to 12-31-18
	Connie Sterkowitz	01-01-19 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Hanover Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

***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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2019, 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

February 13, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Hanover Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated February 13, 2019, 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 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 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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

**Compliance and Other Matters**


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

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

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

February 13, 2019

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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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HANOVER COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2017 and 2018

Fund	Cash and	Receipts	Disbursements	Other	Cash and	Receipts	Disbursements	Other	Cash and
	Investments			Financing	Investments			Financing	Investments
	07-01-16			Sources (Uses)	06-30-17			Sources (Uses)	06-30-18
General	\$ 1,023,662	\$ 13,567,781	\$ 13,042,590	\$ 1,405	\$ 1,550,258	\$ 14,514,150	\$ 14,020,215	\$ (4,981)	\$ 2,039,212
Referendum Tax Levy	632,370	2,227,014	1,363,981	(965,670)	529,733	2,379,575	1,646,431	(753,675)	509,202
Debt Service	1,146,513	4,159,277	4,305,935	62,217	1,062,072	4,135,047	4,036,009	-	1,161,110
Exempt Debt	2,030,261	2,696,494	3,060,040	-	1,666,715	2,969,388	3,298,060	-	1,338,043
Exempt Pension Debt	84,783	114,034	160,687	-	38,130	34,728	77,837	4,979	-
Capital Projects	517,337	940,616	866,191	(175,646)	416,116	972,074	831,346	(192,783)	364,061
School Transportation	81,593	612,241	592,744	-	101,090	632,203	722,096	-	11,197
School Bus Replacement	130,164	133,234	89,760	-	173,638	228,210	189,954	3,500	215,394
Rainy Day	-	-	-	1,169,036	1,169,036	-	-	946,459	2,115,495
Construction	215,513	-	213,260	2,022,452	2,024,705	64,680	2,119,838	1,990,899	1,960,446
School Lunch	193,397	896,501	951,425	188	138,661	1,011,770	935,899	-	214,532
Textbook Rental	429,084	293,150	475,421	-	246,813	390,295	175,603	-	461,505
Levy Excess	984	-	-	-	984	-	-	-	984
Educational License Plates	2,319	337	-	-	2,656	300	-	-	2,956
Early Intervention Grant	17,045	11,421	17,692	-	10,774	10,579	15,075	-	6,278
School Intervention and Career Counseling	-	30,000	24,498	-	5,502	214,200	13,542	-	206,160
Donations/Building Trades Grant	13,820	8,511	11,402	-	10,929	2,074	3,172	-	9,831
Recreational Activities	6,809	-	-	-	6,809	-	-	-	6,809
Donations - Athletic	25	-	-	-	25	-	-	-	25
Donations - Art	1,150	199	-	-	1,349	-	-	-	1,349
Donations - Music	1,100	205	631	-	674	51	-	-	725
Scholarships and Awards	73	500	545	-	28	-	-	-	28
Miscellaneous Programs	4,566	-	1,236	-	3,330	-	-	-	3,330
Formative Assessment	-	27,719	-	(27,719)	-	26,847	26,847	-	-
High Ability Grant 15-16	28,207	-	28,207	-	-	-	-	-	-
High Ability Grant 16-17	-	34,662	13,065	(1,594)	20,003	35,179	38,307	-	16,875
Common School Fund (Technology)	-	-	129,675	-	(129,675)	286,790	582,578	-	(425,463)
Secured Schools Safety Grant	-	44,937	44,937	-	-	-	-	-	-
Non-English Speaking Programs	-	7,234	186	-	7,048	8,000	13,207	-	1,841
School Technology	6,954	13,839	13,266	-	7,527	17,710	14,935	-	10,302
Career and Technical Performance Grant	-	11,867	11,320	-	547	5,302	5,849	-	-
Performance Based Awards	-	135,609	135,609	-	-	67,930	67,931	1	-
eLearning Innovation Planning	-	28,005	29,970	-	(1,965)	1,965	-	-	-
Title I 16-17	-	54,865	118,075	-	(63,210)	163,290	132,594	-	(32,514)
Title I 15-16	(59,451)	106,442	46,991	-	-	-	-	-	-
Perkins 16-17	-	2,836	13,723	-	(10,887)	10,887	-	-	-
Perkins 15-16	(10,770)	13,954	3,184	-	-	-	-	-	-
Title II 14-16	(6,656)	23,172	16,516	-	-	-	-	-	-
Title II 15-17	-	26,679	39,141	-	(12,462)	63,044	61,443	-	(10,861)
Title III - English Proficiency Migrant	(3,031)	3,231	2,973	-	(2,773)	8,519	7,955	-	(2,209)
Payroll Withholding Clearing Account	25,131	2,854,781	2,838,597	-	41,315	2,962,169	2,946,500	-	56,984
Prepaid School Lunch	16,375	8,486	162	-	24,699	1,375	1,040	-	25,034
Totals	<u>\$ 6,529,327</u>	<u>\$ 29,089,833</u>	<u>\$ 28,663,635</u>	<u>\$ 2,084,669</u>	<u>\$ 9,040,194</u>	<u>\$ 31,218,331</u>	<u>\$ 31,984,263</u>	<u>\$ 1,994,399</u>	<u>\$ 10,268,661</u>

