

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

AUDIT REPORT

OF

HANOVER COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

06/19/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Quinnlyn Van Rys	07-01-06 to 05-06-09
Superintendent of Schools	Michael Livovich Bill Gall (Interim) Carol A. Kaiser	07-01-06 to 05-19-08 05-27-08 to 10-31-08 11-01-08 to 06-30-09
President of the School Board	Catherine Sheehy Patricia Kocot	07-01-06 to 06-30-08 07-01-08 to 06-30-09



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 7, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 7, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated May 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 7, 2009

HANOVER COMMUNITY 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>	Program Receipts		<u>Totals</u>	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 7,391,471	\$ -	\$ 61,415	\$ (7,330,056)	
Support services	7,832,764	659,225	202,645	(6,970,894)	
Community services	139,875	-	-	(139,875)	
Nonprogrammed charges	658,586	-	-	(658,586)	
Debt service	<u>9,391,495</u>	<u>-</u>	<u>-</u>	<u>(9,391,495)</u>	
Total governmental activities	<u>\$ 25,414,191</u>	<u>\$ 659,225</u>	<u>\$ 264,060</u>	<u>(24,490,906)</u>	
General receipts:					
Property taxes				8,015,952	
Other local sources				1,601,156	
State aid				6,123,355	
Bonds and loans				6,457,990	
Grants and contributions not restricted to specific programs				321,311	
Sale of property, adjustments, and refunds				6,075	
Investment earnings				<u>184,980</u>	
Total general receipts				<u>22,710,819</u>	
Change in net assets				(1,780,087)	
Net assets - beginning				<u>4,795,994</u>	
Net assets - ending				<u>\$ 3,015,907</u>	
<u>Assets</u>					
Cash and investments				\$ 2,210,249	
Restricted assets					
Cash and investments				<u>805,658</u>	
Total assets				<u>\$ 3,015,907</u>	
<u>Net Assets</u>					
Restricted for:					
Debt service				\$ 805,658	
Unrestricted				<u>2,210,249</u>	
Total net assets				<u>\$ 3,015,907</u>	

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

HANOVER COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 7,312,467	\$ -	\$ 187,180	\$ (7,125,287)	
Support services	6,460,302	720,286	254,902	(5,485,114)	
Community services	154,717	-	-	(154,717)	
Nonprogrammed charges	651,925	-	-	(651,925)	
Debt service	10,522,117	-	-	(10,522,117)	
Total governmental activities	\$ 25,101,528	\$ 720,286	\$ 442,082	(23,939,160)	
General receipts:					
Property taxes				8,000,788	
Other local sources				1,543,995	
State aid				6,392,416	
Bonds and loans				11,815,319	
Grants and contributions not restricted to specific programs				329,851	
Sale of property, adjustments, and refunds				741,896	
Investment earnings				147,394	
Total general receipts				28,971,659	
Change in net assets				5,032,499	
Net assets - beginning				3,015,907	
Net assets - ending				\$ 8,048,406	
<u>Assets</u>					
Cash and investments				\$ 7,012,938	
Restricted assets					
Cash and investments				1,035,468	
Total assets				\$ 8,048,406	
<u>Net Assets</u>					
Restricted for:					
Debt service				\$ 1,035,468	
Unrestricted				7,012,938	
Total net assets				\$ 8,048,406	

