

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

EXAMINATION REPORT
OF
HAMILTON HEIGHTS SCHOOL CORPORATION
HAMILTON COUNTY, INDIANA
July 1, 2005 to June 30, 2006



FILED
12/22/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pauleeta A. Browning	07-01-05 to 06-30-07
Superintendent of Schools	T. Scott Bryan Anthony J. Cook	07-01-05 to 06-30-06 07-01-06 to 06-30-07
President of the School Board	Michael L. Thomas Rex C. McKinney	07-01-05 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF HAMILTON HEIGHTS SCHOOL CORPORATION, HAMILTON COUNTY, INDIANA

We have examined the financial information presented herein of Hamilton Heights School Corporation (School Corporation), for the period of July 1, 2005 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the year ended June 30, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 21, 2006

HAMILTON HEIGHTS SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,873,039
Restricted assets:	
Cash and investments	<u>106,699</u>
Total assets	<u>\$ 4,979,738</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 106,699
Unrestricted	<u>4,873,039</u>
Total net assets	<u>\$ 4,979,738</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON HEIGHTS SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 6,319,974	\$ -	\$ 73,704	\$ (6,246,270)
Support services	10,125,932	945,169	206,316	(8,974,447)
Community services	330,285	-	-	(330,285)
Nonprogrammed charges	964,822	-	-	(964,822)
Debt service	5,119,905	-	-	(5,119,905)
Total governmental activities	\$ 22,860,918	\$ 945,169	\$ 280,020	(21,635,729)
General receipts:				
Property taxes				10,916,914
Other local sources				1,778,388
State aid				8,526,546
Grants and contributions not restricted				257,193
Bonds and loans				432,188
Sale of property, adjustments, and refunds				257,197
Investment earnings				139,881
Total general receipts				22,308,307
Change in cash and investments				672,578
Net assets - beginning				4,307,160
Net assets - ending				\$ 4,979,738

The accompanying notes are an integral part of the financial statements.

HAMILTON HEIGHTS SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 5,525,695	\$ 1,138,789	\$ 3,795,311	\$ 1,711,376	\$ 182,300	\$ 1,426,525	\$ 13,779,996
Intermediate sources	356	-	-	-	-	-	356
State sources	8,586,291	-	-	-	-	101,729	8,688,020
Federal sources	-	-	-	-	-	375,739	375,739
Bonds and loans	-	432,188	-	-	-	-	432,188
Sale of property, adjustments and refunds	161,429	90,150	-	-	-	5,618	257,197
Intergovernmental transfers	214,092	354,292	-	-	-	259,150	827,534
Total receipts	14,487,863	2,015,419	3,795,311	1,711,376	182,300	2,168,761	24,361,030
Disbursements:							
Current:							
Instruction	6,116,544	-	-	-	-	203,430	6,319,974
Support services	5,902,314	1,206,974	7,250	1,679,442	68,143	1,261,809	10,125,932
Community services	330,097	-	-	-	-	188	330,285
Nonprogrammed charges	1,022,434	11,913	434,770	78,122	50,905	194,212	1,792,356
Debt services	908,532	381,868	3,505,734	-	-	323,771	5,119,905
Total disbursements	14,279,921	1,600,755	3,947,754	1,757,564	119,048	1,983,410	23,688,452
Excess (deficiency) of total receipts over (under) total disbursements	207,942	414,664	(152,443)	(46,188)	63,252	185,351	672,578
Cash and investments - beginning	2,218,081	286,228	211,851	532,510	82,781	975,709	4,307,160
Cash and investments - ending	<u>\$ 2,426,023</u>	<u>\$ 700,892</u>	<u>\$ 59,408</u>	<u>\$ 486,322</u>	<u>\$ 146,033</u>	<u>\$ 1,161,060</u>	<u>\$ 4,979,738</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON HEIGHTS SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 129,132	\$ 57,059
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 129,132	\$ 57,059

The accompanying notes are an integral part of the financial statements.

HAMILTON HEIGHTS SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 4,042	\$ 87,587
Sale of property, adjustments and refunds	-	2
Total additions	4,042	87,589
Deductions:		
Instruction	-	15,309
Support services	-	63,977
Total deductions	-	79,286
Excess of total additions over total deductions	4,042	8,303
Cash and investments - beginning	125,090	48,756
Cash and investments - ending	\$ 129,132	\$ 57,059

The accompanying notes are an integral part of the financial statements.

HAMILTON HEIGHTS SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. 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 March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

HAMILTON HEIGHTS SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent 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 PERF 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), 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 TRF 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% 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.

TRF 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:

HAMILTON HEIGHTS SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Teacher's Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

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

HAMILTON HEIGHTS SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The financial records presented for audit were incomplete and not reflective of the activity for the Construction and Pension Trust Funds. A similar comment appeared in the prior Reports B22719 and B26352.

A fund, as used in the manual, represents moneys set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for November 2005 to September 2006 were prepared in October 2006 instead of at least monthly.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OLD OUTSTANDING CHECKS

Our review of the bank reconciliations as of September 30, 2006, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of a political subdivision; or (2) fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states: "(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks."

HAMILTON HEIGHTS SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

TRANSFER TUITION

The parents of children who do not live in the School Corporation District have not paid transfer tuition for their children who are being educated by the School Corporation. A similar comment appeared in the prior Reports B22719 and B26352.

Indiana Code 20-26-11-6 states in part:

"(a) A school corporation may accept a transferring student without approval of the transferor corporation under section 5 of this chapter."

"(b) A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . ."

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets using Form 369 (Capital Asset Ledger).

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger (Form 36). A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

STUDENT FEES

The School Corporation, at the time of charging and collecting textbook rental fees, requires other fees to be paid including, but not limited to, paper/process/ mailing fee, choir fee, assignment notebook/handbook fee, ceramics fee, and lab fees at the High School. Additionally, School Corporation Officials could not always provide documentation to verify students received consumable goods or services equal to the fee charged.

The Constitution of the State of Indiana, Article 8, Section 1 states: "Knowledge and learning, generally diffused throughout a community, being essential to the preservation of a free government; it shall be the duty of the General Assembly to encourage, by all suitable means, moral, intellectual, scientific, and agricultural improvement; and to provide, by law, for a general and uniform system of Common Schools, wherein tuition shall be without charge, and equally open to all."

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

VENDING, CONCESSIONS, OR OTHER SALES CONTROLS (Applies to Hamilton Heights High School)

Information was not presented for audit to indicate that a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received was performed. A similar comment appeared in the prior Reports B22719 and B26352.

HAMILTON HEIGHTS SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting.

Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

HAMILTON HEIGHTS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 22, 2006, with Pauleeta A. Browning, Treasurer; Anthony J. Cook, Superintendent of Schools; and Peggy D. Jackson, Director of Budget and Finance.