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

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*Temporary loans.* Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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

*E. Disbursements*

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

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

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

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

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

*Debt 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.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**B. Teachers' Retirement Fund**

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursement grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2017 and 2018.

**Note 8. Holding Corporations**

The School Corporation has entered into a capital lease with Hanover Multi-School Building Corporation and the Hanover Middle School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related-parties of the School Corporation. Lease payments during the years 2016-2017 and 2017-2018 totaled \$4,839,071 and \$4,840,478, respectively.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Subsequent Events**

On November 16, 2018, the Indiana Board of Education granted an Innovation Technology advancement of \$238,126 from the Common School Fund (Technology). The loan was accepted by the School Board on November 27, 2018. The loan will be repaid over a period not to exceed five years at an interest rate not to exceed 4 percent.

The School Board adopted the 1028/preliminary determination resolutions at its January 24, 2019 School Board meeting to have a public question placed on the May 7, 2019 ballot for a construction referendum. The proposed overall project includes the construction of an upper elementary building, a resource center, a new roof at Lincoln Elementary, as well as other improvements across the School Corporation's other buildings. The project has an overall cost not to exceed \$44,090,000. Due to the retirement of existing debt, it is expected that the net impact to the School Corporation's tax levy and rate will be 9.88 cents or less.

**Note 10. Fund Name Change**

For the year ended June 30, 2018, a change has been made to a fund name on the financial statement to more appropriately reflect the funds of the School Corporation. The following schedule presents a summary of the fund name change:

<u>Fund Name as of June 30, 2016</u>	<u>Fund Name as of July 1, 2016</u>
Indiana Youth Institute/Prof Dev Grant	Scholarships and Awards

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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.

HANOVER COMMUNITY SCHOOL CORPORATION  
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 For the Year Ended June 30, 2017

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,023,662	\$ 632,370	\$ 1,146,513	\$ 2,030,261	\$ 84,783	\$ 517,337	\$ 81,593	\$ 130,164	\$ -
Receipts:									
Local sources	174,013	2,227,014	4,159,277	2,696,494	114,034	940,616	606,697	133,234	-
Intermediate sources	91,708	-	-	-	-	-	-	-	-
State sources	13,293,933	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	8,127	-	-	-	-	-	5,544	-	-
Total receipts	13,567,781	2,227,014	4,159,277	2,696,494	114,034	940,616	612,241	133,234	-
Disbursements:									
Instruction	8,408,238	1,203,565	-	-	-	-	-	-	-
Support services	4,185,088	160,416	-	-	-	755,514	592,744	89,760	-
Noninstructional services	403,498	-	-	-	-	-	-	-	-
Facilities acquisition and construction	45,665	-	-	-	-	110,677	-	-	-
Debt service	101	-	4,305,935	3,060,040	160,687	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	13,042,590	1,363,981	4,305,935	3,060,040	160,687	866,191	592,744	89,760	-
Excess (deficiency) of receipts over disbursements	525,191	863,033	(146,658)	(363,546)	(46,653)	74,425	19,497	43,474	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	62,217	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	1,594	-	-	-	-	27,720	-	-	1,169,036
Transfers out	(189)	(965,670)	-	-	-	(203,366)	-	-	-
Total other financing sources (uses)	1,405	(965,670)	62,217	-	-	(175,646)	-	-	1,169,036
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	526,596	(102,637)	(84,441)	(363,546)	(46,653)	(101,221)	19,497	43,474	1,169,036
Cash and investments - ending	\$ 1,550,258	\$ 529,733	\$ 1,062,072	\$ 1,666,715	\$ 38,130	\$ 416,116	\$ 101,090	\$ 173,638	\$ 1,169,036