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

HANOVER COMMUNITY 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	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:								
Local sources	\$ 3,782,210	\$ 353,640	\$ 4,034,678	\$ 1,016,611	\$ 34,139	\$ -	\$ 1,160,599	\$ 10,381,877
Intermediate sources	75,936	-	-	-	-	-	3,501	79,437
State sources	6,170,642	-	-	-	-	-	142,267	6,312,909
Federal sources	-	-	-	-	-	-	395,816	395,816
Bonds and loans	2,800,000	-	1,680,000	350,000	90,000	-	1,537,990	6,457,990
Sale of property, adjustments and refunds	6,075	-	-	-	-	-	-	6,075
Total receipts	12,834,863	353,640	5,714,678	1,366,611	124,139	-	3,240,173	23,634,104
Disbursements:								
Current:								
Instruction	7,098,404	-	-	-	-	-	293,067	7,391,471
Support services	2,545,131	483,273	-	978,717	284,283	804,922	2,736,438	7,832,764
Community services	139,119	-	-	-	-	-	756	139,875
Nonprogrammed charges	573,586	-	-	-	-	-	85,000	658,586
Debt services	3,454,000	-	5,349,605	380,000	42,000	-	165,890	9,391,495
Total disbursements	13,810,240	483,273	5,349,605	1,358,717	326,283	804,922	3,281,151	25,414,191
Excess (deficiency) of receipts over disbursements	(975,377)	(129,633)	365,073	7,894	(202,144)	(804,922)	(40,978)	(1,780,087)
Other financing sources (uses):								
Transfers in	11,293	-	-	14,200	-	-	13,301	38,794
Transfers out	-	-	-	-	-	-	(38,794)	(38,794)
Total other financing sources (uses)	11,293	-	-	14,200	-	-	(25,493)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(964,084)	(129,633)	365,073	22,094	(202,144)	(804,922)	(66,471)	(1,780,087)
Cash and investments - beginning	2,542,788	229,424	436,385	188,065	217,429	883,482	298,421	4,795,994
Cash and investments - ending	\$ 1,578,704	\$ 99,791	\$ 801,458	\$ 210,159	\$ 15,285	\$ 78,560	\$ 231,950	\$ 3,015,907
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,578,704	\$ 99,791	\$ -	\$ 210,159	\$ 15,285	\$ 78,560	\$ 227,750	\$ 2,210,249
Restricted assets:								
Cash and investments	-	-	801,458	-	-	-	4,200	805,658
Total cash and investment assets - ending	\$ 1,578,704	\$ 99,791	\$ 801,458	\$ 210,159	\$ 15,285	\$ 78,560	\$ 231,950	\$ 3,015,907
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ 801,458	\$ -	\$ -	\$ -	\$ 4,200	\$ 805,658
Unrestricted	1,578,704	99,791	-	210,159	15,285	78,560	227,750	2,210,249
Total cash and investment fund balance - ending	\$ 1,578,704	\$ 99,791	\$ 801,458	\$ 210,159	\$ 15,285	\$ 78,560	\$ 231,950	\$ 3,015,907

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

HANOVER COMMUNITY 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, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:								
Local sources	\$ 3,328,194	\$ 422,501	\$ 4,197,397	\$ 773,820	\$ 232,924	\$ -	\$ 1,388,954	\$ 10,343,790
Intermediate sources	64,102	-	-	-	-	-	4,573	68,675
State sources	6,520,277	-	-	-	-	-	163,013	6,683,290
Federal sources	-	-	-	-	-	-	481,057	481,057
Bonds and loans	3,956,000	317,000	2,460,000	688,000	156,000	-	238,319	11,815,319
Sale of property, adjustments and refunds	-	-	-	-	-	4,000,000	741,896	741,896
Total receipts	13,868,573	739,501	6,657,397	1,461,820	388,924	4,000,000	3,017,812	30,134,027
Disbursements:								
Current:								
Instruction	6,903,631	-	-	-	-	-	408,836	7,312,467
Support services	2,801,367	524,978	7,692	955,347	89,826	78,561	2,002,531	6,460,302
Community services	154,717	-	-	-	-	-	-	154,717
Nonprogrammed charges	565,925	-	-	-	-	-	86,000	651,925
Debt services	2,800,000	140,000	6,467,009	650,000	160,000	-	305,108	10,522,117
Total disbursements	13,225,640	664,978	6,474,701	1,605,347	249,826	78,561	2,802,475	25,101,528
Excess (deficiency) of receipts over disbursements	642,933	74,523	182,696	(143,527)	139,098	3,921,439	215,337	5,032,499
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	29,117	29,117
Transfers out	-	-	-	-	-	-	(29,117)	(29,117)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	642,933	74,523	182,696	(143,527)	139,098	3,921,439	215,337	5,032,499
Cash and investments - beginning	1,578,702	99,791	801,458	210,159	15,285	78,560	231,952	3,015,907
Cash and investments - ending	<u>\$ 2,221,635</u>	<u>\$ 174,314</u>	<u>\$ 984,154</u>	<u>\$ 66,632</u>	<u>\$ 154,383</u>	<u>\$ 3,999,999</u>	<u>\$ 447,289</u>	<u>\$ 8,048,406</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,221,635	\$ 174,314	\$ -	\$ 66,632	\$ 154,383	\$ 3,999,999	\$ 395,975	\$ 7,012,938
Restricted assets:								
Cash and investments	-	-	984,154	-	-	-	51,314	1,035,468
Total cash and investment assets - ending	<u>\$ 2,221,635</u>	<u>\$ 174,314</u>	<u>\$ 984,154</u>	<u>\$ 66,632</u>	<u>\$ 154,383</u>	<u>\$ 3,999,999</u>	<u>\$ 447,289</u>	<u>\$ 8,048,406</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ 984,154	\$ -	\$ -	\$ -	\$ 51,314	\$ 1,035,468
Unrestricted	2,221,635	174,314	-	66,632	154,383	3,999,999	395,975	7,012,938
Total cash and investment fund balance - ending	<u>\$ 2,221,635</u>	<u>\$ 174,314</u>	<u>\$ 984,154</u>	<u>\$ 66,632</u>	<u>\$ 154,383</u>	<u>\$ 3,999,999</u>	<u>\$ 447,289</u>	<u>\$ 8,048,406</u>

