

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SCHOOL CITY OF HOBART
LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn Powers	07-01-16 to 06-30-19
Business Manager	Ted Zembala	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Peggy Buffington	07-01-16 to 06-30-19
President of the School Board	Terry Butler	07-01-16 to 12-31-19



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

Report on the Financial Statement

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 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 19, 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 SCHOOL CITY OF HOBART, 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 School City of Hobart (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 19, 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*.

School City of Hobart'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 19, 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.

SCHOOL CITY OF HOBART
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 Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 3,776,548	\$ 27,887,753	\$ 26,996,398	\$ 4,024	\$ 4,671,927	\$ 28,978,406	\$ 29,448,173	\$ 42,038	\$ 4,244,198
Debt Service	189,397	2,613,523	1,953,150	-	849,770	3,745,827	4,441,430	-	154,167
Exempt Debt	2,979,954	6,320,144	6,229,750	-	3,070,348	5,826,604	6,026,750	-	2,870,202
Capital Projects	988,080	1,803,490	1,858,883	-	932,687	1,673,372	1,561,628	-	1,044,431
School Transportation	758,538	1,976,094	1,989,272	-	745,360	1,850,576	2,120,384	1,396	476,948
School Bus Replacement	(12,295)	419,739	133,832	-	273,612	398,332	420,801	-	251,143
Retirement/Severance Bond	63,414	39	-	-	63,453	46	19,387	-	44,112
Construction	66,764	1,287	67,970	1,600,000	1,600,081	866	1,213,728	-	387,219
Construction II	-	77,352	1,493,908	1,460,000	43,444	-	58,444	1,500,000	1,485,000
School Lunch	236,716	1,817,715	1,968,385	-	86,046	2,298,389	2,108,122	-	276,313
Textbook Rental	567,555	473,338	868,216	-	172,677	756,383	640,922	-	288,138
Self-Insurance	435,088	4,453,995	3,891,364	-	997,719	4,787,275	4,312,487	-	1,472,507
Levy Excess	1,396	-	-	-	1,396	-	-	(1,396)	-
Alternative Education	-	35,005	35,005	-	-	15,012	15,012	-	-
SAFE School Haven	(12,000)	12,000	-	-	-	-	-	-	-
Early Intervention Grant	-	4,413	-	-	4,413	18,254	13,723	-	8,944
Gifts/Donations I	3,003	1,500	1,166	-	3,337	4,301	1,781	-	5,857
Gifts/Donations II	14,370	47,632	40,393	-	21,609	56,923	13,603	-	64,929
Nancy Snider Memorial Fund	9,049	4,250	6,499	-	6,800	3,000	497	-	9,303
Hobart Community FDN Grants	1,000	-	307	-	693	-	678	-	15
Work Ethics Certification	-	-	-	-	-	1,200	1,800	-	(600)
Student Lunch Debt Assistance	-	-	-	-	-	4,052	1,011	-	3,041
Wal-Mart/Sam's Club	1,000	-	-	-	1,000	-	-	-	1,000
Lilly Endowment	-	30,000	29,140	-	860	-	860	-	-
Educational & Worker Training Grant	-	-	59,540	-	(59,540)	59,990	24,277	-	(23,827)
PCGB Agreement Proceeds	7,092	2,702	2,055	-	7,739	-	-	-	7,739
Legacy Foundation, Inc.	8,708	16,004	18,956	-	5,756	11,458	13,889	-	3,325
Hobart Educational Foundation	20,166	12,486	9,729	-	22,923	20,649	7,583	-	35,989
Parents as Teachers 2014-2015	78,416	38,821	41,238	-	75,999	46,612	29,728	-	92,883
Empowering Teens as Parents	247	-	-	-	247	-	-	-	247
Hobart Educational Foundation- 2018	-	-	-	-	-	5,000	3,114	-	1,886
Formative Assessment	-	49,502	49,502	-	-	47,698	47,698	-	-
Instruction Support	35	-	35	-	-	-	-	-	-

SCHOOL CITY OF HOBART
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 Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
High Ability 2016/17	-	42,690	40,218	-	2,472	-	2,472	-	-
High Ability 2017/18	-	-	-	-	-	42,168	42,168	-	-
Secured Schools Safety Grant	-	50,000	50,000	-	-	50,000	50,000	-	-
NESP SY 2016/2017	-	10,224	10,224	-	-	-	-	-	-
NESP SY 2017/2018	-	-	-	-	-	11,500	9,839	-	1,661
School Technology	199,884	66,663	60,938	-	205,609	181,571	69,131	-	318,049
Technology Grants [IC 20-40-15]	-	34,085	34,084	-	1	28,577	17,480	-	11,098
Performance Based Awards	2,591	159,816	162,407	-	-	119,390	119,390	-	-
Technology Fund/Cisco	-	16,700	16,700	-	-	14,000	14,000	-	-
Senator David Ford Technology	-	-	-	-	-	-	-	-	-
Title I	(23,193)	455,029	473,917	-	(42,081)	492,677	486,237	-	(35,641)
Drug Free Schools	-	-	-	-	-	8,879	11,416	-	(2,537)
Title II Part A FY 2014/2016	-	1,552	1,552	-	-	-	-	-	-
Title II Part A FY 2015/2017	(3,858)	67,293	63,435	-	-	-	-	-	-
Title II Part A FY 2016/2017	-	6,291	10,463	-	(4,172)	61,087	63,264	-	(6,349)
Title II Part A FY 2017/2018	-	-	-	-	-	14,384	20,411	-	(6,027)
Title III - English Proficiency Migrant	-	8,488	8,489	-	(1)	-	(1)	-	-
Title III 2014-2015	(79)	79	-	-	-	-	-	-	-
Title III 2017-2018	-	-	-	-	-	-	7,489	-	(7,489)
Clearing Accounts	(43,689)	4,895,264	4,859,058	-	(7,483)	4,866,842	4,865,366	-	(6,007)
Self-Insurance Clearing	11,404	429,211	433,772	-	6,843	462,547	462,719	-	6,671
Clearing Flexible Benefits	31,750	-	-	-	31,750	-	-	-	31,750
Clearing Flexible Benefits AF	82	270,130	270,025	-	187	295,038	294,269	-	956
Transfer of Funds	-	812,339	812,339	-	-	654,633	654,633	-	-
Prepaid Food	9,251	741,133	746,947	-	3,437	724,768	732,421	-	(4,216)
Clearing Insurance	23,759	170,152	187,277	-	6,634	165,198	168,405	-	3,427
Clearing Safe Hiring	350	-	-	-	350	-	-	-	350
Credit Card Clearing	86	10,681	9,900	-	867	12,316	12,061	-	1,122
Totals	<u>\$ 10,390,579</u>	<u>\$ 56,346,604</u>	<u>\$ 55,996,438</u>	<u>\$ 3,064,024</u>	<u>\$ 13,804,769</u>	<u>\$ 58,815,800</u>	<u>\$ 60,650,680</u>	<u>\$ 1,542,038</u>	<u>\$ 13,511,927</u>

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

SCHOOL CITY OF HOBART
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.

SCHOOL CITY OF HOBART
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, are repaid as invoiced by the lender, from semi-annual distributions of local property taxes levied.

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:

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

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

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching 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 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. Most are a result of reimbursable grants. Some reimbursements for expenditures made by the School Corporation were not received by June 30, 2017 and 2018, causing negative cash balances.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with the Hobart Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2017 and 2018, totaled \$6,995,500 and \$6,873,500, respectively.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

The School Board began the process of issuing a \$990,000 Negotiable Note at their September 20, 2018 meeting. The issue closed on November 14, 2018. The issue will be repaid in full by June 30, 2019.