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	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	School Intervention and Career Counseling	Donations/ Building Trades Grant	Recreational Activities
Cash and investments - beginning	\$ 215,513	\$ 193,397	\$ 429,084	\$ 984	\$ 2,319	\$ 17,045	\$ -	\$ 13,820	\$ 6,809
Receipts:									
Local sources	-	568,969	259,114	-	-	-	30,000	8,511	-
Intermediate sources	-	-	-	-	337	-	-	-	-
State sources	-	14,518	34,036	-	-	11,421	-	-	-
Federal sources	-	313,014	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	896,501	293,150	-	337	11,421	30,000	8,511	-
Disbursements:									
Instruction	-	-	-	-	-	17,692	349	10,162	-
Support services	-	46,630	475,421	-	-	-	24,149	1,240	-
Noninstructional services	-	854,272	-	-	-	-	-	-	-
Facilities acquisition and construction	213,260	50,523	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	213,260	951,425	475,421	-	-	17,692	24,498	11,402	-
Excess (deficiency) of receipts over disbursements	(213,260)	(54,924)	(182,271)	-	337	(6,271)	5,502	(2,891)	-
Other financing sources (uses):									
Proceeds of long-term debt	2,022,452	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	490,380	-	-	-	-	-	-	-
Transfers out	-	(490,192)	-	-	-	-	-	-	-
Total other financing sources (uses)	2,022,452	188	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,809,192	(54,736)	(182,271)	-	337	(6,271)	5,502	(2,891)	-
Cash and investments - ending	\$ 2,024,705	\$ 138,661	\$ 246,813	\$ 984	\$ 2,656	\$ 10,774	\$ 5,502	\$ 10,929	\$ 6,809

HANOVER COMMUNITY SCHOOL CORPORATION  
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	Donations - Athletic	Donations - Art	Donations - Music	Scholarships and Awards	Miscellaneous Programs	Formative Assessment	High Ability Grant 15-16	High Ability Grant 16-17	Common School Fund (Technology)
Cash and investments - beginning	\$ 25	\$ 1,150	\$ 1,100	\$ 73	\$ 4,566	\$ -	\$ 28,207	\$ -	\$ -
Receipts:									
Local sources	-	199	205	500	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	27,719	-	34,662	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	199	205	500	-	27,719	-	34,662	-
Disbursements:									
Instruction	-	-	631	-	-	-	28,207	13,065	-
Support services	-	-	-	545	886	-	-	-	129,675
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	350	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	631	545	1,236	-	28,207	13,065	129,675
Excess (deficiency) of receipts over disbursements	-	199	(426)	(45)	(1,236)	27,719	(28,207)	21,597	(129,675)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(27,719)	-	(1,594)	-
Total other financing sources (uses)	-	-	-	-	-	(27,719)	-	(1,594)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	199	(426)	(45)	(1,236)	-	(28,207)	20,003	(129,675)
Cash and investments - ending	\$ 25	\$ 1,349	\$ 674	\$ 28	\$ 3,330	\$ -	\$ -	\$ 20,003	\$ (129,675)

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Performance Based Awards	eLearning Innovation Planning	Title I 16-17	Title I 15-16
Cash and investments - beginning	\$ -	\$ -	\$ 6,954	\$ -	\$ -	\$ -	\$ -	\$ (59,451)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	44,937	7,234	13,839	11,867	135,609	28,005	-	-
Federal sources	-	-	-	-	-	-	54,865	106,442
Other receipts	-	-	-	-	-	-	-	-
Total receipts	44,937	7,234	13,839	11,867	135,609	28,005	54,865	106,442
Disbursements:								
Instruction	-	186	-	11,320	130,112	27,005	104,345	36,772
Support services	44,937	-	13,266	-	5,497	2,965	13,730	9,199
Noninstructional services	-	-	-	-	-	-	-	1,020
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	44,937	186	13,266	11,320	135,609	29,970	118,075	46,991
Excess (deficiency) of receipts over disbursements	-	7,048	573	547	-	(1,965)	(63,210)	59,451
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	-	7,048	573	547	-	(1,965)	(63,210)	59,451
Cash and investments - ending	\$ -	\$ 7,048	\$ 7,527	\$ 547	\$ -	\$ (1,965)	\$ (63,210)	\$ -