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

HANOVER COMMUNITY 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	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ 40,000	\$ 3,831	
Deductions:			
Benefits	33,076	-	
Administrative and general	-	14,836	
Total deductions	33,076	14,836	
Excess (deficiency) of total additions over total deductions	6,924	(11,005)	
Cash and investment fund balance - beginning	178,611	18,401	
Cash and investment fund balance - ending	\$ 185,535	\$ 7,396	\$ 97,685
Net assets:			
Cash and investments	\$ 185,535	\$ 7,396	

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

HANOVER COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 1,647	
Deductions:			
Benefits	13,168	-	
Administrative and general	-	1,884	
Total deductions	13,168	1,884	
Deficiency of total additions over total deductions	(13,168)	(237)	
Cash and investment fund balance - beginning	185,535	7,397	
Cash and investment fund balance - ending	\$ 172,367	\$ 7,160	\$ 117,102
Net assets:			
Cash and investments	\$ 172,367	\$ 7,160	

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

HANOVER COMMUNITY 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.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Hanover Community School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with twenty schools in a joint venture to operate the Northwest Indiana Educational Service Center (Service Center) which was created to provide cooperative purchasing, multi-media services, curriculum/staff development, technology services, and other educational services. The School Corporation is obligated by contract to remit \$3 per student enrolled annually to supplement the Service Center. Complete financial statements for the Service Center can be obtained from its administrative offices at 2939 – 41st Street, Highland, Indiana 46322.

The School Corporation is a participant in the Northwest Indiana Public School Study Council (Study Council), a joint school services program established December 10, 1969, for the improvement of education and the study of problems and issues involved in public education. A board composed of a member from each participating school corporation governs the Study Council. The School Corporation pays \$1,000 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained from the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, Indiana 46410.

The School Corporation is a participant with ten school corporations in Lake County in a joint venture to operate the Northwest Indiana Special Education Cooperative (Cooperative), which was created to provide special education services to special needs students. The School Corporation is obligated by contract to share the costs of the Cooperative by a formula based on the Average Daily Membership count, as well as a fixed fee for each student that participates in the Cooperative. Complete financial statements for the Cooperative can be obtained from its administrative offices at 2150 West 97th Avenue, Crown Point, Indiana 46307.

The School Corporation is a participant with Tri-Creek and Crown Point Community School Corporations in a joint venture to operate the District 4 Vocational Education Cooperative (Cooperative) which was created to provide vocational curriculum and curriculum support. The School Corporation is obligated by agreement to remit a fee based upon high school enrollment to

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

support the administrative costs. Hanover, as the fiscal agent, receives and expends Perkins Grants on behalf of the three school corporations. Complete financial statements for the Co-operative can be obtained from Hanover Community School Corporation, PO Box 645, Cedar Lake, Indiana 46303.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental 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.)

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

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

The construction fund is used to account for receipts and disbursements concerning the renovation and construction of the High School and Middle School.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of the activities of the postretirement/severance future benefit trust fund, which accumulate resources for postretirement's health benefits for early retirees.

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the residents under 55 to use the weight equipment (fitness center) at the High School.

Agency funds account for assets held by the School Corporation as an agent for state and federal taxing authorities, various employee benefits providers, and serve as control 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 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.

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).

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

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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).

3. 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.

4. 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.

5. 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.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating 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.

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
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 government-wide 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.

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.

HANOVER COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Textbook Rental	\$ 123,873	\$ 181,919
Educational License Plates	152	1,139
Common School Technology	5,650	1,593
Carl Perkins 2006-2007	4,098	-
Class Size Reduction	-	2,509
Tech Prep Grant 2006-2007	6,256	-

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

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 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.