Note 10. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: medical, dental, and vision insurance. Non-Administrative retirees pay 100 percent of the premium; therefore, it does not pose a liability to the School Corporation. Administrator retirees pay 5 percent of the premium up to age 65, posing a limited liability to the School Corporation. All classes of retirees are removed from the group medical plan when they attain Medicare age. All retirees can retain dental and vision insurance by paying 100 percent of the premium. Information regarding the benefits can be obtained by contacting the School Corporation.

Note 11. Combined Funds

The School Technology and Title II 2010-2011 State Connect funds were reported individually in the prior financial statement, but were combined into one fund, School Technology, for the current financial statement.

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OTHER INFORMATION - UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

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SCHOOL CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	Retirement/Severance Bond	Construction	Construction II
Cash and investments - beginning	\$ 3,776,548	\$ 189,397	\$ 2,979,954	\$ 988,080	\$ 758,538	\$ (12,295)	\$ 63,414	\$ 66,764	\$ -
Receipts:									
Local sources	1,180,444	2,306,424	6,320,144	1,488,181	1,553,243	285,907	39	1,287	77,352
Intermediate sources	442,072	-	-	-	-	-	-	-	-
State sources	26,162,320	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	272,099	-	315,309	420,355	133,832	-	-	-
Other receipts	102,917	35,000	-	-	2,496	-	-	-	-
Total receipts	27,887,753	2,613,523	6,320,144	1,803,490	1,976,094	419,739	39	1,287	77,352
Disbursements:									
Instruction	16,394,243	-	-	-	-	-	-	-	-
Support services	10,275,981	-	-	1,266,303	1,563,259	-	-	67,970	1,493,728
Noninstructional services	188,576	-	-	-	-	-	-	-	-
Facilities acquisition and construction	134,398	-	-	67,833	20,496	-	-	-	180
Debt service	3,200	1,953,150	6,229,750	524,747	405,517	133,832	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	26,996,398	1,953,150	6,229,750	1,858,883	1,989,272	133,832	-	67,970	1,493,908
Excess (deficiency) of receipts over disbursements	891,355	660,373	90,394	(55,393)	(13,178)	285,907	39	(66,683)	(1,416,556)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	1,600,000	1,460,000
Sale of capital assets	4,024	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	4,024	-	-	-	-	-	-	1,600,000	1,460,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	895,379	660,373	90,394	(55,393)	(13,178)	285,907	39	1,533,317	43,444
Cash and investments - ending	\$ 4,671,927	\$ 849,770	\$ 3,070,348	\$ 932,687	\$ 745,360	\$ 273,612	\$ 63,453	\$ 1,600,081	\$ 43,444

SCHOOL CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education	SAFE School Haven	Early Intervention Grant	Gifts/ Donations I	Gifts/ Donations II
Cash and investments - beginning	\$ 236,716	\$ 567,555	\$ 435,088	\$ 1,396	\$ -	\$ (12,000)	\$ -	\$ 3,003	\$ 14,370
Receipts:									
Local sources	863,264	339,236	4,453,995	-	-	-	-	-	47,632
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	20,991	134,102	-	-	35,005	12,000	4,413	1,500	-
Federal sources	933,088	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	372	-	-	-	-	-	-	-	-
Total receipts	1,817,715	473,338	4,453,995	-	35,005	12,000	4,413	1,500	47,632
Disbursements:									
Instruction	-	-	-	-	35,005	-	-	-	27,643
Support services	4,315	868,216	11,121	-	-	-	-	1,166	200
Noninstructional services	1,964,070	-	-	-	-	-	-	-	12,550
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	3,880,243	-	-	-	-	-	-
Total disbursements	1,968,385	868,216	3,891,364	-	35,005	-	-	1,166	40,393
Excess (deficiency) of receipts over disbursements	(150,670)	(394,878)	562,631	-	-	12,000	4,413	334	7,239
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	(150,670)	(394,878)	562,631	-	-	12,000	4,413	334	7,239
Cash and investments - ending	\$ 86,046	\$ 172,677	\$ 997,719	\$ 1,396	\$ -	\$ -	\$ 4,413	\$ 3,337	\$ 21,609

SCHOOL CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Nancy Snider Memorial Fund	Hobart Community FDN Grants	Work Ethics Certification	Student Lunch Debt Assistance	Wal-Mart/ Sam's Club	Lilly Endowment	Educational & Worker Training Grant	PCGB Agreement Proceeds	Legacy Foundation, Inc.
Cash and investments - beginning	\$ 9,049	\$ 1,000	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 7,092	\$ 8,708
Receipts:									
Local sources	4,250	-	-	-	-	30,000	-	2,702	16,004
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	4,250	-	-	-	-	30,000	-	2,702	16,004
Disbursements:									
Instruction	5,499	-	-	-	-	-	-	-	3,264
Support services	1,000	307	-	-	-	29,140	-	2,055	2,091
Noninstructional services	-	-	-	-	-	-	-	-	13,601
Facilities acquisition and construction	-	-	-	-	-	-	59,540	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,499	307	-	-	-	29,140	59,540	2,055	18,956
Excess (deficiency) of receipts over disbursements	(2,249)	(307)	-	-	-	860	(59,540)	647	(2,952)
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	(2,249)	(307)	-	-	-	860	(59,540)	647	(2,952)
Cash and investments - ending	\$ 6,800	\$ 693	\$ -	\$ -	\$ 1,000	\$ 860	\$ (59,540)	\$ 7,739	\$ 5,756

SCHOOL CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Hobart Educational Foundation	Parents as Teachers 2014-2015	Empowering Teens as Parents	Hobart Educational Foundation- 2018	Formative Assessment	Instruction Support	High Ability 2016/17	High Ability 2017/18	Secured Schools Safety Grant
Cash and investments - beginning	\$ 20,166	\$ 78,416	\$ 247	\$ -	\$ -	\$ 35	\$ -	\$ -	\$ -
Receipts:									
Local sources	12,486	38,821	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	49,502	-	42,690	-	50,000
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	12,486	38,821	-	-	49,502	-	42,690	-	50,000
Disbursements:									
Instruction	-	-	-	-	-	35	40,218	-	-
Support services	9,729	24,256	-	-	49,502	-	-	-	50,000
Noninstructional services	-	16,982	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	9,729	41,238	-	-	49,502	35	40,218	-	50,000
Excess (deficiency) of receipts over disbursements	2,757	(2,417)	-	-	-	(35)	2,472	-	-
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	2,757	(2,417)	-	-	-	(35)	2,472	-	-
Cash and investments - ending	\$ 22,923	\$ 75,999	\$ 247	\$ -	\$ -	\$ -	\$ 2,472	\$ -	\$ -