HANOVER COMMUNITY SCHOOL CORPORATION  
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	Perkins 16-17	Perkins 15-16	Title II 14-16	Title II 15-17	Title III - English Proficiency Migrant	Payroll Withholding Clearing Account	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ (10,770)	\$ (6,656)	\$ -	\$ (3,031)	\$ 25,131	\$ 16,375	\$ 6,529,327
Receipts:								
Local sources	-	-	-	-	-	-	-	11,918,877
Intermediate sources	-	-	-	-	-	-	-	92,045
State sources	-	-	-	-	3,231	-	-	13,661,011
Federal sources	2,836	13,954	23,172	26,679	-	-	-	540,962
Other receipts	-	-	-	-	-	2,854,781	8,486	2,876,938
Total receipts	2,836	13,954	23,172	26,679	3,231	2,854,781	8,486	29,089,833
Disbursements:								
Instruction	13,723	3,184	9,043	31,222	1,383	-	-	10,050,204
Support services	-	-	7,473	7,919	1,590	-	-	6,568,644
Noninstructional services	-	-	-	-	-	-	-	1,258,790
Facilities acquisition and construction	-	-	-	-	-	-	-	420,475
Debt service	-	-	-	-	-	-	-	7,526,763
Nonprogrammed charges	-	-	-	-	-	2,838,597	162	2,838,759
Total disbursements	13,723	3,184	16,516	39,141	2,973	2,838,597	162	28,663,635
Excess (deficiency) of receipts over disbursements	(10,887)	10,770	6,656	(12,462)	258	16,184	8,324	426,198
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	2,084,669
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	1,688,730
Transfers out	-	-	-	-	-	-	-	(1,688,730)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,084,669
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,887)	10,770	6,656	(12,462)	258	16,184	8,324	2,510,867
Cash and investments - ending	\$ (10,887)	\$ -	\$ -	\$ (12,462)	\$ (2,773)	\$ 41,315	\$ 24,699	\$ 9,040,194

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	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,550,258	\$ 529,733	\$ 1,062,072	\$ 1,666,715	\$ 38,130	\$ 416,116	\$ 101,090	\$ 173,638	\$ 1,169,036
Receipts:									
Local sources	237,157	2,379,575	4,135,047	2,969,388	34,728	972,074	627,382	228,210	-
Intermediate sources	79,096	-	-	-	-	-	-	-	-
State sources	14,197,897	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	4,821	-	-
Total receipts	14,514,150	2,379,575	4,135,047	2,969,388	34,728	972,074	632,203	228,210	-
Disbursements:									
Instruction	9,062,763	1,391,411	-	-	-	-	-	-	-
Support services	4,458,328	251,308	49,524	-	-	702,540	721,167	189,954	-
Noninstructional services	436,851	3,712	-	-	-	-	-	-	-
Facilities acquisition and construction	62,273	-	-	-	-	128,806	929	-	-
Debt service	-	-	3,986,485	3,298,060	77,837	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	14,020,215	1,646,431	4,036,009	3,298,060	77,837	831,346	722,096	189,954	-
Excess (deficiency) of receipts over disbursements	493,935	733,144	99,038	(328,672)	(43,109)	140,728	(89,893)	38,256	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	3,500	-
Transfers in	-	-	-	-	4,979	-	-	-	946,459
Transfers out	(4,981)	(753,675)	-	-	-	(192,783)	-	-	-
Total other financing sources (uses)	(4,981)	(753,675)	-	-	4,979	(192,783)	-	3,500	946,459
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	488,954	(20,531)	99,038	(328,672)	(38,130)	(52,055)	(89,893)	41,756	946,459
Cash and investments - ending	\$ 2,039,212	\$ 509,202	\$ 1,161,110	\$ 1,338,043	\$ -	\$ 364,061	\$ 11,197	\$ 215,394	\$ 2,115,495

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	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	School Intervention and Career Counseling	Donations/ Building Trades Grant	Recreational Activities
Cash and investments - beginning	\$ 2,024,705	\$ 138,661	\$ 246,813	\$ 984	\$ 2,656	\$ 10,774	\$ 5,502	\$ 10,929	\$ 6,809
Receipts:									
Local sources	64,680	606,777	301,108	-	-	-	214,200	2,074	-
Intermediate sources	-	-	-	-	300	-	-	-	-
State sources	-	14,710	89,187	-	-	10,579	-	-	-
Federal sources	-	390,283	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	64,680	1,011,770	390,295	-	300	10,579	214,200	2,074	-
Disbursements:									
Instruction	-	-	-	-	-	8,069	150	2,827	-
Support services	1,343,507	36,998	175,603	-	-	6	13,392	345	-
Noninstructional services	-	883,948	-	-	-	-	-	-	-
Facilities acquisition and construction	774,131	14,953	-	-	-	7,000	-	-	-
Debt service	2,200	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,119,838	935,899	175,603	-	-	15,075	13,542	3,172	-
Excess (deficiency) of receipts over disbursements	(2,055,158)	75,871	214,692	-	300	(4,496)	200,658	(1,098)	-
Other financing sources (uses):									
Proceeds of long-term debt	1,990,899	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	479,827	-	-	-	-	-	-	-
Transfers out	-	(479,827)	-	-	-	-	-	-	-
Total other financing sources (uses)	1,990,899	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(64,259)	75,871	214,692	-	300	(4,496)	200,658	(1,098)	-
Cash and investments - ending	\$ 1,960,446	\$ 214,532	\$ 461,505	\$ 984	\$ 2,956	\$ 6,278	\$ 206,160	\$ 9,831	\$ 6,809