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Special Education Pre-School	\$ 10,093	\$ -
General Fund	Other governmental funds	1,200	-
Capital Projects	Other governmental funds	14,200	-
Other governmental funds	Other governmental funds	<u>13,301</u>	<u>29,117</u>
Totals		<u>\$ 38,794</u>	<u>\$ 29,117</u>

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

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. New Funds represents the inclusion of existing funds which were not presented in the prior report. Prior period adjustments represent Private Purpose Trust Funds classified as Other Governmental.

Opinion Unit	Balance as Reported June 30, 2006	Fund Reclassification	New Funds	Prior Period Adjustments	Balance as Restated July 1, 2007
Unqualified	<u>\$ 18,401</u>	Other governmental	Private-Purpose Trust	<u>\$ (18,401)</u>	<u>\$ -</u>

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.

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The School Corporation has entered into a capital lease with Hanover Multi-School Building Corporation and Hanover Middle 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 during the year totaled \$1,840,000.

C. Postemployment Benefits

In addition to the pension benefits described in Note IV D, the School Corporation provides post-employment health and life insurance benefits, as authorized by IC 5-10-8, to employees who retire from the School Corporation on or after attaining age fifty-five with at least fifteen years of service. Currently, ten retirees meet these eligibility requirements. The School Corporation and retirees provide 33% to 100% and 42% to 100%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

These funds are held in reserve to pay health insurance premiums of qualified retirees for a limited time, in accordance with various governmental regulations.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in 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

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 88,696
Interest on net pension obligation	(13,031)
Adjustment to annual required contribution	14,850
Annual pension cost	90,515
Contributions made	97,851
Decrease in net pension obligation	(7,336)
Net pension obligation, beginning of year	(179,734)
Net pension obligation, end of year	\$ (187,070)

	PERF
Contribution rates:	
School Corporation	7.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
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%

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 70,238	132%	\$ (165,421)
	06-30-06	74,455	119%	(179,734)
	06-30-07	90,515	108%	(187,070)

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

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006, 2007, and 2008, were \$3,501, \$1,694, and \$4,527, respectively. The School Corporation actually contributed 97%, 99%, and 97% of the required contribution for each of the fiscal years, respectively.

HANOVER COMMUNITY 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)
07-01-05	\$ 847,483	\$ 957,651	\$ (110,168)	88%	\$ 1,112,389	(10%)
07-01-06	867,366	905,538	(38,172)	96%	1,297,944	(3%)
07-01-07	958,782	965,465	(6,683)	99%	1,275,544	(1%)

HANOVER COMMUNITY 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

	Special Education Pre-School	Lunch	Textbook Rental	Joint Service & Supply - Vocational	Education License Plates	P.A.T.H. 2006-2007	Donations Flag Pole
Receipts:							
Local sources	\$ 7,916	\$ 826,932	\$ 182,060	\$ -	\$ -	\$ 44,817	\$ -
Intermediate sources	-	-	-	-	3,501	-	-
State sources	82,597	(5,574)	18,690	-	-	-	-
Federal sources	-	192,631	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	90,513	1,013,989	200,750	-	3,501	44,817	-
Disbursements:							
Current:							
Instruction	-	-	-	444	5,930	41,997	-
Support services	-	1,015,574	201,984	-	389	2,820	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	85,000	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	85,000	1,015,574	201,984	444	6,319	44,817	-
Excess (deficiency) of receipts over disbursements	5,513	(1,585)	(1,234)	(444)	(2,818)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(10,093)	-	-	-	-	-	-
Total other financing sources (uses)	(10,093)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,580)	(1,585)	(1,234)	(444)	(2,818)	-	-
Cash and investments - beginning	99,415	135,950	(122,639)	62,616	2,666	-	350
Cash and investments - ending	\$ 94,835	\$ 134,365	\$ (123,873)	\$ 62,172	\$ (152)	\$ -	\$ 350
Cash and Investment Assets - Ending							
Cash and investments	\$ 94,835	\$ 134,365	\$ (123,873)	\$ 62,172	\$ (152)	\$ -	\$ 350
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 94,835	\$ 134,365	\$ (123,873)	\$ 62,172	\$ (152)	\$ -	\$ 350
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	94,835	134,365	(123,873)	62,172	(152)	-	350
Total cash and investment fund balance - ending	\$ 94,835	\$ 134,365	\$ (123,873)	\$ 62,172	\$ (152)	\$ -	\$ 350

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

HANOVER COMMUNITY 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)

