

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

EXAMINATION REPORT
OF
LOST RIVER CAREER COOPERATIVE
ORANGE COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED

05/13/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Durbin Sonya McKeighen	07-01-05 to 11-05-06 11-06-06 to 06-30-08
Director	David D. Embree	07-01-05 to 06-30-08
President of the School Board	Larry S. Pritchett	07-01-05 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LOST RIVER CAREER COOPERATIVE, ORANGE COUNTY, INDIANA

We have examined the financial information presented herein of the Lost River Career Cooperative (School Corporation), for the period of July 1, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

The computerized financial records were not properly closed on June 30, 2007. The records for May 2007 were restored using a backup file and June 2007 transactions were reentered, which produced two different sets of financial information for the year 2006-2007. Some financial reports presented for examination were produced prior to restoring the files and some reports presented for examination were produced after restoring the files. Neither set of financial records could be reconciled to the bank. As a result, the validity and accountability of the financial information of the various funds for the year ending June 30, 2007, could not be established.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the bank reconciliations and the account balances of the various funds for the year ending June 30, 2007, the financial information referred to above present fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 10, 2008

LOST RIVER CAREER COOPERATIVE
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u> <u>Totals</u>
Governmental activities:		
Instruction	\$ 576,853	(576,853)
Support services	341,101	(341,101)
Nonprogrammed charges	<u>4,400</u>	<u>(4,400)</u>
Total governmental activities	<u>\$ 922,354</u>	<u>(922,354)</u>
General receipts:		
Other local sources		670,155
Grants and contributions not restricted to specific programs		247,344
Investment earnings		<u>6,100</u>
Total general receipts		<u>923,599</u>
Change in net assets		1,245
Net assets - beginning		<u>237,613</u>
Net assets - ending		<u>\$ 238,858</u>
<u>Assets</u>		
Cash and investments		<u>\$ 238,858</u>
<u>Net Assets</u>		
Unrestricted		<u>\$ 238,858</u>

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

LOST RIVER CAREER COOPERATIVE
 SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
 For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Net (Disbursements) Receipts and Changes in Net Assets <u>Totals</u>
Governmental activities:		
Instruction	\$ 677,880	\$ (677,880)
Support services	<u>293,437</u>	<u>(293,437)</u>
Total governmental activities	<u>\$ 971,317</u>	<u>(971,317)</u>
General receipts:		
Other local sources		722,755
Grants and contributions not restricted to specific programs		368,241
Investment earnings		<u>5,631</u>
Total general receipts		<u>1,096,627</u>
Change in net assets		125,310
Net assets - beginning		<u>238,858</u>
Net assets - ending		<u>\$ 364,168</u>
 <u>Assets</u>		
Cash and investments		<u>\$ 364,168</u>
 <u>Net Assets</u>		
Unrestricted		<u>\$ 364,168</u>

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

LOST RIVER CAREER COOPERATIVE
 SCHEDULE 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

	<u>General</u>	<u>Career Majors FY 2005-2006</u>	<u>Other</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 676,255	\$ -	\$ -	\$ 676,255
State sources	46,405	-	-	46,405
Federal sources	-	59,602	141,337	200,939
	<u>722,660</u>	<u>59,602</u>	<u>141,337</u>	<u>923,599</u>
Total receipts				
Disbursements:				
Current:				
Instruction	368,042	65,063	143,748	576,853
Support services	341,101	-	-	341,101
Nonprogrammed charges	4,400	-	-	4,400
	<u>713,543</u>	<u>65,063</u>	<u>143,748</u>	<u>922,354</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>9,117</u>	<u>(5,461)</u>	<u>(2,411)</u>	<u>1,245</u>
Cash and investments - beginning	<u>244,641</u>	<u>-</u>	<u>(7,028)</u>	<u>237,613</u>
Cash and investments - ending	<u>\$ 253,758</u>	<u>\$ (5,461)</u>	<u>\$ (9,439)</u>	<u>\$ 238,858</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 253,758</u>	<u>\$ (5,461)</u>	<u>\$ (9,439)</u>	<u>\$ 238,858</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 253,758</u>	<u>\$ (5,461)</u>	<u>\$ (9,439)</u>	<u>\$ 238,858</u>