SCHOOL CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	NESP SY 2016/2017	NESP SY 2017/2018	School Technology	Technology Grants [IC 20-40-15]	Performance Based Awards	Technology Fund/Cisco	Senator David Ford Technology	Title I	Drug Free Schools
Cash and investments - beginning	\$ -	\$ -	\$ 199,884	\$ -	\$ 2,591	\$ -	\$ -	\$ (23,193)	\$ -
Receipts:									
Local sources	-	-	56,035	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	10,224	-	10,628	34,085	159,816	16,700	-	-	-
Federal sources	-	-	-	-	-	-	-	455,029	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	10,224	-	66,663	34,085	159,816	16,700	-	455,029	-
Disbursements:									
Instruction	10,224	-	-	34,084	154,721	16,700	-	433,717	-
Support services	-	-	(2,031)	-	7,686	-	-	20,240	-
Noninstructional services	-	-	-	-	-	-	-	19,960	-
Facilities acquisition and construction	-	-	62,969	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,224	-	60,938	34,084	162,407	16,700	-	473,917	-
Excess (deficiency) of receipts over disbursements	-	-	5,725	1	(2,591)	-	-	(18,888)	-
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	-	-	5,725	1	(2,591)	-	-	(18,888)	-
Cash and investments - ending	\$ -	\$ -	\$ 205,609	\$ 1	\$ -	\$ -	\$ -	\$ (42,081)	\$ -

SCHOOL CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Title II Part A FY 2014/2016	Title II Part A FY 2015/2017	Title II Part A FY 2016/2017	Title II Part A FY 2017/2018	Title III - English Proficiency Migrant	Title III 2014-2015	Title III 2017-2018	Clearing Accounts	Self-Insurance Clearing
Cash and investments - beginning	\$ -	\$ (3,858)	\$ -	\$ -	\$ -	\$ (79)	\$ -	\$ (43,689)	\$ 11,404
Receipts:									
Local sources	-	-	-	-	125	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	1,552	67,293	6,291	-	8,363	79	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	4,895,264	429,211
Total receipts	1,552	67,293	6,291	-	8,488	79	-	4,895,264	429,211
Disbursements:									
Instruction	-	57,435	10,463	-	8,489	-	-	-	-
Support services	1,552	6,000	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	4,859,058	433,772
Total disbursements	1,552	63,435	10,463	-	8,489	-	-	4,859,058	433,772
Excess (deficiency) of receipts over disbursements	-	3,858	(4,172)	-	(1)	79	-	36,206	(4,561)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,858	(4,172)	-	(1)	79	-	36,206	(4,561)
Cash and investments - ending	\$ -	\$ -	\$ (4,172)	\$ -	\$ (1)	\$ -	\$ -	\$ (7,483)	\$ 6,843

SCHOOL CITY OF HOBART
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Clearing Flexible Benefits	Clearing Flexible Benefits AF	Transfer of Funds	Prepaid Food	Clearing Insurance	Clearing Safe Hiring	Credit Card Clearing	Totals
Cash and investments - beginning	\$ 31,750	\$ 82	\$ -	\$ 9,251	\$ 23,759	\$ 350	\$ 86	\$ 10,390,579
Receipts:								
Local sources	-	-	-	-	-	-	-	19,077,571
Intermediate sources	-	-	-	-	-	-	-	442,072
State sources	-	-	-	-	-	-	-	26,743,976
Federal sources	-	-	-	-	-	-	-	1,471,695
Temporary loans	-	-	-	-	-	-	-	1,141,595
Other receipts	-	270,130	812,339	741,133	170,152	-	10,681	7,469,695
Total receipts	-	270,130	812,339	741,133	170,152	-	10,681	56,346,604
Disbursements:								
Instruction	-	-	-	-	-	-	-	17,231,740
Support services	-	-	-	-	-	-	-	15,753,786
Noninstructional services	-	-	-	-	-	-	-	2,215,739
Facilities acquisition and construction	-	-	-	-	-	-	-	345,416
Debt service	-	-	-	-	-	-	-	9,250,196
Nonprogrammed charges	-	270,025	812,339	746,947	187,277	-	9,900	11,199,561
Total disbursements	-	270,025	812,339	746,947	187,277	-	9,900	55,996,438
Excess (deficiency) of receipts over disbursements	-	105	-	(5,814)	(17,125)	-	781	350,166
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	3,060,000
Sale of capital assets	-	-	-	-	-	-	-	4,024
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	3,064,024
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	105	-	(5,814)	(17,125)	-	781	3,414,190
Cash and investments - ending	\$ 31,750	\$ 187	\$ -	\$ 3,437	\$ 6,634	\$ 350	\$ 867	\$ 13,804,769

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

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	Retirement/Severance Bond	Construction	Construction II
Cash and investments - beginning	\$ 4,671,927	\$ 849,770	\$ 3,070,348	\$ 932,687	\$ 745,360	\$ 273,612	\$ 63,453	\$ 1,600,081	\$ 43,444
Receipts:									
Local sources	1,212,079	2,781,533	5,826,604	1,399,175	1,528,940	280,016	46	866	-
Intermediate sources	368,582	-	-	-	-	-	-	-	-
State sources	27,394,389	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	964,294	-	274,197	321,636	118,316	-	-	-
Other receipts	3,356	-	-	-	-	-	-	-	-
Total receipts	28,978,406	3,745,827	5,826,604	1,673,372	1,850,576	398,332	46	866	-
Disbursements:									
Instruction	16,799,463	-	-	-	-	-	-	-	-
Support services	11,102,210	400,662	-	1,132,096	1,680,157	299,967	19,387	1,187,788	58,444
Noninstructional services	210,060	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,336,240	-	-	114,223	19,872	-	-	25,940	-
Debt service	200	4,040,768	6,026,750	315,309	420,355	120,834	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	29,448,173	4,441,430	6,026,750	1,561,628	2,120,384	420,801	19,387	1,213,728	58,444
Excess (deficiency) of receipts over disbursements	(469,767)	(695,603)	(200,146)	111,744	(269,808)	(22,469)	(19,341)	(1,212,862)	(58,444)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,500,000
Sale of capital assets	42,038	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	1,396	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	42,038	-	-	-	1,396	-	-	-	1,500,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(427,729)	(695,603)	(200,146)	111,744	(268,412)	(22,469)	(19,341)	(1,212,862)	1,441,556
Cash and investments - ending	\$ 4,244,198	\$ 154,167	\$ 2,870,202	\$ 1,044,431	\$ 476,948	\$ 251,143	\$ 44,112	\$ 387,219	\$ 1,485,000

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

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education	SAFE School Haven	Early Intervention Grant	Gifts/ Donations I	Gifts/ Donations II
Cash and investments - beginning	\$ 86,046	\$ 172,677	\$ 997,719	\$ 1,396	\$ -	\$ -	\$ 4,413	\$ 3,337	\$ 21,609
Receipts:									
Local sources	854,043	609,145	4,787,275	-	-	-	-	801	56,923
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	20,598	147,238	-	-	15,012	-	18,254	3,500	-
Federal sources	1,423,376	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	372	-	-	-	-	-	-	-	-
Total receipts	2,298,389	756,383	4,787,275	-	15,012	-	18,254	4,301	56,923
Disbursements:									
Instruction	-	-	-	-	15,012	-	13,723	-	792
Support services	9,376	640,922	25,995	-	-	-	-	1,781	2,530
Noninstructional services	2,098,746	-	-	-	-	-	-	-	2,999
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	4,286,492	-	-	-	-	-	7,282
Total disbursements	2,108,122	640,922	4,312,487	-	15,012	-	13,723	1,781	13,603
Excess (deficiency) of receipts over disbursements	190,267	115,461	474,788	-	-	-	4,531	2,520	43,320
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(1,396)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(1,396)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	190,267	115,461	474,788	(1,396)	-	-	4,531	2,520	43,320
Cash and investments - ending	\$ 276,313	\$ 288,138	\$ 1,472,507	\$ -	\$ -	\$ -	\$ 8,944	\$ 5,857	\$ 64,929

