

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

AUDIT REPORT

OF

FLAT ROCK-HAWCREEK SCHOOL CORPORATION

BARTHOLOMEW COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

05/02/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	3
Independent Auditor's Report	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	5-6
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Balances – Governmental Funds	7-8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund	9-10
Fiduciary Funds:	
Statement of Additions, Deduction, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-23
Required Supplementary Information:	
Schedule of Funding Progress	24
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	25-34
Audit Results and Comments:	
Bank Account Reconciliations	35
Old Outstanding Checks.....	35-36
Conditions of Records	36

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments (continued):	
Capital Asset Records	36-37
Temporary loan.....	37
Travel Policy	37
Optical Images of Checks.....	37-38
Penalties, Interest, and Other Charges	38
Disbursement Documentation	38-39
Receipt Issuance	39
Deposits.....	39
List of Employees Not Filed With County Treasurer	39
Official Bond	39-40
Timely Recordkeeping.....	40
Transaction Recording	40
Prescribed Forms	40
Service and Time Records	40
Textbook Rental Deposits (Applies to Cross Cliff Elementary and Hope Intermediate)	41
Textbook Rental Deposits (Applies to Hauser Jr./Sr. High School)	41
School Lunch Deposits (Applies to Cross Cliff Elementary and Hope Intermediate).....	41
School Lunch Deposits (Applies to Hauser Jr./Sr. High School).....	41
Disbursement Documentation (Applies to Cross Cliff Elementary and Hauser Jr./Sr. High School)	41-42
Fund Sources and Uses (Applies to Cross Cliff and Hauser Jr./Sr. High School)	42
Undeposited Cash Receipts (Applies to Hauser Jr./Sr. High School).....	42
Overdrawn Fund Balances (Applies to Hauser Jr./Sr. High School).....	42
Timely Recordkeeping (Applies to Hauser Jr./Sr. High School Athletics)	42
Sales Tax (Applies to Hauser Jr./Sr. High School).....	43
Deposits (Applies to Hauser Jr./Sr. High School).....	43
Prescribed Forms (Applies to Hauser Jr./Sr. High School Athletics)	43
Old Outstanding Checks (Applies to Hauser Jr./Sr. High School)	43-44
Bank Account Reconciliations (Applies to Hauser Jr./Sr. High School).....	44
Condition of Records (Applies to Hauser Jr./Sr. High School).....	44
Exit Conference.....	45

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeffery A. Cleland	07-01-05 to 06-30-09
Superintendent of Schools	Dr. Philip K. Deardorff	07-01-05 to 06-30-08
President of the School Board	Gregory D. Spurling William J. Hill	07-01-05 to 06-30-06 07-01-06 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE FLAT ROCK-HAWCREEK SCHOOL CORPORATION, BARTHOLOMEW COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Flat Rock-Hawcreek School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We were unable to verify the School Corporation's fund ledger receipts and disbursements to the Biannual Financial Report (Form 9) submitted to the Indiana Department of Education. The management of the School Corporation failed to produce monthly bank reconciliements for the years ended June 30, 2006 and 2007.

Since records were not in the proper condition to audit as described in the preceding paragraph, and we were unable to apply alternative auditing procedures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements of funds.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