	Jr. Wildcats Scouting	Parents As Teachers 2006-2007	P.A.T.H. Economic Development 2006-2007	Gifted and Talented 2005-2006	Gifted and Talented 2006-2007	Common School Technology	Non-English Speaking Program
Receipts:							
Local sources	\$ 2,000	\$ 11,980	\$ 41,000	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	13,053	-	1,375
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	152,325	-
Total receipts	2,000	11,980	41,000	-	13,053	152,325	1,375
Disbursements:							
Current:							
Instruction	-	3,293	41,000	9,919	12,968	-	1,696
Support services	-	(126)	-	-	-	156,239	-
Community services	641	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	641	3,167	41,000	9,919	12,968	156,239	1,696
Excess (deficiency) of receipts over disbursements	1,359	8,813	-	(9,919)	85	(3,914)	(321)
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	1,359	8,813	-	(9,919)	85	(3,914)	(321)
Cash and investments - beginning	-	9,121	-	9,919	-	(1,736)	321
Cash and investments - ending	\$ 1,359	\$ 17,934	\$ -	\$ -	\$ 85	\$ (5,650)	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,359	\$ 17,934	\$ -	\$ -	\$ 85	\$ (5,650)	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,359	\$ 17,934	\$ -	\$ -	\$ 85	\$ (5,650)	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,359	17,934	-	-	85	(5,650)	-
Total cash and investment fund balance - ending	\$ 1,359	\$ 17,934	\$ -	\$ -	\$ 85	\$ (5,650)	\$ -

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

HANOVER COMMUNITY 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)

	Tech Plan Grant 2005	Title I 2005-2006	Title I 2006-2007	Title V, Part A 2005-2006	Project Peace	Title IV, Part A 2005-2006	Title II, Part D 2005-2006
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	1,000	-	-	-
Federal sources	-	9,000	73,727	3,832	-	5,397	2,071
Bonds and loans	-	-	-	-	-	-	-
Total receipts	-	9,000	73,727	4,832	-	5,397	2,071
Disbursements:							
Current:							
Instruction	789	3,117	74,210	1,166	-	172	1,040
Support services	1,089	-	2,903	15,056	37	1,881	10,716
Community services	-	-	115	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	1,878	3,117	77,228	16,222	37	2,053	11,756
Excess (deficiency) of receipts over disbursements	(1,878)	5,883	(3,501)	(11,390)	(37)	3,344	(9,685)
Other financing sources (uses):							
Transfers in	-	-	10,603	2,698	-	-	-
Transfers out	-	(10,603)	-	-	-	(2,698)	-
Total other financing sources (uses)	-	(10,603)	10,603	2,698	-	(2,698)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,878)	(4,720)	7,102	(8,692)	(37)	646	(9,685)
Cash and investments - beginning	13,833	4,720	-	8,692	406	1,732	9,685
Cash and investments - ending	<u>\$ 11,955</u>	<u>\$ -</u>	<u>\$ 7,102</u>	<u>\$ -</u>	<u>\$ 369</u>	<u>\$ 2,378</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 11,955	\$ -	\$ 7,102	\$ -	\$ 369	\$ 2,378	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 11,955</u>	<u>\$ -</u>	<u>\$ 7,102</u>	<u>\$ -</u>	<u>\$ 369</u>	<u>\$ 2,378</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	11,955	-	7,102	-	369	2,378	-
Total cash and investment fund balance - ending	<u>\$ 11,955</u>	<u>\$ -</u>	<u>\$ 7,102</u>	<u>\$ -</u>	<u>\$ 369</u>	<u>\$ 2,378</u>	<u>\$ -</u>

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

HANOVER COMMUNITY 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)