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

	Nancy Snider Memorial Fund	Hobart Community FDN Grants	Work Ethics Certification	Student Lunch Debt Assistance	Wal-Mart/ Sam's Club	Lilly Endowment	Educational & Worker Training Grant	PCGB Agreement Proceeds	Legacy Foundation, Inc.
Cash and investments - beginning	\$ 6,800	\$ 693	\$ -	\$ -	\$ 1,000	\$ 860	\$ (59,540)	\$ 7,739	\$ 5,756
Receipts:									
Local sources	3,000	-	1,200	4,052	-	-	59,990	-	11,458
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	3,000	-	1,200	4,052	-	-	59,990	-	11,458
Disbursements:									
Instruction	497	-	-	-	-	-	-	-	-
Support services	-	678	1,800	-	-	860	450	-	5,204
Noninstructional services	-	-	-	1,011	-	-	-	-	8,685
Facilities acquisition and construction	-	-	-	-	-	-	23,827	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	497	678	1,800	1,011	-	860	24,277	-	13,889
Excess (deficiency) of receipts over disbursements	2,503	(678)	(600)	3,041	-	(860)	35,713	-	(2,431)
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	2,503	(678)	(600)	3,041	-	(860)	35,713	-	(2,431)
Cash and investments - ending	\$ 9,303	\$ 15	\$ (600)	\$ 3,041	\$ 1,000	\$ -	\$ (23,827)	\$ 7,739	\$ 3,325

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

	Hobart Educational Foundation	Parents as Teachers 2014-2015	Empowering Teens as Parents	Hobart Educational Foundation- 2018	Formative Assessment	Instruction Support	High Ability 2016/17	High Ability 2017/18	Secured Schools Safety Grant
Cash and investments - beginning	\$ 22,923	\$ 75,999	\$ 247	\$ -	\$ -	\$ -	\$ 2,472	\$ -	\$ -
Receipts:									
Local sources	20,649	46,612	-	5,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	47,698	-	-	42,168	50,000
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	20,649	46,612	-	5,000	47,698	-	-	42,168	50,000
Disbursements:									
Instruction	-	-	-	-	-	-	2,472	42,168	-
Support services	7,583	26,672	-	-	47,698	-	-	-	50,000
Noninstructional services	-	3,056	-	3,114	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	7,583	29,728	-	3,114	47,698	-	2,472	42,168	50,000
Excess (deficiency) of receipts over disbursements	13,066	16,884	-	1,886	-	-	(2,472)	-	-
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	13,066	16,884	-	1,886	-	-	(2,472)	-	-
Cash and investments - ending	\$ 35,989	\$ 92,883	\$ 247	\$ 1,886	\$ -	\$ -	\$ -	\$ -	\$ -

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

	NESP SY 2016/2017	NESP SY 2017/2018	School Technology	Technology Grants [IC 20-40-15]	Performance Based Awards	Technology Fund/Cisco	Senator David Ford Technology	Title I	Drug Free Schools
Cash and investments - beginning	\$ -	\$ -	\$ 205,609	\$ 1	\$ -	\$ -	\$ -	\$ (42,081)	\$ -
Receipts:									
Local sources	-	-	167,321	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	11,500	14,250	28,577	119,390	14,000	-	-	-
Federal sources	-	-	-	-	-	-	-	492,677	8,879
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	11,500	181,571	28,577	119,390	14,000	-	492,677	8,879
Disbursements:									
Instruction	-	9,839	882	17,480	118,757	14,000	-	467,909	-
Support services	-	-	23,677	-	633	-	-	3,286	11,416
Noninstructional services	-	-	-	-	-	-	-	15,042	-
Facilities acquisition and construction	-	-	44,572	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	9,839	69,131	17,480	119,390	14,000	-	486,237	11,416
Excess (deficiency) of receipts over disbursements	-	1,661	112,440	11,097	-	-	-	6,440	(2,537)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,661	112,440	11,097	-	-	-	6,440	(2,537)
Cash and investments - ending	\$ -	\$ 1,661	\$ 318,049	\$ 11,098	\$ -	\$ -	\$ -	\$ (35,641)	\$ (2,537)

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

	Title II Part A FY 2014/2016	Title II Part A FY 2015/2017	Title II Part A FY 2016/2017	Title II Part A FY 2017/2018	Title III - English Proficiency Migrant	Title III 2014-2015	Title III 2017-2018	Clearing Accounts	Self-Insurance Clearing
Cash and investments - beginning	\$ -	\$ -	\$ (4,172)	\$ -	\$ (1)	\$ -	\$ -	\$ (7,483)	\$ 6,843
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	61,087	14,384	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	4,866,842	462,547
Total receipts	-	-	61,087	14,384	-	-	-	4,866,842	462,547
Disbursements:									
Instruction	-	-	47,646	19,198	(1)	-	7,366	-	-
Support services	-	-	15,618	1,213	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	123	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	4,865,366	462,719
Total disbursements	-	-	63,264	20,411	(1)	-	7,489	4,865,366	462,719
Excess (deficiency) of receipts over disbursements	-	-	(2,177)	(6,027)	1	-	(7,489)	1,476	(172)
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	-	-	(2,177)	(6,027)	1	-	(7,489)	1,476	(172)
Cash and investments - ending	\$ -	\$ -	\$ (6,349)	\$ (6,027)	\$ -	\$ -	\$ (7,489)	\$ (6,007)	\$ 6,671

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

	Clearing Flexible Benefits	Clearing Flexible Benefits AF	Transfer of Funds	Prepaid Food	Clearing Insurance	Clearing Safe Hiring	Credit Card Clearing	Totals
Cash and investments - beginning	\$ 31,750	\$ 187	\$ -	\$ 3,437	\$ 6,634	\$ 350	\$ 867	\$ 13,804,769
Receipts:								
Local sources	-	-	-	-	-	-	-	19,656,728
Intermediate sources	-	-	-	-	-	-	-	368,582
State sources	-	-	-	-	-	-	-	27,926,574
Federal sources	-	-	-	-	-	-	-	2,000,403
Temporary loans	-	-	-	-	-	-	-	1,678,443
Other receipts	-	295,038	654,633	724,768	165,198	-	12,316	7,185,070
Total receipts	-	295,038	654,633	724,768	165,198	-	12,316	58,815,800
Disbursements:								
Instruction	-	-	-	-	-	-	-	17,577,203
Support services	-	-	-	-	-	-	-	16,758,103
Noninstructional services	-	-	-	-	-	-	-	2,342,836
Facilities acquisition and construction	-	-	-	-	-	-	-	1,564,674
Debt service	-	-	-	-	-	-	-	10,924,216
Nonprogrammed charges	-	294,269	654,633	732,421	168,405	-	12,061	11,483,648
Total disbursements	-	294,269	654,633	732,421	168,405	-	12,061	60,650,680
Excess (deficiency) of receipts over disbursements	-	769	-	(7,653)	(3,207)	-	255	(1,834,880)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,500,000
Sale of capital assets	-	-	-	-	-	-	-	42,038
Transfers in	-	-	-	-	-	-	-	1,396
Transfers out	-	-	-	-	-	-	-	(1,396)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,542,038
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	769	-	(7,653)	(3,207)	-	255	(292,842)
Cash and investments - ending	\$ 31,750	\$ 956	\$ -	\$ (4,216)	\$ 3,427	\$ 350	\$ 1,122	\$ 13,511,927

SCHOOL CITY OF HOBART
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 537,038</u>	<u>\$ 396,137</u>