December 20, 2007

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 3,412,733	\$ -	\$ 44,744	\$ (3,367,989)
Support services	3,387,121	353,607	196,380	(2,837,134)
Nonprogrammed charges	1,235,196	-	-	(1,235,196)
Debt service	<u>1,820,227</u>	<u>-</u>	<u>-</u>	<u>(1,820,227)</u>
Total governmental activities	<u>\$ 9,855,277</u>	<u>\$ 353,607</u>	<u>\$ 241,124</u>	<u>(9,260,546)</u>
General receipts:				
Property taxes				3,058,042
Other local sources				581,784
State aid				4,968,295
Bonds and loans				240,366
Grants and contributions not restricted to specific programs				214,953
Sale of property, adjustments, and refunds				31,538
Investment earnings				<u>42,399</u>
Total general receipts				<u>9,137,377</u>
Change in net assets				(123,169)
Net assets - beginning				<u>1,543,511</u>
Net assets - ending				<u>\$ 1,420,342</u>
<u>Assets</u>				
Cash and investments				\$ 637,749
Restricted assets:				
Cash and investments				709,625
Cash with fiscal agent				<u>72,968</u>
Total assets				<u>\$ 1,420,342</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 709,625
Other purposes				72,968
Unrestricted				<u>637,749</u>
Total net assets				<u>\$ 1,420,342</u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,371,224	\$ -	\$ 42,494	\$ (3,328,730)
Support services	3,283,767	374,183	185,120	(2,724,464)
Community services	41,572	-	-	(41,572)
Nonprogrammed charges	1,557,561	-	-	(1,557,561)
Debt service	1,580,954	-	-	(1,580,954)
Total governmental activities	<u>\$ 9,835,078</u>	<u>\$ 374,183</u>	<u>\$ 227,614</u>	<u>(9,233,281)</u>
General receipts:				
Property taxes				1,705,327
Other local sources				410,728
State aid				5,284,078
Bonds and loans				661,717
Grants and contributions not restricted to specific programs				219,291
Sale of property, adjustments, and refunds				27,271
Investment earnings				<u>76,998</u>
Total general receipts				<u>8,385,410</u>
Change in net assets				(847,871)
Net assets - beginning				<u>1,413,749</u>
Net assets - ending				<u>\$ 565,878</u>
<u>Assets</u>				
Cash and investments				\$ 468,565
Restricted assets:				
Cash and investments				97,309
Cash with fiscal agent				<u>4</u>
Total assets				<u>\$ 565,878</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 97,309
Other purposes				4
Unrestricted				<u>468,565</u>
Total net assets				<u>\$ 565,878</u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Special Education Preschool	Title II Part A	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:									
Local sources	\$ 1,489,379	\$ 332,239	\$ 7,340	\$ -	\$ 1,132,853	\$ 386,940	\$ 116,396	\$ 532,803	\$ 3,997,950
Intermediate sources	347	-	-	-	-	-	-	37,533	37,880
State sources	5,000,875	-	35,261	-	-	-	-	21,114	5,057,250
Federal sources	-	-	-	38,589	-	-	-	328,532	367,121
Bonds and loans	111,732	-	-	-	128,634	-	-	-	240,366
Sale of property, adjustments and refunds	31,170	-	-	-	-	-	-	368	31,538
Total receipts	6,633,503	332,239	42,601	38,589	1,261,487	386,940	116,396	920,350	9,732,105
Disbursements:									
Current:									
Instruction	3,243,024	-	15,623	38,792	-	-	-	115,294	3,412,733
Support services	2,870,882	125,300	-	-	-	396,146	-	660,069	4,052,397
Nonprogrammed charges	586,848	-	-	-	-	-	-	970	587,818
Debt services	422,309	71,367	-	-	1,035,218	64,869	-	226,464	1,820,227
Total disbursements	7,123,063	196,667	15,623	38,792	1,035,218	461,015	-	1,002,797	9,873,175
Excess (deficiency) of receipts over disbursements	(489,560)	135,572	26,978	(203)	226,269	(74,075)	116,396	(82,447)	(141,070)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(489,560)	135,572	26,978	(203)	226,269	(74,075)	116,396	(82,447)	(141,070)
Cash and investments - beginning	354,343	138,620	44,298	77,732	464,928	164,636	2,875	241,012	1,488,444
Cash and investments - ending	<u>\$ (135,217)</u>	<u>\$ 274,192</u>	<u>\$ 71,276</u>	<u>\$ 77,529</u>	<u>\$ 691,197</u>	<u>\$ 90,561</u>	<u>\$ 119,271</u>	<u>\$ 158,565</u>	<u>1,347,374</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									72,968
Net assets of governmental activities									<u>\$ 1,420,342</u>
<u>Cash and Investment Assets - Ending</u>									
Cash and investments	\$ (135,217)	\$ 274,192	\$ 71,276	\$ 77,529	\$ -	\$ 90,561	\$ 119,271	\$ 140,137	\$ 637,749
Restricted assets:									
Cash and investments	-	-	-	-	691,197	-	-	18,428	709,625
Total cash and investment assets - ending	<u>\$ (135,217)</u>	<u>\$ 274,192</u>	<u>\$ 71,276</u>	<u>\$ 77,529</u>	<u>\$ 691,197</u>	<u>\$ 90,561</u>	<u>\$ 119,271</u>	<u>\$ 158,565</u>	<u>\$ 1,347,374</u>
<u>Cash and Investment Fund Balance - Ending</u>									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 691,197	\$ -	\$ -	\$ 18,428	\$ 709,625
Unrestricted	(135,217)	274,192	71,276	77,529	-	90,561	119,271	140,137	637,749
Total cash and investment fund balance - ending	<u>\$ (135,217)</u>	<u>\$ 274,192</u>	<u>\$ 71,276</u>	<u>\$ 77,529</u>	<u>\$ 691,197</u>	<u>\$ 90,561</u>	<u>\$ 119,271</u>	<u>\$ 158,565</u>	<u>\$ 1,347,374</u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Special Education Preschool	Title II Part A	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:									
Local sources	\$ 847,452	\$ 165,043	\$ 6,241	\$ -	\$ 708,466	\$ 229,840	\$ 128,747	\$ 466,761	\$ 2,552,550
Intermediate sources	2,174	-	-	-	-	-	-	12,506	14,680
State sources	5,314,330	-	44,727	-	-	-	-	18,400	5,377,457
Federal sources	-	-	-	39,011	-	-	-	314,515	353,526
Bonds and loans	661,717	-	-	-	-	-	-	-	661,717
Sale of property, adjustments and refunds	25,877	-	-	-	-	774	-	620	27,271
Total receipts	6,851,550	165,043	50,968	39,011	708,466	230,614	128,747	812,802	8,987,201
Disbursements:									
Current:									
Instruction	3,216,995	-	41,649	-	-	-	-	112,580	3,371,224
Support services	2,610,839	412,993	-	-	-	380,601	-	619,649	4,024,082
Community services	41,572	-	-	-	-	-	-	-	41,572
Nonprogrammed charges	744,276	-	-	-	-	-	-	-	744,276
Debt services	111,732	-	-	-	1,247,818	56,861	-	164,543	1,580,954
Total disbursements	6,725,414	412,993	41,649	-	1,247,818	437,462	-	896,772	9,762,108
Excess (deficiency) of receipts over disbursements	126,136	(247,950)	9,319	39,011	(539,352)	(206,848)	128,747	(83,970)	(774,907)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	1,611	1,611
Transfers out	-	-	-	-	-	-	-	(1,611)	(1,611)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	126,136	(247,950)	9,319	39,011	(539,352)	(206,848)	128,747	(83,970)	(774,907)
Cash and investments - beginning	(135,214)	274,193	71,275	77,529	691,197	90,560	119,271	151,970	1,340,781
Cash and investments - ending	\$ (9,078)	\$ 26,243	\$ 80,594	\$ 116,540	\$ 151,845	\$ (116,288)	\$ 248,018	\$ 68,000	565,874
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									4
Net assets of governmental activities									<u>\$ 565,878</u>
Cash and Investment Assets - Ending									
Cash and investments	\$ (9,078)	\$ 26,243	\$ 80,594	\$ 116,540	\$ -	\$ (116,288)	\$ 248,018	\$ 122,536	\$ 468,565
Restricted assets:									
Cash and investments	-	-	-	-	151,845	-	-	(54,536)	97,309
Total cash and investment assets - ending	\$ (9,078)	\$ 26,243	\$ 80,594	\$ 116,540	\$ 151,845	\$ (116,288)	\$ 248,018	\$ 68,000	\$ 565,874
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 151,845	\$ -	\$ -	\$ (54,536)	\$ 97,309
Unrestricted	(9,078)	26,243	80,594	116,540	-	(116,288)	248,018	122,536	468,565
Total cash and investment fund balance - ending	\$ (9,078)	\$ 26,243	\$ 80,594	\$ 116,540	\$ 151,845	\$ (116,288)	\$ 248,018	\$ 68,000	\$ 565,874