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	Donations - Athletic	Donations - Art	Donations - Music	Scholarships and Awards	Miscellaneous Programs	Formative Assessment	High Ability Grant 15-16	High Ability Grant 16-17	Common School Fund (Technology)
Cash and investments - beginning	\$ 25	\$ 1,349	\$ 674	\$ 28	\$ 3,330	\$ -	\$ -	\$ 20,003	\$ (129,675)
Receipts:									
Local sources	-	-	51	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	26,847	-	35,179	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	286,790
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	51	-	-	26,847	-	35,179	286,790
Disbursements:									
Instruction	-	-	-	-	-	-	-	36,967	30,738
Support services	-	-	-	-	-	26,847	-	1,340	551,840
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	26,847	-	38,307	582,578
Excess (deficiency) of receipts over disbursements	-	-	51	-	-	-	-	(3,128)	(295,788)
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	-	-	51	-	-	-	-	(3,128)	(295,788)
Cash and investments - ending	\$ 25	\$ 1,349	\$ 725	\$ 28	\$ 3,330	\$ -	\$ -	\$ 16,875	\$ (425,463)

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	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Performance Based Awards	eLearning Innovation Planning	Title I 16-17	Title I 15-16
Cash and investments - beginning	\$ -	\$ 7,048	\$ 7,527	\$ 547	\$ -	\$ (1,965)	\$ (63,210)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	8,000	17,710	5,302	67,930	1,965	-	-
Federal sources	-	-	-	-	-	-	163,290	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	8,000	17,710	5,302	67,930	1,965	163,290	-
Disbursements:								
Instruction	-	13,207	-	5,849	57,341	-	107,039	-
Support services	-	-	14,935	-	10,590	-	25,555	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	13,207	14,935	5,849	67,931	-	132,594	-
Excess (deficiency) of receipts over disbursements	-	(5,207)	2,775	(547)	(1)	1,965	30,696	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	1	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	1	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,207)	2,775	(547)	-	1,965	30,696	-
Cash and investments - ending	\$ -	\$ 1,841	\$ 10,302	\$ -	\$ -	\$ -	\$ (32,514)	\$ -

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2018

	Perkins 16-17	Perkins 15-16	Title II 14-16	Title II 15-17	Title III - English Proficiency Migrant	Payroll Withholding Clearing Account	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ (10,887)	\$ -	\$ -	\$ (12,462)	\$ (2,773)	\$ 41,315	\$ 24,699	\$ 9,040,194
Receipts:								
Local sources	-	-	-	-	-	-	-	12,772,451
Intermediate sources	-	-	-	-	-	-	-	79,396
State sources	-	-	-	-	8,519	-	-	14,483,825
Federal sources	10,887	-	-	63,044	-	-	-	627,504
Temporary loans	-	-	-	-	-	-	-	286,790
Other receipts	-	-	-	-	-	2,962,169	1,375	2,968,365
Total receipts	10,887	-	-	63,044	8,519	2,962,169	1,375	31,218,331
Disbursements:								
Instruction	-	-	-	35,693	6,165	-	-	10,758,219
Support services	-	-	-	23,807	1,790	-	-	8,599,376
Noninstructional services	-	-	-	-	-	-	-	1,324,511
Facilities acquisition and construction	-	-	-	1,943	-	-	-	990,035
Debt service	-	-	-	-	-	-	-	7,364,582
Nonprogrammed charges	-	-	-	-	-	2,946,500	1,040	2,947,540
Total disbursements	-	-	-	61,443	7,955	2,946,500	1,040	31,984,263
Excess (deficiency) of receipts over disbursements	10,887	-	-	1,601	564	15,669	335	(765,932)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,990,899
Sale of capital assets	-	-	-	-	-	-	-	3,500
Transfers in	-	-	-	-	-	-	-	1,431,266
Transfers out	-	-	-	-	-	-	-	(1,431,266)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,994,399
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,887	-	-	1,601	564	15,669	335	1,228,467
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (10,861)	\$ (2,209)	\$ 56,984	\$ 25,034	\$ 10,268,661