SCHOOL CITY OF HOBART
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
US Bancorp Government Leasing and Finance Inc.	Chromebooks	\$ 78,294	06/15/2018	03/01/2022
US Bancorp Government Leasing and Finance Inc.	Chromebooks	170,568	08/01/2015	03/01/2019
US Bancorp Government Leasing and Finance Inc.	Chromebooks	109,334	06/11/2016	03/01/2020
Wells Fargo	2 Xerox Copiers 2 MRC	15,612	10/31/2013	10/31/2018
Wells Fargo	7 Xerox Copiers	8,160	07/30/2014	07/30/2019
Wells Fargo	5 Xerox Copiers	9,690	12/22/2015	12/08/2020
Hobart Building Corporation	2009 HMS Remodel	468,500	07/05/2011	07/05/2028
Hobart Building Corporation	2016 Refund	6,176,000	07/15/2016	01/15/2029
Hobart Building Corporation	2016 HMS Remodel Cafeteria	<u>163,000</u>	07/15/2017	01/15/2030
Total of annual lease payments		<u>\$ 7,199,158</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2018 GO Bond	\$ 1,500,000	\$ 1,545,203
Tax anticipation warrants	Cash Flow	1,663,987	1,694,843
Lines of credit	Mastercard BMO Harris Bank	<u>10,879</u>	-
Totals		<u>\$ 3,174,866</u>	<u>\$ 3,240,046</u>

SCHOOL CITY OF HOBART
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.

	<u>Ending Balance</u>
Governmental activities:	
Buildings	\$ 94,656,828
Improvements other than buildings	7,473,379
Machinery, equipment, and vehicles	<u>12,263,340</u>
Total capital assets	<u>\$ 114,393,547</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 SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the School City of Hobart'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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2018-002 and 2018-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 the Child Nutrition Cluster for the period of July 1, 2016 to June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs 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 item 2018-004. 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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, 2018-004, 2018-005, and 2018-006, that we consider to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

February 19, 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.

SCHOOL CITY OF HOBART
 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	SY 2016-2017	\$ -	\$ 176,029	\$ -	\$ -
School Breakfast Program			SY 2017-2018	-	-	-	284,998
Total - School Breakfast Program				-	176,029	-	284,998
National School Lunch Program	Indiana Department of Education	10.555	SY 2016-2017	-	680,955	-	-
National School Lunch Program			SY 2017-2018	-	-	-	1,045,421
National School Lunch Program - Commodities			SY 2016-2017	-	147,134	-	-
National School Lunch Program - Commodities			SY 2017-2018	-	-	-	145,765
Total - National School Lunch Program				-	828,089	-	1,191,186
Summer Food Service Program for Children	Indiana Department of Education	10.559	SY 2016-2017	-	76,104	-	-
Summer Food Service Program for Children			SY 2017-2018	-	-	-	92,959
Total - Summer Food Service Program for Children				-	76,104	-	92,959
Total - Child Nutrition Cluster				-	1,080,222	-	1,569,143
Total - Department of Agriculture				-	1,080,222	-	1,569,143
<u>Department of Education</u>							
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	-	289,883	-	3,315
FY 2017 Federal Part B 611 Grant			14217-045-PN01	-	583,940	-	-
FY 2017 Federal Part B 611 Grant			14217-045-PN01	-	-	-	218,798
FY 2018 Federal Part B 611 Grant			18611-045-PN01	-	-	-	700,629
Total - Special Education Grants to States				-	873,823	-	922,742
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2018 Federal Preschool 619 Grant			18619-045-PN01	-	-	-	6,087
FY 2016 Federal Preschool 619 Grant			45716-045-PN01	-	5,011	-	-
FY 2017 Federal Preschool 619 Grant			45717-045-PN01	-	7,321	-	-
FY 2017 Federal Preschool 619 Grant			45717-045-PN01	-	-	-	7,212
Total - Special Education Preschool Grants				-	12,332	-	13,299
Total - Special Education Cluster (IDEA)				-	886,155	-	936,041

SCHOOL CITY OF HOBART
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 SY 2015/2016			S010A150014	-	81,762	-	-
Title I SY 2016-2017			S010A150014	-	-	-	114,308
Title I 2016-2017			S010A160014	-	373,266	-	-
2017/18 Title I Grants			S010A170014	-	-	-	378,369
Total - Title I Grants to Local Educational Agencies				<u>-</u>	<u>455,028</u>	<u>-</u>	<u>492,677</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III SY 2014/2016			01115-056-PN01	-	79	-	-
Title III SY 2016/2018			01117-211-PN01	-	8,488	-	-
Total English Language Acquisition State Grants				<u>-</u>	<u>8,567</u>	<u>-</u>	<u>-</u>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A FY 2014/2016			S367A140013	-	1,552	-	-
Title II Part A FY 2015/17			S367A150015	-	67,293	-	-
Title II Part A FY 2016/17			S367A160013	-	6,291	-	-
Title II Part A FY 16/17			S367A160013	-	-	-	61,087
Title II Part A FY 2017/18			S367A170013	-	-	-	14,384
Total - Supporting Effective Instruction State Grants				<u>-</u>	<u>75,136</u>	<u>-</u>	<u>75,471</u>
Student Support Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A FY 2017			S424A170015	-	-	-	8,879
Total - Department of Education				<u>-</u>	<u>1,424,886</u>	<u>-</u>	<u>1,513,068</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 2,505,108</u>	<u>\$ -</u>	<u>\$ 3,082,211</u>

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

SCHOOL CITY OF HOBART
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 statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

SCHOOL CITY OF HOBART
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Modified 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: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting of payroll disbursements.

The School Corporation designed controls over payroll disbursements, but they were not properly implemented. The Business Manager reviewed the payroll disbursements; however, they did not review them to ensure that the employees were paid the correct amounts from the proper fund.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of properly implemented 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 properly implemented a system of internal control that segregated key functions.

Effect

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

Recommendation

We recommended that the School Corporation properly implement a system of internal control related to financial transactions and reporting of payroll disbursements.

Views of Responsible Officials

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

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2016-2017, SY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost
Principles, Program Income
Audit Findings: Material Weakness, Modified Opinion

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 compliance requirements listed above.

The Food Service Director signed the accounts payable vouchers and the gross attendance worksheets indicating that the vendor and payroll disbursements were for allowable activities, were for allowable costs, and were a proper use of program income. However, the control was not effective as it did not ensure that only those accounts payable vouchers or food service employees' payroll approved by the Food Service Director were recorded in the School Lunch fund.

The following disbursements recorded in the School Lunch fund failed to comply with the compliance requirements listed above.

1. A School Corporation maintenance employee also worked as a courier who took food service deposits to the bank and delivered the mail. The School Corporation allocated the salary of this employee 10 percent to the School Lunch fund, 10 percent to the Transportation fund, and 80 percent to the General fund. There was no documentation to support how the School Corporation determined the percentages for this employee. The employee's timesheets did not include the actual time spent for food service activities.
2. The School Corporation allocated an invoice for one trash removal vendor 75 percent to the School Lunch fund and 25 percent to the Maintenance fund. There was no documentation to support how the School Corporation determined the percentages for this vendor.

These errors resulted in known questioned costs of \$39,442. When the sample errors noted above were projected to the population as a whole, additional likely errors of \$7,308 were identified.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the maintenance employee and the trash removal vendor noted above.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

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

2 CFR 200.430(i) states in part:

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

These records must:

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

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 210.14(a) states in part: ". . . Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

Cause

The School Corporation's management had not developed an effective system of internal control to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

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

Questioned Costs

Known questioned costs of \$39,442 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2016-2017, SY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

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 compliance requirements.