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 665,279
Operating disbursements:	
Insurance claims and expense	504,358
Other	<u>143,020</u>
Total operating disbursements	<u>647,378</u>
Excess of operating receipts over operating disbursements	17,901
Cash and investment fund balance - beginning	<u>55,067</u>
Cash and investment fund balance - ending	<u>\$ 72,968</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash with fiscal agent	<u>\$ 72,968</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 72,968</u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
 PROPRIETARY FUND
 For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 740,321
Operating disbursements:	
Insurance claims and expense	649,218
Other	<u>164,067</u>
Total operating disbursements	<u>813,285</u>
Deficiency of operating receipts over operating disbursements	(72,964)
Cash and investment fund balance - beginning	<u>72,968</u>
Cash and investment fund balance - ending	<u>\$ 4</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash with fiscal agent	<u>\$ 4</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 4</u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2006

	Pension Trust Funds	Agency Funds
Deductions:		
Benefits	\$ 68,944	
Excess (deficiency) of total additions over total deductions	(68,944)	
Cash and investment fund balance - beginning	<u>590,523</u>	
Cash and investment fund balance - ending	<u>\$ 521,579</u>	
Net assets:		
Cash and investments	<u>\$ 521,579</u>	<u>\$ 77,014</u>
Total net assets - cash and investment basis held in trust	<u>\$ 521,579</u>	<u>\$ 77,014</u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2007

	Pension Trust Funds	Agency Funds
Cash and investment fund balance - beginning	\$ <u>521,579</u>	
Cash and investment fund balance - ending	\$ <u><u>521,579</u></u>	
Net assets:		
Cash and investments	\$ <u>521,579</u>	\$ <u>82,664</u>
Total net assets - cash and investment basis held in trust	\$ <u><u>521,579</u></u>	\$ <u><u>82,664</u></u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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.

Joint Ventures

The School Corporation, in conjunction with Northwestern Consolidated School Corporation, Shelby Eastern School Corporation, Shelbyville Central School Corporation, and Southwestern Consolidated School Corporation participate in a joint venture to operate the Blue River Special Education Cooperative which was created to provide special education services. The Blue River Special Education Cooperative's continued existence depends on continued funding by the School Corporations. Complete financial statements for the Blue River Special Education Cooperative can be obtained from Blue River Special Education Cooperative, 111 West McKay Road, Shelbyville, IN 46176.

The School Corporation is a participant with Bartholomew Consolidated School Corporation, County School Corporation of Brown County, Crothersville Community School Corporation, Decatur County School Corporation, Greensburg Community School Corporation, and Seymour Community School Corporation in a joint venture to operate the Columbus Area Career Connection that was created to provide vocational education services. The Columbus Area Career Connection's continued existence depends on continued funding by the School Corporations. Complete financial statements for the Columbus Area Career Connection can be obtained from Marilyn Metzler, 1200 Central Avenue, Columbus, IN 47201.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Title II part a fund is a grant fund used for class size reduction.