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

LOST RIVER CAREER COOPERATIVE
 SCHEDULE 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	Basic Grant FY 2006-2007	Career Majors FY 2005-2006	Career Majors FY 2006-2007	Other	Totals
Receipts:						
Local sources	\$ 728,386	\$ -	\$ -	\$ -	\$ -	\$ 728,386
State sources	48,036					48,036
Federal sources	-	45,785	139,667	118,460	16,293	320,205
Total receipts	<u>776,422</u>	<u>45,785</u>	<u>139,667</u>	<u>118,460</u>	<u>16,293</u>	<u>1,096,627</u>
Disbursements:						
Current:						
Instruction	396,472	28,156	134,206	112,192	6,854	677,880
Support services	293,437	-	-	-	-	293,437
Total disbursements	<u>689,909</u>	<u>28,156</u>	<u>134,206</u>	<u>112,192</u>	<u>6,854</u>	<u>971,317</u>
Excess of receipts over disbursements	<u>86,513</u>	<u>17,629</u>	<u>5,461</u>	<u>6,268</u>	<u>9,439</u>	<u>125,310</u>
Cash and investments - beginning	<u>253,758</u>	-	(5,461)	-	(9,439)	<u>238,858</u>
Cash and investments - ending	<u>\$ 340,271</u>	<u>\$ 17,629</u>	<u>\$ -</u>	<u>\$ 6,268</u>	<u>\$ -</u>	<u>\$ 364,168</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 340,271</u>	<u>\$ 17,629</u>	<u>\$ -</u>	<u>\$ 6,268</u>	<u>\$ -</u>	<u>\$ 364,168</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 340,271</u>	<u>\$ 17,629</u>	<u>\$ -</u>	<u>\$ 6,268</u>	<u>\$ -</u>	<u>\$ 364,168</u>

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

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedules 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 Schedules

Fund financial schedules 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 schedules are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds are reported as separate columns in the fund financial schedules.

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 basic grant fund accounts for receipts and disbursements from federal grants.

The career majors fund accounts for receipts and disbursements from federal grants.

B. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial schedules 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.

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL INFORMATION
(Continued)

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 schedules.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial schedules for governmental funds would use the modified accrual basis of accounting, while the fund financial schedules 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 schedules.

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 proprietary 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.

Note 3. Budgets

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America.

Prior to June 30, the Treasurer submits to the School Board a proposed operating budget for the year commencing July 1. The School Board reviews and approves the budget.

The School Corporation's management cannot transfer budgeted appropriations without approval of the School Board.

Note 4. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 5. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

B. 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 members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

LOST RIVER CAREER COOPERATIVE
NOTES TO FINANCIAL INFORMATION
(Continued)

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 Cost

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

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 actually contributed 100% of the required contribution for each of the fiscal years.

LOST RIVER CAREER COOPERATIVE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 154,130	\$ 27,530	\$ 126,600	560%	\$ 24,321	521%
07-01-05	154,960	38,954	116,006	398%	28,419	408%
07-01-06	175,115	73,564	101,551	238%	31,245	325%

LOST RIVER CAREER COOPERATIVE
 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

	<u>Basic Grant</u> <u>FY 2003-2004</u>	<u>Basic Grant</u> <u>FY 2005-2006</u>	<u>Career Majors</u> <u>Fund 2004-2005</u>	<u>Totals</u>
Receipts:				
Federal sources	\$ 16,958	\$ 47,869	\$ 76,510	\$ 141,337
Disbursements:				
Current:				
Instruction	9,930	57,308	76,510	143,748
Excess (deficiency) of receipts over (under) disbursements	7,028	(9,439)	-	(2,411)
Cash and investments - beginning	(7,028)	-	-	(7,028)
Cash and investments - ending	<u>\$ -</u>	<u>\$ (9,439)</u>	<u>\$ -</u>	<u>\$ (9,439)</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ -</u>	<u>\$ (9,439)</u>	<u>\$ -</u>	<u>\$ (9,439)</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ -</u>	<u>\$ (9,439)</u>	<u>\$ -</u>	<u>\$ (9,439)</u>

LOST RIVER CAREER COOPERATIVE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

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

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 287,585
Machinery and equipment	<u>9,680</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 297,265</u>

LOST RIVER CAREER COOPERATIVE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Hewlett-Packard computers	\$ <u>9,228</u>	\$ <u>4,933</u>

LOST RIVER CAREER COOPERATIVE
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The School Corporation's computerized financial records were not properly closed on June 30, 2007. The records for May 2007 were restored using a backup file and June 2007 transactions were reentered, which produced two different sets of financial information for the year ending June 30, 2007. Some financial reports presented for examination were produced prior to restoring the files and some reports presented for examination were produced after restoring the files. Neither set of financial records could be reconciled to the bank. As a result, the validity and accountability of financial information of the various funds for the year ending June 30, 2007, could not be established. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial information.