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Hanover Middle School Building Corporation	School Facilities 2010B	\$ 1,675,255	12/29/2010	06/30/2030
Hanover Middle School Building Corporation	School Facilities 2017	920,000	04/11/2017	01/15/2030
Hanover Middle School Building Corporation	School Facilities 2017A	900,000	10/10/2017	12/31/2029
Hanover Multi-School Building Corporation	School Facilities 2014	440,500	07/04/2014	06/30/2032
Hanover Multi-School Building Corporation	School Facilities 2016	913,500	10/31/2016	01/15/2029
Ricoh USA Inc	Copier Lease	<u>29,028</u>	07/15/2015	07/14/2020
Total of annual lease payments		<u>\$ 4,878,283</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2014 General Obligation Bond	\$ 315,000	\$ 317,126
General obligation bonds	2017 General Obligation Bond	1,980,000	499,000
General obligation bonds	2018 General Obligation Bond	2,000,000	71,692
Notes and loans payable	Common School Fund Advances/Loans	<u>10,707,732</u>	<u>1,649,126</u>
Totals		<u>\$ 15,002,732</u>	<u>\$ 2,536,944</u>

HANOVER COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2018

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

	Ending Balance
Governmental activities:	
Land	\$ 2,063,000
Infrastructure	2,499,600
Buildings	95,207,710
Improvements other than buildings	2,022,600
Machinery, equipment, and vehicles	4,005,912
Books and other	<u>1,619,100</u>
Total capital assets	<u>\$ 107,417,922</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

We have audited the Hanover Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-003. 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 the Uniform Guidance, 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.


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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002, 2018-003, and 2018-004, that we consider to be material weaknesses.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

February 13, 2019

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

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			2016-17	\$ -	\$ 55,057	\$ -	\$ -
School Breakfast Program			2017-18	-	-	-	67,335
Total - School Breakfast Program				-	55,057	-	67,335
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			2016-17	-	257,957	-	-
School Lunch Program			2017-18	-	-	-	322,948
Commodities				-	64,196	-	67,713
Total - National School Lunch Program				-	322,153	-	390,661
Total - Child Nutrition Cluster				-	377,210	-	457,996
Total - Department of Agriculture				-	377,210	-	457,996
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY 2016 Federal Part B 611 Grant			14216-045-PN01	-	171,362	-	1,959
FY 2017 Federal Part B 611 Grant			14217-045-PN01	-	349,129	-	130,816
FY 2018 Federal Part B 611 Grant			18611-045-PN01	-	-	-	424,058
Total - Special Education Grants to States				-	520,491	-	556,833
Special Education Preschool Grants							
FY 2018 Federal Preschool 619 Grant	Indiana Department of Education	84.173					
FY 2016 Federal Preschool 619 Grant			18619-045-PN01	-	-	-	3,728
FY 2016 Federal Preschool 619 Grant			45716-045-PN01	-	3,021	-	-
FY 2017 Federal Preschool 619 Grant			45717-045-PN01	-	4,454	-	4,387
Total - Special Education Preschool Grants				-	7,475	-	8,115
Total - Special Education Cluster (IDEA)				-	527,966	-	564,948

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2015-2016			16-4580	-	106,442	-	-
Title I 2016-2017			17-4580	-	54,865	-	87,240
Title I 2017-2018			18-4580	-	-	-	76,051
Total - Title I Grants to Local Educational Agencies				-	161,307	-	163,291
Career and Technical Education -- Basic Grants to States	Tri-Creek School Corporation	84.048					
Perkins Grant 2015-2016			16-4580	-	13,954	-	-
Perkins Grant 2016-2017			17-4580	-	2,836	-	10,887
Total - Career and Technical Education -- Basic Grants to States				-	16,790	-	10,887
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 2015-2017			01116-130-PN01	-	3,231	-	2,747
Title III 2016-2018			01117-211-PN01	-	-	-	5,773
Total - English Language Acquisition State Grants				-	3,231	-	8,520
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II-A 2014-16 FFY-2014			15-4580	-	23,172	-	-
Title II-A 2015-17 FFY-2015			16-4580	-	26,678	-	12,462
Title II-A 2016-18 FFY-2016			17-4580	-	-	-	50,582
Total - Supporting Effective Instruction State Grants				-	49,850	-	63,044
Total - Department of Education				-	759,144	-	810,690
Total federal awards expended				\$ -	\$ 1,136,354	\$ -	\$ 1,268,686

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

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

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

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

**Section II - Financial Statement Findings**

**FINDING 2018-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

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

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

The School Corporation had not designed or implemented an effective internal control system, including a segregation of duties, for financial transactions and reporting. A documented internal control system had not been implemented that would compare source documentation to receipt and disbursement entries in the financial accounting system.