The special education preschool fund is used for special education programs for preschool aged children.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for employee medical insurance provided to other departments on a cost-reimbursement basis.

The pension trust fund accounts for the activities of the retirement/severance bond fund, which accumulates resources for pension benefit payments.

Agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 and December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Certified School Corporation employees earn sick leave at the rate of 10 days per year. Noncertified School Corporation employees earn sick leave at rates from 7 days to 9 days per year. Certified School Corporation employees' unused sick leave may be accumulated to a maximum of 200 days. Noncertified School Corporation employee's unused sick leave may be accumulated to a maximum 120 days. Accumulated sick leave is paid to noncertified employees through cash payments upon retirement.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

Certified School Corporation employees and noncertified School Corporation employees earn personal leave at the rate of 2 days to 3 days per school year. Certified School Corporation employees' unused personal leave may be accumulated to a maximum of 5 days. Noncertified School Corporation employees' unused personal leave may not accumulate. Accumulated personal leave is not paid to employees upon retirement.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) operating grants and contributions, and (2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
General	\$ 135,217	\$ 9,078
Capital Projects	-	116,288
School Lunch	2,280	16,577
USF-E Rate Discounts and Refunds	25,378	26,381
Medicaid Reimb. Federal	32,276	32,276
Pension Bond Debt Service	-	54,536

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	2007
Other governmental funds	Other governmental funds	\$ 1,611
		\$ 1,611

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees, and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical insurance. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$30,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with Flat Rock-Hawcreek Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments for the years ending June 30, 2006 and 2007, totaled \$372,645 and \$364,029, respectively.

C. Subsequent Events

The Board approved the School Corporation to apply for a \$2 million dollar loan on November 6, 2007, from Home Federal Savings Bank because of tax distributions being late. The interest on this loan is not to exceed 5%.

The Board approved the Building Corporation to issue First Mortgage Bonds Series 2007 for the cost of the renovation and addition project. The total principal cost of the proposed project has been approximated at \$18,775,000, the life of the bond is not to exceed 24 years with a maximum yearly principal amount not to exceed \$1.6 million dollars.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 31,068
Interest on net pension obligation	(4,675)
Adjustment to annual required contribution	5,327
Annual pension cost	31,720
Contributions made	30,498
Increase in net pension obligation	1,222
Net pension obligation, beginning of year	(64,477)
Net pension obligation, end of year	\$ (63,255)
Contribution rates:	
School Corporation	5.5%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 years smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 22,862	187%	\$ (58,213)
	06-30-05	27,179	123%	(64,477)
	06-30-06	31,720	96%	(63,255)

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' 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 member's 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:

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

Funding Policy and Annual Pension Costs

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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$211,122, \$211,581, and \$217,813, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 510,354	\$ 543,087	\$ (32,733)	94%	\$ 495,180	(7%)
07-01-05	536,796	581,373	(44,577)	92%	542,473	(8%)
07-01-06	480,285	629,235	(148,950)	76%	592,846	(25%)

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	School Lunch	Textbook Rental	Educational License Plate	SAFE School Haven	Gifts Donations and Bequests	Heritage Fund	Recreational Activities
Receipts:							
Local sources	\$ 251,433	\$ 102,173	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	671	-	-	36,862	-
State sources	6,633	-	-	2,317	-	-	-
Federal sources	189,746	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	447,812	102,173	671	2,317	-	36,862	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	475,247	104,742	-	38	-	35,175	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	475,247	104,742	-	38	-	35,175	-
Excess (deficiency) of receipts over disbursements	(27,435)	(2,569)	671	2,279	-	1,687	-
Cash and investments - beginning	25,155	40,515	2,598	1,184	285	-	753
Cash and investments - ending	<u>(2,280)</u>	<u>37,946</u>	<u>3,269</u>	<u>3,463</u>	<u>285</u>	<u>1,687</u>	<u>753</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (2,280)	\$ 37,946	\$ 3,269	\$ 3,463	\$ 285	\$ 1,687	\$ 753
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>(2,280)</u>	<u>37,946</u>	<u>3,269</u>	<u>3,463</u>	<u>285</u>	<u>1,687</u>	<u>753</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(2,280)</u>	<u>37,946</u>	<u>3,269</u>	<u>3,463</u>	<u>285</u>	<u>1,687</u>	<u>753</u>
Total cash and investment fund balance - ending	<u>(2,280)</u>	<u>37,946</u>	<u>3,269</u>	<u>3,463</u>	<u>285</u>	<u>1,687</u>	<u>753</u>