	Carl Perkins 2006-2007	Carl Perkins 2005-2006	Class-Size Reduction 2006-2007	Tech-Prep Grant 2006-2007	Retirement Bond Debt Service	2006 GO Bond	Totals
Receipts:							
Local sources	\$ 850	\$ -	\$ -	\$ -	\$ 43,044	\$ -	\$ 1,160,599
Intermediate sources	-	-	-	-	-	-	3,501
State sources	-	-	-	31,126	-	-	142,267
Federal sources	69,830	24,205	15,123	-	-	-	395,816
Bonds and loans	-	-	-	-	80,000	1,305,665	1,537,990
Total receipts	70,680	24,205	15,123	31,126	123,044	1,305,665	3,240,173
Disbursements:							
Current:							
Instruction	58,843	2,595	22,825	11,063	-	-	293,067
Support services	15,935	24,942	-	25,666	-	1,261,333	2,736,438
Community services	-	-	-	-	-	-	756
Nonprogrammed charges	-	-	-	-	-	-	85,000
Debt services	-	-	-	-	161,833	4,057	165,890
Total disbursements	74,778	27,537	22,825	36,729	161,833	1,265,390	3,281,151
Excess (deficiency) of receipts over disbursements	(4,098)	(3,332)	(7,702)	(5,603)	(38,789)	40,275	(40,978)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	13,301
Transfers out	-	-	-	-	-	(15,400)	(38,794)
Total other financing sources (uses)	-	-	-	-	-	(15,400)	(25,493)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,098)	(3,332)	(7,702)	(5,603)	(38,789)	24,875	(66,471)
Cash and investments - beginning	-	3,332	17,702	(653)	42,989	-	298,421
Cash and investments - ending	<u>\$ (4,098)</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ (6,256)</u>	<u>\$ 4,200</u>	<u>\$ 24,875</u>	<u>\$ 231,950</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (4,098)	\$ -	\$ 10,000	\$ (6,256)	\$ -	\$ 24,875	\$ 227,750
Restricted assets:							
Cash and investments	-	-	-	-	4,200	-	4,200
Total cash and investment assets - ending	<u>\$ (4,098)</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ (6,256)</u>	<u>\$ 4,200</u>	<u>\$ 24,875</u>	<u>\$ 231,950</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 4,200	\$ -	\$ 4,200
Unrestricted	(4,098)	-	10,000	(6,256)	-	24,875	227,750
Total cash and investment fund balance - ending	<u>\$ (4,098)</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ (6,256)</u>	<u>\$ 4,200</u>	<u>\$ 24,875</u>	<u>\$ 231,950</u>

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

HANOVER COMMUNITY 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, 2008

	Special Education Pre-School	Lunch	Textbook Rental	Joint Service & Supply - Vocational	Educational License Plates	P.A.T.H. 2007-2008	Donations Flag Pole
Receipts:							
Local sources	\$ 6,757	\$ 845,692	\$ 172,199	\$ -	\$ -	\$ 24,675	\$ -
Intermediate sources	-	-	-	-	4,573	-	-
State sources	62,705	10,701	42,882	-	-	-	-
Federal sources	-	201,319	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	69,462	1,057,712	215,081	-	4,573	24,675	-
Disbursements:							
Current:							
Instruction	-	-	-	833	5,351	19,305	-
Support services	78	1,098,620	273,126	-	209	2,296	-
Nonprogrammed charges	86,000	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	86,078	1,098,620	273,126	833	5,560	21,601	-
Excess (deficiency) of receipts over disbursements	(16,616)	(40,908)	(58,045)	(833)	(987)	3,074	-
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	(16,616)	(40,908)	(58,045)	(833)	(987)	3,074	-
Cash and investments - beginning	94,836	134,365	(123,872)	62,172	(152)	-	350
Cash and investments - ending	\$ 78,220	\$ 93,457	\$ (181,917)	\$ 61,339	\$ (1,139)	\$ 3,074	\$ 350
Cash and Investment Assets - Ending							
Cash and investments	\$ 78,220	\$ 93,457	\$ (181,917)	\$ 61,339	\$ (1,139)	\$ 3,074	\$ 350
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 78,220	\$ 93,457	\$ (181,917)	\$ 61,339	\$ (1,139)	\$ 3,074	\$ 350
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	78,220	93,457	(181,917)	61,339	(1,139)	3,074	350
Total cash and investment fund balance - ending	\$ 78,220	\$ 93,457	\$ (181,917)	\$ 61,339	\$ (1,139)	\$ 3,074	\$ 350

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

HANOVER COMMUNITY 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, 2008
 (Continued)