*Context*

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

*Criteria*

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

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

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

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

*Cause*

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

*Effect*

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

*Recommendation*

We recommended that the School Corporation establish and document a system of internal controls related to financial transactions and reporting.

*Views of Responsible Officials*

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

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

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

**FINDING 2018-002**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 2016-17, 2017-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2016-002 from the immediately prior audit report.

*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 Procurement and Suspension and Debarment compliance requirement.

*Procurement*

The School Corporation had not designed or implemented adequate internal controls to ensure that proper procurement methods were selected prior to purchasing goods that were not procured through a purchasing cooperative.

The School Corporation's procurement policy did not address the methods of procurement, nor did they obtain an adequate number of price or rate quotes for small purchases exceeding \$3,500. The School Corporation did not obtain price or rate quotes for two of three vendors tested for which the small purchase requirement applied.

*Suspension and Debarment*

The School Corporation did not implement policies or procedures to ensure that vendors not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs. The School Corporation only performed procedures to verify that one of two contractors had not been suspended or debarred.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . .
- (2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluation bids or proposals. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurements by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). . . ."

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

2 CFR 180.300 states:

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

You do this by:

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

2 CFR 180.220 states in part:

"(a) Covered transactions under this part—

- (1) Do not include any procurement contracts awarded directly by a Federal agency; but
- (2) Do include some procurement contracts awarded by non-Federal participants in non-procurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

- (1) The contract is awarded by a participant in a nonprocurement transaction that is covered under § 180.210, and the amount of the contract is expected to equal or exceed \$25,000. . . ."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

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

**FINDING 2018-003**

Subject: Child Nutrition Cluster - Reporting  
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): 2016-17, 2017-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2016-002 from the immediately prior audit report.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. There were no documented control procedures in place to ensure that the required reports were complete and accurate prior to submission. One employee prepared and submitted the Annual Financial Reports and School Food Authority (SFA) Verification Collection Reports without evidence of oversight, review, or approval.

The School Corporation did not comply with reporting requirements for the SFA Verification Collection Reports. During both school years, the testing results, which included the results of applications verified for cause, did not agree with the actual results. There were 21 errors in the results reported for both school years.

*Context*

The lack of an effective internal control system was a systemic issue throughout the audit period. The noncompliance was limited to the SFA Verification Collection Reports.

*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). . . ."

7 CFR 210.15 states in part:

"(a) *Reporting summary.* Participating school food authorities are required to submit forms and reports to the State agency or the distributing agency, as appropriate, to demonstrate compliance with Program requirements. . . ."

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

(b) *Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

- (4) Currently approved and denied certification documentation for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title; . . ."

*Cause*

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Reporting 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 2018-004**

Subject: National School Lunch Program - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 2016-17, 2017-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Finding: Material Weakness

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

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

The Paid Lunch Equity calculator, which was the basis for determining school lunch prices, was used to compute lunch prices without evidence of review or oversight by someone other than the preparer.

*Context*

The lack of an effective internal control system was a systemic issue throughout the audit period.

*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). . . ."

*Cause*

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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.



**Board of School Trustees**

Scott Burdan  
James Sakelaris  
Connie Sterkowitz  
Dennis Wilkening  
Kelly York

**Central Office**

Mary Tracy-MacAulay, Ed.S.  
Superintendent of Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2016-001***

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Adam C. Minth  
Contact Phone Number: 219-374-3504

Status of Audit Finding: The school corporation has implemented controls that allow segregation of duties in regards to receipting money in. A member of the business services department receives collections and records receipts. Another member then prepares the deposit which is later reviewed by both and then taken to the bank.

The school corporation has implemented controls that allow segregation of duties in regards to entering in approved pay rate changes. A member in payroll enters in the approved changes while a separate member of the department reviews and verifies the changes.