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Indiana Next Leadership Training	Fine Arts/ Godby and Robertson	Tech Prep Development and Curricular Improvement	Cinergy Basics Phase II	Education Technology	Drug Free Communities	Medicaid Reimb. (Blue River)
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	12,164	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	368
Total receipts	-	-	-	-	12,164	-	368
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	14,955	1,418	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	14,955	1,418	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(2,791)	(1,418)	368
Cash and investments - beginning	1,501	208	286	200	2,793	9,618	50,655
Cash and investments - ending	<u>\$ 1,501</u>	<u>\$ 208</u>	<u>\$ 286</u>	<u>\$ 200</u>	<u>\$ 2</u>	<u>\$ 8,200</u>	<u>\$ 51,023</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,501	\$ 208	\$ 286	\$ 200	\$ 2	\$ 8,200	\$ 51,023
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,501</u>	<u>\$ 208</u>	<u>\$ 286</u>	<u>\$ 200</u>	<u>\$ 2</u>	<u>\$ 8,200</u>	<u>\$ 51,023</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,501	208	286	200	2	8,200	51,023
Total cash and investment fund balance - ending	<u>\$ 1,501</u>	<u>\$ 208</u>	<u>\$ 286</u>	<u>\$ 200</u>	<u>\$ 2</u>	<u>\$ 8,200</u>	<u>\$ 51,023</u>

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Non-English Speaking Program	School Technology	Technology Grant	School Incentives	Misc Programs	American Student Achievement	USF-E Rate Discounts and Refunds
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	-	7,245	-	(2,264)	-
Support services	-	-	2,504	-	-	-	3,118
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	2,504	7,245	-	(2,264)	3,118
Excess (deficiency) of receipts over disbursements	-	-	(2,504)	(7,245)	-	2,264	(3,118)
Cash and investments - beginning	215	21,609	2,504	7,245	500	(2,264)	(22,260)
Cash and investments - ending	<u>\$ 215</u>	<u>\$ 21,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (25,378)</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 215	\$ 21,609	\$ -	\$ -	\$ 500	\$ -	\$ (25,378)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 215</u>	<u>\$ 21,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (25,378)</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	215	21,609	-	-	500	-	(25,378)
Total cash and investment fund balance - ending	<u>\$ 215</u>	<u>\$ 21,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (25,378)</u>

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	School Safety Commission	Electronic Portfolio - Fine Arts	Media Special Millennia	Teacher Technology Fellowship	Title I	Title V Part A	Title VI
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	132,290	3,772	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	-	-	132,290	3,772	-
Disbursements:							
Current:							
Instruction	-	-	-	-	110,313	-	-
Support services	-	-	-	-	15,055	-	268
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	125,368	-	268
Excess (deficiency) of receipts over disbursements	-	-	-	-	6,922	3,772	(268)
Cash and investments - beginning	1,558	360	465	31	(4,645)	17,824	268
Cash and investments - ending	<u>\$ 1,558</u>	<u>\$ 360</u>	<u>\$ 465</u>	<u>\$ 31</u>	<u>\$ 2,277</u>	<u>\$ 21,596</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,558	\$ 360	\$ 465	\$ 31	\$ 2,277	\$ 21,596	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,558</u>	<u>\$ 360</u>	<u>\$ 465</u>	<u>\$ 31</u>	<u>\$ 2,277</u>	<u>\$ 21,596</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,558	360	465	31	2,277	21,596	-
Total cash and investment fund balance - ending	<u>\$ 1,558</u>	<u>\$ 360</u>	<u>\$ 465</u>	<u>\$ 31</u>	<u>\$ 2,277</u>	<u>\$ 21,596</u>	<u>\$ -</u>

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Drug Free Schools	Eisenhower Technology Grant	Medicaid Reimb. Federal	Enhancing Education Through Tech	Pension Bond Debt Svc.	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 179,197	\$ 532,803
Intermediate sources	-	-	-	-	-	37,533
State sources	-	-	-	-	-	21,114
Federal sources	500	-	-	2,224	-	328,532
Sale of property, adjustments and refunds	-	-	-	-	-	368
Total receipts	500	-	-	2,224	179,197	920,350
Disbursements:						
Current:						
Instruction	-	-	-	-	-	115,294
Support services	4,976	-	-	2,573	-	660,069
Nonprogrammed charges	-	-	970	-	-	970
Debt services	-	-	-	-	226,464	226,464
Total disbursements	4,976	-	970	2,573	226,464	1,002,797
Excess (deficiency) of receipts over disbursements	(4,476)	-	(970)	(349)	(47,267)	(82,447)
Cash and investments - beginning	31,143	8,140	(31,306)	8,179	65,695	241,012
Cash and investments - ending	<u>\$ 26,667</u>	<u>\$ 8,140</u>	<u>\$ (32,276)</u>	<u>\$ 7,830</u>	<u>\$ 18,428</u>	<u>\$ 158,565</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 26,667	\$ 8,140	\$ (32,276)	\$ 7,830	\$ -	\$ 140,137
Restricted assets:						
Cash and investments	-	-	-	-	18,428	18,428
Total cash and investment assets - ending	<u>\$ 26,667</u>	<u>\$ 8,140</u>	<u>\$ (32,276)</u>	<u>\$ 7,830</u>	<u>\$ 18,428</u>	<u>\$ 158,565</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 18,428	\$ 18,428
Unrestricted	<u>26,667</u>	<u>8,140</u>	<u>(32,276)</u>	<u>7,830</u>	<u>-</u>	<u>140,137</u>
Total cash and investment fund balance - ending	<u>\$ 26,667</u>	<u>\$ 8,140</u>	<u>\$ (32,276)</u>	<u>\$ 7,830</u>	<u>\$ 18,428</u>	<u>\$ 158,565</u>