	Jr. Wildcats Scouting	Parents As Teachers 2007-2008	P.A.T.H. Economic Development 2007-2008	Gifted and Talented 2006-2007	Gifted and Talented 2007-2008	Common School Technology	Non-English Speaking Program
Receipts:							
Local sources	\$ -	\$ 9,110	\$ 102,774	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	33,037	-	4,385
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	102,319	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	9,110	102,774	-	33,037	102,319	4,385
Disbursements:							
Current:							
Instruction	-	1,163	90,684	68	33,037	-	-
Support services	-	575	196	-	-	98,262	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	1,738	90,880	68	33,037	98,262	-
Excess (deficiency) of receipts over disbursements	-	7,372	11,894	(68)	-	4,057	4,385
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	-	7,372	11,894	(68)	-	4,057	4,385
Cash and investments - beginning	1,359	17,934	-	85	-	(5,650)	-
Cash and investments - ending	\$ 1,359	\$ 25,306	\$ 11,894	\$ 17	\$ -	\$ (1,593)	\$ 4,385
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,359	\$ 25,306	\$ 11,894	\$ 17	\$ -	\$ (1,593)	\$ 4,385
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,359	\$ 25,306	\$ 11,894	\$ 17	\$ -	\$ (1,593)	\$ 4,385
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,359	25,306	11,894	17	-	(1,593)	4,385
Total cash and investment fund balance - ending	\$ 1,359	\$ 25,306	\$ 11,894	\$ 17	\$ -	\$ (1,593)	\$ 4,385

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

HANOVER COMMUNITY 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, 2008
 (Continued)

	Tech Plan Grant 2005	Title I 2006-2007	Title I 2007-2008	Title V, Part A 2005-2006	Project Peace	Title IV, Part A 2006-2007	Carl Perkins
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	3,300	116,004	2,544	-	4,165	103,830
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	3,300	116,004	2,544	-	4,165	103,830
Disbursements:							
Current:							
Instruction	-	3,709	107,686	24,968	-	228	68,017
Support services	11,955	-	5,099	-	252	1,390	25,537
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	11,955	3,709	112,785	24,968	252	1,618	93,554
Excess (deficiency) of receipts over disbursements	(11,955)	(409)	3,219	(22,424)	(252)	2,547	10,276
Other financing sources (uses):							
Transfers in	-	-	6,693	22,424	-	-	-
Transfers out	-	(6,693)	-	-	-	(2,082)	-
Total other financing sources (uses)	-	(6,693)	6,693	22,424	-	(2,082)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,955)	(7,102)	9,912	-	(252)	465	10,276
Cash and investments - beginning	11,955	7,102	-	-	369	2,378	(4,098)
Cash and investments - ending	\$ -	\$ -	\$ 9,912	\$ -	\$ 117	\$ 2,843	\$ 6,178
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 9,912	\$ -	\$ 117	\$ 2,843	\$ 6,178
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ 9,912	\$ -	\$ 117	\$ 2,843	\$ 6,178
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	9,912	-	117	2,843	6,178
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 9,912	\$ -	\$ 117	\$ 2,843	\$ 6,178

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

HANOVER COMMUNITY 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, 2008
 (Continued)

	Class Size Reduction 2006-2008	Tech Prep Grant 2006-2007	Retirement Bond Debt Service	RQAW Settlement Construction	2006 GO Bond	Totals
Receipts:						
Local sources	\$ -	\$ 1,525	\$ 216,222	\$ 10,000	\$ -	\$ 1,388,954
Intermediate sources	-	-	-	-	-	4,573
State sources	-	9,303	-	-	-	163,013
Federal sources	49,895	-	-	-	-	481,057
Bonds and loans	-	-	136,000	-	-	238,319
Sale of property, adjustments and refunds	-	-	-	741,896	-	741,896
Total receipts	49,895	10,828	352,222	751,896	-	3,017,812
Disbursements:						
Current:						
Instruction	42,062	80	-	11,645	-	408,836
Support services	-	2,966	-	481,970	-	2,002,531
Nonprogrammed charges	-	-	-	-	-	86,000
Debt services	-	-	305,108	-	-	305,108
Total disbursements	42,062	3,046	305,108	493,615	-	2,802,475
Excess (deficiency) of receipts over disbursements	7,833	7,782	47,114	258,281	-	215,337
Other financing sources (uses):						
Transfers in	-	-	-	-	-	29,117
Transfers out	(20,342)	-	-	-	-	(29,117)
Total other financing sources (uses)	(20,342)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,509)	7,782	47,114	258,281	-	215,337
Cash and investments - beginning	10,000	(6,256)	4,200	-	24,875	231,952
Cash and investments - ending	\$ (2,509)	\$ 1,526	\$ 51,314	\$ 258,281	\$ 24,875	\$ 447,289
Cash and Investment Assets - Ending						
Cash and investments	\$ (2,509)	\$ 1,526	\$ -	\$ 258,281	\$ 24,875	\$ 395,975
Restricted assets:						
Cash and investments	-	-	51,314	-	-	51,314
Total cash and investment assets - ending	\$ (2,509)	\$ 1,526	\$ 51,314	\$ 258,281	\$ 24,875	\$ 447,289
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 51,314	\$ -	\$ -	\$ 51,314
Unrestricted	(2,509)	1,526	-	258,281	24,875	395,975
Total cash and investment fund balance - ending	\$ (2,509)	\$ 1,526	\$ 51,314	\$ 258,281	\$ 24,875	\$ 447,289