The School Corporation did not always obtain price and rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had a contract for purchases of goods or services exceeding \$3,500 for beverages from one vendor. The contract had an original term of five years ending August 31, 2016, or when the purchases met or exceeded a volume threshold. As of June 30, 2018, the School Corporation had not exceeded the volume threshold; therefore, the contract was automatically extended. According to state statute, a contract for supplies may be entered into for a period not to exceed four (4) years.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the vendors tested under the small purchase procedures.

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). . . ."

2 CFR 200.320 states in part:

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

- (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. . . ."

Indiana Code 5-22-17-3 states in part:

"(a) This section does not apply to a discounted contractual arrangement for services or supplies funded through a designated leasing entity.

(b) Subject to subsections (c) through (e) and section 5 of this chapter, a contract for supplies may be entered into for a period not to exceed four (4) years. . . ."

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the procurement requirements.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2016-2017, SY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

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 Reporting compliance requirement.

The Food Service Director prepared and submitted the Monthly Sponsor Claims (claims for reimbursement) and Annual Financial Reports without a proper system of oversight or review.

The School Corporation did not comply with the reporting requirements. The September 2017 and December 2017 claims for reimbursement were not filed timely. The Indiana Department of Education (IDOE) allowed a one-time exception for the September 2017 claim. However, the December 2017 claim was not accepted by the IDOE.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the September 2017 and December 2017 claims for reimbursement.

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 210.8(b) states in part:

"*Monthly claims.* To be entitled to reimbursement under this part, each school food authority shall submit to the State agency, a monthly Claim for Reimbursement, as described in paragraph (c) of this section.

(1) *Submission timeframes.* A final Claim for Reimbursement shall be postmarked or submitted to the State agency not later than 60 days following the last day of the full month covered by the claim. State agencies may establish shorter deadlines at their discretion. Claims not postmarked and/or submitted within 60 days shall not be paid with Program funds unless otherwise authorized by FNS. . . ."

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the reporting requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting compliance requirement resulted in the loss of approximately \$98,735 in 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 grant agreement and the Reporting compliance requirement.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Views of Responsible Officials

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

FINDING 2018-005

Subject: National School Lunch Program - Special Tests and Provisions - 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): SY 2016-2017, SY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The Food Service Director completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

The lack of controls 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

Management had not developed a system of internal control to ensure compliance with the paid lunch equity requirements.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the paid lunch equity requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the 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 program.

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.

FINDING 2018-006

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions -
Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Cash Management, Reporting, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate. The prior audit finding numbers were 2016-003 and 2016-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

Cash Management and Reporting

The reimbursement requests were completed by the Treasurer without evidence of a proper system of oversight or review prior to submission.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Eligibility

The School Corporation had not established procedures to ensure that the State of Indiana's pre-populated public and poverty enrollment figures reported on the Eligible Schools Summary page of the Title I application page were reflective of the School Corporation's records. An oversight or review process over the reported enrollment figures had not been established.

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

A checklist was designed to ensure that adequate documentation was obtained before the removal of a student from the cohort. The checklist was not implemented consistently throughout the audit period.

Context

The lack of controls 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 control to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

The failure to establish a proper internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements, and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviewal, or approval over the activities of the program.

Questioned Costs

There were no questioned costs identified.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the compliance requirements listed above.

View of Responsible Officials

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



SCHOOL CITY OF HOBART

32 East 7th Street, Hobart, IN 46342
Phone: 219-942-8885 Fax: 219-942-0081
<http://www.hobart.k12.in.us>

"Building College and Career Ready Brickies"

ADMINISTRATION

Dr. Peggy Buffington, Ph.D.
Superintendent

Ted Zembala
Business Manager

Jonathan Mock
Director of Human Resources
& Compliance

Deborah Matthys
Director of Curriculum &
Instruction

Sara Gutierrez
Director of Early Learning &
Education

Danielle Adams
Director of Guidance Services

Tim Krieg
Director of College & Careers

Russell Mellon
Director of Information
Technology Services

Christopher King
Director of Technology

Felix Perry
Director of Support Services

Lisa Wilkison
Director of Transportation

Nancy Smith
Food Service Director

Jamie Sullivan
Coordinator of Student
Health Services

Peter Goerges
School Legal Counsel

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Member

William Longer
Board Attorney



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Ted J. Zembala
Contact Phone Number: (219) 945-0250

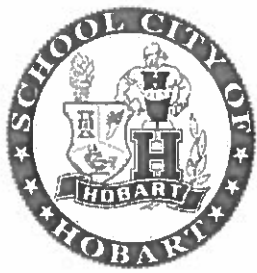
Status of Audit Finding:

- Lack of Segregation of Duties:** The primary focus of this finding was the lack of segregation of duties in the payroll process. Subsequent to fiscal year 2016, the school corporation began using software that eliminates the need for the payroll clerk to input payroll. Attendance and hours worked are entered at the building level then uploaded into the corporation payroll software. The payroll clerk then checks for errors and makes corrections. Corrections are reviewed and approved by the Director of Human Resources and Compliance. The business manager created a review process that can identify duplicate payments, questionable entries and distribution amounts. The corporation's Financial/Payroll software vendor has made recent upgrades to their Personnel/Payroll software to flag and differences to the Personnel Record (e.g. pay group, pay type, pay rate, etc.) Training on these changes and upgrades will be provided by the vendor at a later date.
- Receipts:** Receipts are reviewed monthly by the business manager to make sure the amounts are receipted to the appropriate fund. A database query is reviewed to check the accuracy of the fund and receipt accounts. A spreadsheet that includes the major budget funds showing state approved revenue estimates along with monthly estimated and actual receipts is used as a cross-reference to the database query.
- Payroll Disbursements:** (see item 1.)
- SEFA:** SEFA reports are reviewed by the business manager. This began with the first SEFA report subsequent to the audit finding.


(Signature)

Business Manager
(Title)

02/07/2019
(Date)



SCHOOL CITY OF HOBART

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ADMINISTRATION

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Superintendent

Ted Zembala
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& Compliance

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Instruction

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana
Department of Education
Contact Person Responsible for Corrective Action: Nancy Smith
Contact Phone Number: 219-947-2413 x 8955

Status of Audit Finding:

1. Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Beginning October 2017, The Food Service Director receives the Gross Attendance Worksheet from the Deputy Treasurer to review payroll costs charged to the School Lunch Fund. These charges are then reviewed and approved.

2. Eligibility and Special Tests and Provisions-Verification of Free and Reduced Price Applications (NSLP)

Since School City of Hobart uses a computer program to process free and reduced applications (without the interference of an employee), a single audit will be performed of all free and reduced applications that are submitted online by the parent of guardian. A food service employee will complete the audit.

An audit of the income eligibility will be verified in the computer program yearly.

Since School City of Hobart also accepts paper applications, a second audit will be performed for all manual Free and Reduced applications on a yearly basis. An employee other than the original approver will complete the second audit.

The eligibility guidelines updated per state guidelines in July each school year before the annual application process begins. The income guidelines are updated in the software program; then a copy of the previous SY guidelines and the current SY guidelines are printed, stamped and signed by the person who prepared the work and by the person who reviewed the work and the dated to ensure that the income guidelines are accurate.