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	School Lunch	Textbook Rental	Educational License Plate	SAFE School Haven	Gifts Donations and Bequests	Heritage Fund A and B	ITPC Tobacco Grant
Receipts:							
Local sources	\$ 265,214	\$ 108,968	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Intermediate sources	-	-	694	-	-	-	-
State sources	6,158	-	-	-	-	-	-
Federal sources	178,962	-	-	-	-	-	-
Sale of property, adjustments and refunds	620	-	-	-	-	-	-
Total receipts	450,954	108,968	694	-	-	-	1,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	465,251	122,557	-	2,317	-	-	1,000
Debt services	-	-	-	-	-	-	-
Total disbursements	465,251	122,557	-	2,317	-	-	1,000
Excess (deficiency) of receipts over disbursements	(14,297)	(13,589)	694	(2,317)	-	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,297)	(13,589)	694	(2,317)	-	-	-
Cash and investments - beginning	(2,280)	31,351	3,269	3,463	285	1,687	-
Cash and investments - ending	<u>\$ (16,577)</u>	<u>\$ 17,762</u>	<u>\$ 3,963</u>	<u>\$ 1,146</u>	<u>\$ 285</u>	<u>\$ 1,687</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (16,577)	\$ 17,762	\$ 3,963	\$ 1,146	\$ 285	\$ 1,687	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (16,577)</u>	<u>\$ 17,762</u>	<u>\$ 3,963</u>	<u>\$ 1,146</u>	<u>\$ 285</u>	<u>\$ 1,687</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(16,577)</u>	<u>17,762</u>	<u>3,963</u>	<u>1,146</u>	<u>285</u>	<u>1,687</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ (16,577)</u>	<u>\$ 17,762</u>	<u>\$ 3,963</u>	<u>\$ 1,146</u>	<u>\$ 285</u>	<u>\$ 1,687</u>	<u>\$ -</u>

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Recreational Activities	Indiana Next Leadership Training	Fine Arts/ Godby and Robertson	Tech Prep Development and Curricular Improvement	Cinergy Basics Phase II	Gifted/ Talented Grant	Drug Free Communities
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	12,164	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	12,164	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	11,276	1,716
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	11,276	1,716
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	888	(1,716)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,611
Transfers out	-	-	-	-	-	(557)	-
Total other financing sources (uses)	-	-	-	-	-	(557)	1,611
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	331	(105)
Cash and investments - beginning	753	1,501	208	286	200	2	8,200
Cash and investments - ending	\$ 753	\$ 1,501	\$ 208	\$ 286	\$ 200	\$ 333	\$ 8,095
Cash and Investment Assets - Ending							
Cash and investments	\$ 753	\$ 1,501	\$ 208	\$ 286	\$ 200	\$ 333	\$ 8,095
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 753	\$ 1,501	\$ 208	\$ 286	\$ 200	\$ 333	\$ 8,095
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	753	1,501	208	286	200	333	8,095
Total cash and investment fund balance - ending	\$ 753	\$ 1,501	\$ 208	\$ 286	\$ 200	\$ 333	\$ 8,095

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Medicaid Reimb. (Blue River)	Non-English Speaking Program	School Technology	Misc Programs	American Student Achievement	USF-E Rate Discounts and Refunds
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	11,812	-	-	-
State sources	-	78	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	78	11,812	-	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	(1,054)	-
Support services	-	-	-	-	-	1,003
Debt services	-	-	-	-	-	-
Total disbursements	-	-	-	-	(1,054)	1,003
Excess (deficiency) of receipts over disbursements	-	78	11,812	-	1,054	(1,003)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,054)	-
Total other financing sources (uses)	-	-	-	-	(1,054)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	78	11,812	-	-	(1,003)
Cash and investments - beginning	51,023	215	21,609	500	-	(25,378)
Cash and investments - ending	\$ 51,023	\$ 293	\$ 33,421	\$ 500	\$ -	\$ (26,381)
Cash and Investment Assets - Ending						
Cash and investments	\$ 51,023	\$ 293	\$ 33,421	\$ 500	\$ -	\$ (26,381)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 51,023	\$ 293	\$ 33,421	\$ 500	\$ -	\$ (26,381)
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	51,023	293	33,421	500	-	(26,381)
Total cash and investment fund balance - ending	\$ 51,023	\$ 293	\$ 33,421	\$ 500	\$ -	\$ (26,381)