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted during the examination period:

1. The bank reconcilements for January through June of 2007 were either not presented for examination or were incorrect. The outstanding check list provided by the School Corporation for the June 30, 2007, bank reconciliation was incorrect and contained errors totaling \$7,637.69.

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)

2. Numerous posting errors occurred during the examination period. Instances were noted where some transactions were posted multiple times, while others were never posted to the financial records. Instances were also noted where some transactions were posted as "negative" receipts and disbursements. Posting errors discovered during the examination were communicated to School Corporation Treasurer.

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)

LOST RIVER CAREER COOPERATIVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON ACCOUNTS PAYABLE VOUCHERS

The following deficiencies were noted during the review of disbursements for the examination period:

1. Accounts payable vouchers were not prepared for three of the disbursements reviewed.
2. Accounts payable vouchers were not adequately itemized for seven of the disbursements reviewed.
3. Accounts payable vouchers did not have School Board approval for five of the disbursements reviewed.
4. Accounts payable vouchers were not certified by the School Corporation Treasurer for four of the disbursements reviewed.
5. Accounts payable vouchers or invoices did not show evidence to support receipt of goods or services for five of the disbursements reviewed.

Indiana Code (IC) 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

RECEIPT ISSUANCE

An instance was noted during the examination period in which a deposit in the amount of \$3,703 was made by electronic funds transfer on May 14, 2007, and a receipt was not issued, nor was the deposit posted to the financial records.

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)

LOST RIVER CAREER COOPERATIVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$307.08 were assessed to and paid by the School Corporation to the Indiana Department of Revenue on March 5, 2007, for the late remittance of payroll withholding taxes for the period ending December 31, 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes 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)

BANK ACCOUNT DEBIT CARD PURCHASES

The School Corporation uses a bank debit card for some purchases of goods and services. Purchases in most cases are made prior to authorization by the School Corporation Treasurer or approval by the School Board, circumventing the disbursement approval process. Purchases made with the bank debit card appear to be made throughout each month and all supporting documentation related to those disbursements are attached to one accounts payable voucher at the end of each month for School Board approval.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 0-26-4-1 states in part:

"(d) The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall: . .

- (3) issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation. However, except as otherwise provided by law, warrants described in this subdivision must be issued only after proper allowance or approval by the governing body . . ."

PAYROLL WITHHOLDINGS NOT RECONCILED

The individual payroll withholding accounts were not reconciled to amounts owed to the various agencies as of June 30, 2007. A review of the accounts for the examination period indicated that numerous posting errors have been made and remain uncorrected.

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)

LOST RIVER CAREER COOPERATIVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

SERVICE AND TIME RECORDS

Employee service records were not being properly maintained during the examination period.

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)

OFFICIAL BOND

The official bonds for Sonya McKeighen, School Corporation and Extra-Curricular Treasurer, were not filed in the office of the County Recorder.

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 . . ."

CONDITION OF RECORDS – EXTRA-CURRICULAR ACCOUNTS

The following deficiencies relating to the recordkeeping of the School Corporation's Extra-Curricular Accounts (ECA) were noted during the examination period:

1. ECA reconcilements for the period of July 1, 2006 to June 30, 2007 were not presented for examination.

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)

2. The School Corporation's records for the ECA are maintained manually and ledger balances were not calculated correctly. The ECA control account ledger balances did not agree with individual fund account balances. One instance was noted where a receipt was posted to the control ledger, but not to the individual fund account.

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 Extra-Curricular Accounts, Chapter 7)

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)

LOST RIVER CAREER COOPERATIVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

USE OF FORM SA-5, FINANCIAL REPORT – EXTRA-CURRICULAR ACCOUNTS

Extra-Curricular Financial Reports (Form SA-5) were not prepared for the period, July 1, 2006 to June 30, 2007.

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)

OVERDRAWN FUND BALANCES – EXTRA-CURRICULAR ACCOUNTS

The BPA Fund was overdrawn as of June 30, 2007, in the amount of \$2,675.68.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DEPOSITS – EXTRA-CURRICULAR ACCOUNTS

All ECA receipts examined during the period July 1, 2006 to June 30, 2007, did not identify the form in which funds were received. As a result, verification of deposits could not be made for the examination period.

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."

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)

LOST RIVER CAREER COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on March 10, 2008, with Sonya McKeighen, Treasurer; David D. Embree, Director; and Larry S. Pritchett, President of the School Board.