3. Program Income

The Director of Food Services review the reports from the point of sale software and how it is entered onto the monthly spreadsheet prepared by the Administrative Assistant (finances). After approval, the reports and spreadsheet are sent to the Treasurer and a copy of those reports are signed/dated and stored at the food service office.

4. Reporting

As of March 2016, the Annual Verification work completed in the office of the Department of Food Services is now stamped and signed by the preparer and the reviewer and then dated to ensure proper oversight. Beginning SY 2018-2019 (July), the Sponsor Claims for Reimbursement and the Annual Financial Reports are stamped and signed by the preparer and the reviewer and then dated to ensure proper oversight.

Margaret Smith
(Signature)

Director of Food Service
(Title)

February 16, 2019
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-003

Fiscal year in which the finding initially occurred: 2016

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Sara Gutierrez, Title I Director – Ted J Zembala, Business Manager

Contact Phone Number: (219) 945-0250

Status of Audit Finding:

1. Activities Allowed or Unallowed, Allowable Costs/Cost Principals, and Period of Availability of Federal Funds.

Payroll and employer paid benefits are the only expenditures included in the Title I grant. The Superintendent and Title I Director discuss, plan and determine Title I staffing. The discussion results are communicated to the business office. The Title I Director and Business Manager work together to complete the Title I application.

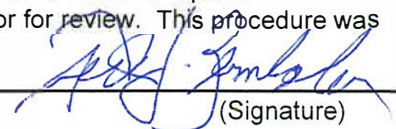
The business manager reviews Title I payroll on a monthly basis to ensure the amount paid to staff is accurate and appropriate. Payroll distribution records are imported to an Excel spreadsheet from the Payroll/Financial software. Using Microsoft query, financial records are extracted to the same spreadsheet. The payroll distribution is then compared to the financial extract for accuracy. The spreadsheet keeps a record of activity. Inaccuracies or questionable distributions would be discussed with the Title I Director and the business office. The Title I Director would approve corrections. This procedure was established in 2016.

The procedure for tracking inventory and equipment was formulated in 2018.

2. Cash Management and Reporting.

Reimbursement reports are prepared by the corporation treasurer. The reports are reviewed and signed by the business manager prior to submission. In the event the business manager is not available to sign the report, the reimbursement request is submitted by the treasurer then subsequently reviewed by the business manager. This review includes verification of the reimbursement amount by using month-end financial reports. All submission requests are subsequently verified by the business manager that the amounts are receipted to the proper fund. This is done by using a database query and compared to financial reports.

The final expenditure report is emailed to the Title I Director for review. This procedure was established July 1, 2018.


(Signature)

Business Manager

(Title)

02/07/2019

(Date)



HOBART HIGH SCHOOL



2211 East 10th Street, Hobart, IN 46342
Phone: (219) 942-8521 Fax: (219) 942-3326

Brett Munden, Co-Principal Misty Scheuneman, Co-Principal
Colleen Newell, Assistant Principal
Jacob Rodriguez, Assistant Principal
Tracy Brumley, Dean of Students

College & Career Ready

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-004

Fiscal year in which the finding initially occurred: 2016

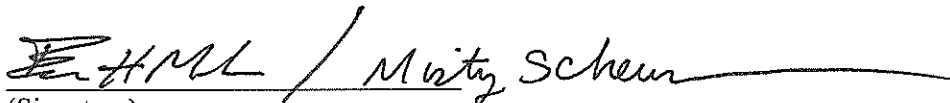
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

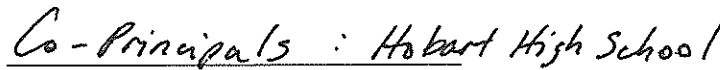
Contact Person Responsible for Corrective Action: Brett Munden / Misty Scheuneman (Co-Principals)

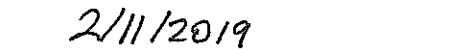
Contact Phone Number: (219) 942-8521

Status of Audit Finding:

Due to the original audit period ending June 30, 2018, the corrective action plan for the withdraw / transfer process at Hobart High School was not fully implemented until August 1, 2018. The withdraw / transfer checklist is attached to this document.

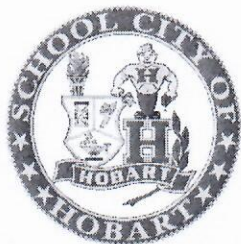

(Signature)


(Title)


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)





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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Ted J. Zembala/Business Manager,
Contact Phone Number: (219) 945-0250

Views of Responsible Official:

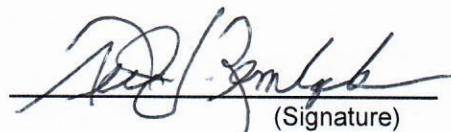
We concur with the finding.

Description of Corrective Action Plan:

The school corporation will develop a process to reduce the possibility of an employee being paid out of the wrong fund. The plan will include a verification of the budget account code when an employee is initially hired. The budget account code will include the fund, account, object, and location. The second part of the plan will be to monitor and approve any changes made to an employee's budget account code.

The school corporation will create a process to review and verify receipts into the self-insurance fund.

Anticipated Completion Date: 04/01/2019


(Signature)

Business Manager

(Title)

02/19/2019

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-002


Contact Person Responsible for Corrective Action: Nancy Smith
Contact Phone Number: 219-947-2413 x 8955

Views of Responsible Official: We concur with the finding.

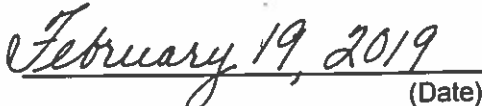
Description of Corrective Action Plan:

1. The School Lunch Fund will no longer pay a portion of the courier/maintenance person's salary until such time a documentation process can be set in place to accurately account for time spent working for Food Services.
2. The School Lunch Fund will no longer be charged for waste removal until such time an accurate and verifiable percentage calculation can be made.

Anticipated Completion Date: Beginning March 1, 2019


(Signature)


(Title)


(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Nancy Smith
Contact Phone Number: 219-947-2413 x 8955

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

When making purchases of \$3,500 or more from one vendor, quotes will be collected from at least three sources to offer fair and open competition of our business. Proper documentation of how the vendor was chosen will be kept.

Anticipated Completion Date: March 1, 2019

Nancy Smith
(Signature)

Director of Food Services
(Title)

February 19, 2019
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Nancy Smith
Contact Phone Number: 219-947-2413 x 8955

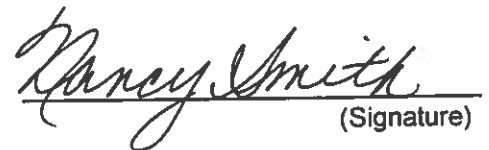
Views of Responsible Official: We concur with the finding.


Description of Corrective Action Plan:

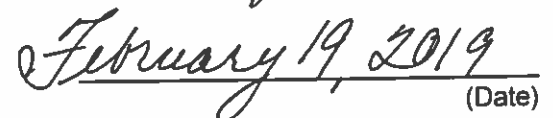
The Monthly Sponsor Claims and the Annual Financial Report is prepared and submitted by the Director of Food services and reviewed by the assistant in order to be compliant and have proper system of review. Both the preparer and the reviewer initial and date the documents being submitted.

Monthly binders now include a checklist of all documents that should be stored together for review and audit purposes. This process will ensure that all required work is included in the monthly report packet and is completed in a timely manner and missing work will not go undetected.