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	School Safety Commission	Electronic Portfolio - Fine Arts	Media Special Millennia	Teacher Technology Fellowship	Title I	Title V Part A
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	129,115	1,857
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	-	-	-	129,115	1,857
Disbursements:						
Current:						
Instruction	-	-	-	-	113,634	-
Support services	-	-	-	-	13,909	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	-	-	127,543	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	1,572	1,857
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	1,572	1,857
Cash and investments - beginning	1,558	360	465	31	2,277	21,596
Cash and investments - ending	\$ 1,558	\$ 360	\$ 465	\$ 31	\$ 3,849	\$ 23,453
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,558	\$ 360	\$ 465	\$ 31	\$ 3,849	\$ 23,453
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,558	\$ 360	\$ 465	\$ 31	\$ 3,849	\$ 23,453
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,558	360	465	31	3,849	23,453
Total cash and investment fund balance - ending	\$ 1,558	\$ 360	\$ 465	\$ 31	\$ 3,849	\$ 23,453

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Drug Free Schools	Eisenhower Technology Grant	Medicaid Reimb. Federal	Enhancing Education Through Tech	Pension Bond Debt Svc.	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 91,579	\$ 466,761
Intermediate sources	-	-	-	-	-	12,506
State sources	-	-	-	-	-	18,400
Federal sources	4,581	-	-	-	-	314,515
Sale of property, adjustments and refunds	-	-	-	-	-	620
Total receipts	4,581	-	-	-	91,579	812,802
Disbursements:						
Current:						
Instruction	-	-	-	-	-	112,580
Support services	620	-	-	-	-	619,649
Debt services	-	-	-	-	164,543	164,543
Total disbursements	620	-	-	-	164,543	896,772
Excess (deficiency) of receipts over disbursements	3,961	-	-	-	(72,964)	(83,970)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	1,611
Transfers out	-	-	-	-	-	(1,611)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,961	-	-	-	(72,964)	(83,970)
Cash and investments - beginning	26,667	8,140	(32,276)	7,830	18,428	151,970
Cash and investments - ending	\$ 30,628	\$ 8,140	\$ (32,276)	\$ 7,830	\$ (54,536)	\$ 68,000
Cash and Investment Assets - Ending						
Cash and investments	\$ 30,628	\$ 8,140	\$ (32,276)	\$ 7,830	\$ -	\$ 122,536
Restricted assets:						
Cash and investments	-	-	-	-	(54,536)	(54,536)
Total cash and investment assets - ending	\$ 30,628	\$ 8,140	\$ (32,276)	\$ 7,830	\$ (54,536)	\$ 68,000
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ (54,536)	\$ (54,536)
Unrestricted	30,628	8,140	(32,276)	7,830	-	122,536
Total cash and investment fund balance - ending	\$ 30,628	\$ 8,140	\$ (32,276)	\$ 7,830	\$ (54,536)	\$ 68,000

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit or were incorrect. The School Corporation has not prepared monthly reconcilments for approximately 12 years. School Corporation personnel have been instructed in previous audits on how to prepare reconcilments. Each audit we are informed by the School Corporation Treasurer that in the future reconcilments would be prepared monthly.

The audit for the July 1, 2005 to June 30, 2007, period began on October 1, 2007. We requested the reconcilments, and were informed that since the prior audit the School Corporation had hired an outside person to prepare the bank reconcilments, however, the reconcilments were not complete and had not been prepared for the entire audit period.

Prior audits have contained similar comments concerning the lack of School Corporation prepared reconcilments. Therefore, we have issued a disclaimer of opinion for the current period.

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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OLD OUTSTANDING CHECKS

Our review of the outstanding check list as of June 30, 2007, revealed checks outstanding in excess of two years. A similar comment appeared in prior Reports B27323 and B22751.

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 the political subdivision; or (2) the 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."

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

1. The School Corporation prepared the Biannual Financial Reports (Form 9) for the Department of Education every six months, and certified that the amounts were correct, however, the School Corporation continued to post entries to that six month ending balance. Therefore, the Form 9s received by the Department of Education do not agree to the School Corporation's fund ledger balances.
2. Record balances were not reconciled to depository balances.

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."

3. There were posting errors. The errors included deposits not receipted.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

4. Some transactions were recorded as "negative" receipts and disbursements.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets. A similar comment appeared in prior Reports B27323 and B22751.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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. 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)

TEMPORARY LOAN

A temporary loan of \$59,679 was made December 30, 2004, from the Capital Projects Fund to the Transportation Operating Fund and has not been repaid as of December 18, 2007.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the Department of Local Government Finance."

TRAVEL POLICY

A travel policy was not presented for audit. A similar comment appeared in prior Reports B27323 and B22751.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

PENALTIES, INTEREST, AND OTHER CHARGES

Information presented for audit indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until 40 days or more after the invoice dates.