Adam C. Minth  
(Signature)

Director of Business Services  
(Title)

1/18/19  
(Date)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

***FINDING 2016-002***

Fiscal year in which the finding initially occurred:

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Federal Agency

Contact Person Responsible for Corrective Action: Adam C. Minth

Contact Phone Number: 219-374-3504

Status of Audit Finding: At the beginning of the 2017-2018 school year, the Office Manager and The Nutrition Services Director have worked each month to make sure that the monthly claims for reimbursement and the monthly Annual Financial Report numbers are entered accurately. The Nutrition Services Director prepares the AFR as well as the monthly claims for reimbursement which is then reviewed and verified by the Office Manager. The school corporation will continue to strive to improve our internal controls in this noted area as well as improve our documentation.

The Nutrition Services Director and the Office Manager are still developing a process around checking for suspension and debarment results for each vendor. They are striving to have this in place by the end of the school year.

At the beginning of the 2017-2018 school year, the Nutrition Services Director continued to manually enter eligibility information into the software program which was then reviewed and verified by the Office Manager.

During the 2017-2018 school year, the Nutrition Services Director and the Office Manager are documenting the oversight and review of the verification process of free and reduced price applications.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

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CORRECTIVE ACTION PLAN

***FINDING 2018-001***

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

Views of Responsible Official: The School Corporation is aware of its needs to enhance its internal controls and oversight and will be implementing corrective procedures by the end of this school year.

Description of Corrective Action Plan: Currently, the Director of Business Services reviews receipts and disbursements and verifies the budget account code that is entered is correct and also monitors all receipts and disbursements with a cash flow analysis. Going forward, the Business Office will implement procedures to signify that the review is being conducted.

Anticipated Completion Date: 5/30/2019

Adam C. Minth  
(Signature)

Director of Business Services  
(Title)

2/13/19  
(Date)

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CORRECTIVE ACTION PLAN

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Adam C. Minth

Contact Phone Number: 219-374-3504

Views of Responsible Official: The School Corporation is aware of its needs to enhance its internal controls and oversight and will be implementing corrective procedures by the end of this school year.

Description of Corrective Action Plan: Suspension and Debarment for contracted vendors for Food, Dairy and Bakery that are conducted by a third party purchaser. The Nutrition Office will conduct a check through [Sam.gov](http://Sam.gov) to ensure compliance at the beginning of the year and mid year for each contract used.

**Procurement:**

All micro purchases will have documentation of 3 quotes on file.

For the 2019-2020 SY the corporation will implement NEOLA Federal Food Procurement Policy 6325.

Anticipated Completion Date: End of the 5/30/2019

  
\_\_\_\_\_  
(Signature)

*Director of Business Services*  
\_\_\_\_\_  
(Title)

*2/12/19*  
\_\_\_\_\_  
(Date)

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Superintendent of Schools

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CORRECTIVE ACTION PLAN

***FINDING 2018-003***

Contact Person Responsible for Corrective Action: Adam C. Minth

Contact Phone Number: 219-374-3504

Views of Responsible Official: The School Corporation is aware of its needs to enhance its internal controls and oversight and will be implementing corrective procedures by the end of this school year.

Description of Corrective Action Plan: The Annual Financial Report is worked on throughout the year by the Director and Office Manager in the Nutrition Services Department. At the end of each month, numbers are updated by both parties. They will check each others work to verify accuracy. At the end of the year, a hard copy of the AFR will be reviewed by both and then initialed.

In regards to verification reporting: Once the numbers are agreed upon, the information will then be entered electronically into the state site by the Director. The Manager will then review inputted data to ensure there are no errors before and after submitting. The DOE website is monitored to confirm the report has been accepted and approved.

Anticipated Completion Date: 5/30/2019

Adam C. Minth  
(Signature)

Director of Business Services  
(Title)

2/13/19  
(Date)

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Superintendent of Schools

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CORRECTIVE ACTION PLAN

***FINDING 2018-004***

Contact Person Responsible for Corrective Action: Adam C. Minth

Contact Phone Number: 219-374-3504

Views of Responsible Official: The School Corporation is aware of its needs to enhance its internal controls and oversight and will be implementing corrective procedures by the end of this school year.

Description of Corrective Action Plan: The Paid Lunch Equity is compiled from past and current data by the Director of Nutrition Services. Before submittal, the Office Manager will review the data. A review will also take place after submittal to the state to verify the numbers inputted were accurate. All documents are sent to the Business Office for approval. After approved, the recommendation is sent to the School Board for approval. New pricing will be published to the public and verified that the pricing matches Board Approval rates for both Breakfast and Lunch.

Anticipated Completion Date: 5/30/2019

Adam C. Minth  
(Signature)

Director of Business Services  
(Title)

2/8/19  
(Date)

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#### 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/>.