Anticipated Completion Date: March 1, 2019


(Signature)


(Title)


(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-005

Contact Person Responsible for Corrective Action: Nancy Smith
Contact Phone Number: 219-947-2413 x 8955

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The process of completing the Paid Lunch Equity Tool will be that the director will complete the calculations and the assistant will review the calculation for accuracy. The source documents will be kept on file with the PLE tool and submitted to the school board for approval.

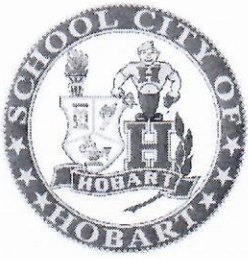
Anticipated Completion Date: March 1, 2019

Nancy Smith
(Signature)

Director of Food Services
(Title)

February 19, 2019
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-006

Cash Management and Reporting

Contact Person Responsible for Corrective Action: Ted J. Zembala

Contact Phone Number: (219) 945-0250


Views of Responsible Official:

The treasurer was directed to make every effort to submit reimbursement requests on a monthly basis. Normally, the business manager reviews and approves the reports prior to submission. In the event the business manager was not available to sign the report, the treasurer was directed to submit the reimbursement request that was then subsequently reviewed by the business manager for accuracy. This was considered a good business practice since any delay in submitting a reimbursement request could impede regular and consistent cash flow resulting in increased fund deficits.

Description of Corrective Action Plan:

The treasurer shall not submit a request for reimbursement without prior review and approval by the business manager.

Anticipated Completion Date: 03/01/2019



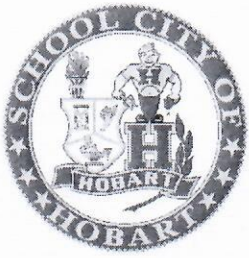
(Signature)

Business Manager

(Title)

2/19/2019

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-006

Eligibility

Contact Person Responsible for Corrective Action: Ted J. Zembala
Contact Phone Number: (219) 945-0250


Views of Responsible Official:

The Indiana Department of Education populates the Enrollment and Poverty numbers on the Title I Application Eligibility Schools Summary page. These are protected fields and cannot be changed by the school corporation. The School Corporation was unaware that it should be reviewing the accuracy of the enrollment and poverty numbers and to provide evidence of a review.

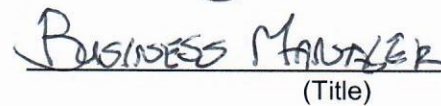
Description of Corrective Action Plan:

The Indiana Department of Education shall be contacted regarding the source document(s) their office uses in arriving at the enrollment and poverty numbers on the Title I Eligibility Schools Summary page. We will also inquire as to the availability of the reports to be used for the review. The ability of the school corporation to review the accuracy of the enrollment and poverty numbers will rely on the information received from these inquiries. The school corporation will also inquire how to access enrollment and poverty number details from a non-public school if the non-public school participates in the Title I program.

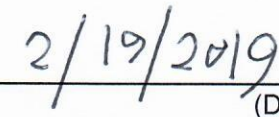
Anticipated Completion Date: 06/30/2019



(Signature)



(Title)



(Date)

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Colleen Newell, Assistant Principal Tracy Brumley, Dean of Students
Craig Osika, Dean of Students Matt Whiteman, Dean of Students

College & Career Ready

CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Brett Munden / Misty Scheuneman
Contact Phone Number: 219-942-8521

Views of Responsible Official:

Hobart High School was required to create a better procedure for processing student withdraws and student transfers as a result of a previous audit. A corrective action plan of utilizing a detailed checklist that requires a signature for internal control was implemented as a result of that audit. During a site visit at Hobart High School on January 10, 2019, it was found that there were examples of the checklist not be utilized correctly before the audit period was completed on June 30, 2018. We would concur with this finding because the Corrective Action Plan was not fully implemented until after June 30, 2018. As the new Co-Principal of Hobart High School beginning July 1, 2018, I can attest that the Corrective Action Plan has been fully implemented beginning August 1, 2018.

Description of Corrective Action Plan:
(Please see attached checklist and signature card)

The Corrective Action Plan consists of a detailed checklist that the person processing the student withdraw / transfer follows as a guide to ensure proper recording and reporting take place. Appropriate boxes are checked, and once completed, a signature is required on the Student Withdraw Verification card (attached to the file).

Anticipated Completion Date: August 1, 2018

BHML / Misty Sch
(Signature)

Co-Principals Hobart High School
(Title)

2/19/2019



HOBART HIGH SCHOOL

2211 East 10th Street, Hobart, IN 46342
Phone: (219) 942-8521 Fax: (219) 942-3326



Brett Munden, Co-Principal
Misty Scheuneman, Co-Principal

College & Career Ready

The following procedures have been put in place for ensuring all cohort changes / mobility coding / student withdraws are done correctly. Secretary will use this as a check off form to ensure completion of all steps.

1. Parent comes in to withdraw (Will attend another school / homeschool)

- Parent completes Student Withdrawal Form BP 5130 F4.
- Parent signs and secretary completes the HHS Withdraw Checkout List Form
- Secretary ensures books / technology has been returned. (Books placed in teacher's box)
- Secretary scans and uploads BP 5130 F4 to Skyward
- Secretary prints out current grades and current class schedule from Skyward and puts in student's cumulative file.
- Secretary officially withdraws student using appropriate code.
- Secretary sends an email to ALL STAFF with the student's name and that they have been withdrawn.
- Secretary completes student withdraw verification and staples to inside of students cumulative file.
- Secretary gives file to principal to review.
- File is returned to proper location in the cumulative file room.

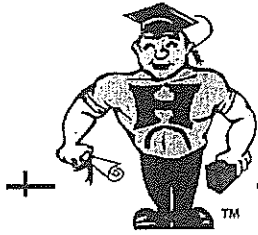
2. Request of Records is sent from new school.

- Secretary scans and uploads the official records request document to Skyward.
- Secretary ensures books / technology has been returned. (Books placed in teacher's box)
- Secretary prints out current grades and current class schedule from Skyward and puts in student's cumulative file.
- Secretary officially withdraws student using appropriate code.
- Secretary sends an email to ALL STAFF with the student's name and that they have been withdrawn.
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3. Student and Parent request an Exit Interview for student to earn GED.

- Parent completes Student Withdrawal Form BP 5130 F4.
- Parent signs and secretary completes the HHS Withdraw Checkout List Form
- Secretary ensures books / technology has been returned. (Books placed in teacher's box)
- Secretary prints out current grades and current class schedule from Skyward and puts in student's cumulative file.
- Secretary scans and uploads BP 5130 F4 to Skyward
- Exit Interview with Principal is set up.
- Principal Reviews DOE Hardship PPT.
- Official Exit Interview form is signed by Principal and Superintendent
- Copy of Exit Interview paperwork is uploaded to Skyward
- Secretary officially withdraws student using appropriate code.
- Secretary sends an email to ALL STAFF with the student's name and that they have been withdrawn
- Secretary completes student withdraw verification and staples to inside of students cumulative file.
- Secretary gives file to principal to review.
- File is returned to proper location in the cumulative file room.



Student Withdraw Verification

(Staple to inside of student's cumulative file)

Student Name: _____

Date of Withdraw: _____

Method of Documentation (Check One)

By checking below-- you are verifying that you are including this documentation in the student's file

----- Student withdrawn by parent (paper included)

----- Record request received from new school

----- Student Exit Interview completed for GED (dropout)

----- Student reported to Missing Student Clearing House

Verified By: _____

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/>.