Officials and employees have the duty to pay claims in a timely manner. Failure to pay claims in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices. The receipts and invoices approved for payment in some instances did not total the amount disbursed. There were instances of receipts and invoices totaling more than the amount disbursed to a vendor and other times the receipts and invoices totaled less than the amount disbursed.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE

Receipts did not always state who was paying what amount to the School Corporation, and receipts were not always written and distributed in a timely manner. A similar comment appeared in prior Reports B27323 and B22751.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DEPOSITS

Receipts in numerous instances were deposited later than the next business day. Receipts were written for amounts which could not be verified to bank deposit because no deposit slips were prepared.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the School Corporation had money due from the School Corporation, but a list of such employees was not certified to the County Treasurer. A similar comment appeared in prior Report B27323.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Jeffery Cleland - Corporation Treasurer
Shirley Wiseman - Hope Intermediate ECA Treasurer
Joyce Garrison - Cross Cliff Elementary ECA Treasurer
Joyce Henderson - Hauser Jr./Sr. High School Treasurer

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

A similar comment appeared in prior Reports B27323 and B22751.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

TIMELY RECORDKEEPING

We noted instances of 2 to 26 days from the time of the original date of the transactions until entry on the records.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSACTION RECORDING

A State distribution for \$5,860.71 (wire transfer) was not recorded in the Special Education Preschool Distribution Fund and a transfer tuition payment of \$250.00 (cash) was not recorded in the Cash Tuition From Individuals Fund.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

Receipt, Form 517
Transfer Tuition Statement, Form 515

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were presented for audit but the appropriate employees' time information was not recorded on the prescribed or approved forms.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL DEPOSITS (Applies to Cross Cliff Elementary and Hope Intermediate)

Receipts for textbook rental, in numerous instances, were deposited later than the next business day. A similar comment was in prior Report B27323.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . ."

TEXTBOOK RENTAL DEPOSITS (Applies to Hauser Jr./Sr. High School)

Some receipts for Textbook Rental were written for amounts which could not be verified to bank deposits. Textbook rental deposit slips do not indicate which textbook rental receipts are being deposited.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

SCHOOL LUNCH DEPOSITS (Applies to Cross Cliff Elementary and Hope Intermediate)

School lunch receipts in numerous instances were deposited later than the next business day.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . ."

SCHOOL LUNCH DEPOSITS (Applies to Hauser Jr./Sr. High School)

School lunch daily receipt printouts, which indicate the amount of money received which was cash, check, or money order, do not agree to the deposit slip. We noted one instance where change for a check was made from the school lunch deposit for that particular day.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

DISBURSEMENT DOCUMENTATION (Applies to Cross Cliff Elementary and Hauser Jr./Sr. High School)

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices. Hauser Jr./Sr. High School had a similar comment in the prior Report B27323.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FUND SOURCES AND USES (Applies to Cross Cliff Elementary and Hauser Jr./Sr. High School)

Cross Cliff Elementary had funds disbursed from the General Fund instead of the Flower Fund for birthday cakes, flowers, and retirement gifts.

Hauser Jr./Sr. High School had funds disbursed from the Athletic Fund for flowers for a funeral instead of the Flower Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

UNDEPOSITED CASH RECEIPTS (Applies to Hauser Jr./Sr. High School)

Cash receipts were not always deposited in the same form as the collections. Cash receipts were withheld from deposits and used for cash change.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

OVERDRAWN FUND BALANCES (Applies to Hauser Jr./Sr. High School)

The Hauser Helpers Fund, National Honor Society Fund and SADD Fund were overdrawn at the end of the 2006-2007 school year.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TIMELY RECORDKEEPING (Applies to Hauser Jr./Sr. High School Athletics)

We noted instances of 3 to 13 days from the time of the original date of the athletic event on the Ticket Sale Form SA-4 to the time of receipt by the High School ECA Treasurer. A similar comment was in the prior Report B27323.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

SALES TAX (Applies to Hauser Jr./Sr. High School)

Sales tax was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DEPOSITS (Applies to Hauser Jr./Sr. High School)

Some receipts were written for amounts which could not be verified to bank deposits tickets due to the classification of the cash or check on the receipt not agreeing to the classification on the deposit ticket.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

PRESCRIBED FORMS (Applies to Hauser Jr./Sr. High School Athletics)

The following prescribed or approved forms were not always used in the manner prescribed:

Ticket Sales Form SA-4

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OLD OUTSTANDING CHECKS (Applies to Hauser Jr./Sr. High School)

Our review of the bank reconcilements as of May 31, 2007, 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 the political subdivision; or (2) the 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."

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

BANK ACCOUNT RECONCILIATIONS (Applies to Hauser Jr./Sr. High School)

Depository reconciliations of the fund balances to the bank account balances that were presented for the audit were incorrect.

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 Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (Applies to Hauser Jr./Sr. High School)

The following deficiencies relating to the recordkeeping were noted:

1. The beginning balances of some months for the Athletic Fund were not the previous months ending balances.
2. The detailed ledger was not in agreement with the control.
3. Record balances were not reconciled to depository balances.

Indiana Code 5-13-6-1(e) states in part: "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 Extra-Curricular Accounts, Chapter 7)

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2008, with Dr. Philip K. Deardorff, Superintendent of Schools; Jeffery A. Cleland, Treasurer; William J. Hill, President of the School Board; and Gregory D. Spurling, Vice President of the School Board.