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

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Fitness Center</u>	<u>Donations Athletic Appeal</u>	<u>Donations Arts Appeal</u>	<u>Donations Pre-School</u>	<u>Professional Development Grant</u>
Additions:					
Contributions:					
Other	\$ 975	\$ -	\$ -	\$ -	\$ 974
Deductions:					
Administrative and general	-	-	-	480	-
Excess (deficiency) of total additions over total deductions	975	-	-	(480)	974
Cash and investment fund balance - beginning	414	25	10	548	-
Cash and investments - June 30	<u>\$ 1,389</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ 974</u>
Net assets:					
Cash and investments	<u>\$ 1,389</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ 974</u>

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	<u>Superintendent Scholarship</u>	<u>Literacy For Life Grant</u>	<u>Parents As Teachers 2004-2005</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 562	\$ 1,320	\$ -	\$ 3,831
Deductions:				
Administrative and general	430	-	13,926	14,836
Excess (deficiency) of total additions over total deductions	132	1,320	(13,926)	(11,005)
Cash and investment fund balance - beginning	-	3,478	13,926	18,401
Cash and investments - June 30	<u>\$ 132</u>	<u>\$ 4,798</u>	<u>\$ -</u>	<u>\$ 7,396</u>
Net assets:				
Cash and investments	<u>\$ 132</u>	<u>\$ 4,798</u>	<u>\$ -</u>	<u>\$ 7,396</u>

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Fitness Center	Donations Athletic Appeal	Donations Arts Appeal	Donations Pre-School	Professional Development Grant	Superintendent Scholarship	Literacy For Life Grant	Totals
Additions:								
Contributions:								
Other	\$ 1,020	\$ -	\$ -	\$ -	\$ -	\$ 627	\$ -	\$ 1,647
Deductions:								
Administrative and general	150	-	-	-	974	760	-	1,884
Excess (deficiency) of total additions over total deductions	870	-	-	-	(974)	(133)	-	(237)
Cash and investment fund balance - beginning	1,389	25	10	68	974	133	4,798	7,397
Cash and investments - June 30	<u>\$ 2,259</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,798</u>	<u>\$ 7,160</u>
Net assets:								
Cash and investments	<u>\$ 2,259</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,798</u>	<u>\$ 7,160</u>

HANOVER COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

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:		
Hanover Multi-School Building Corporation	\$ 12,515,000	\$ 920,000
Hanover Middle School Building Corporation	11,870,000	460,000
Notes and loans payable	21,693,548	2,155,650
Bonds payable:		
General obligation bonds:		
Hanover Central HS/MS Improvements	125,000	127,875
Pension Bond	1,140,000	90,000
Land Purchase	740,000	611,479
Total governmental activities debt	<u>\$ 48,083,548</u>	<u>\$ 4,365,004</u>

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The School Corporation capital asset records were incomplete. Equipment purchases and major construction that occurred during the prior and current period reviewed were not recognized as additions in the capital asset records. A similar comment appeared in the prior Reports B29272, B24814, and B20472.

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)

OFFICIAL BOND

The official bonds required and/or purchased by the School Corporation showed the following problems:

- The School Corporation had not purchased an official bond for Lynne Styx, Corporation Deputy Treasurer, for the period March 2007 to March 2009.
- Official bonds were purchased but not properly filed in the County Recorder's office for Quinnlyn Van Rys, Treasurer, Hanover School Corporation, for the period February 2007 to February 2009.
- The official bond purchased for Deanna Clealand, Deputy Treasurer, for the period November 23, 2006 to November 23, 2007, improperly identified her position as "Treasurer of Lake County," instead of Treasurer of Hanover School Corporation.

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OFFICIAL BOND (Applies to Lincoln Elementary School)

The official bonds required and/or purchased by the Lincoln Elementary School extra-curricular account showed the following:

Official bonds were required but not purchased for the following individuals:

- Kristy Verbish – Extra-Curricular Treasurer – March 2007 to September 2008
- Barb Kortokrax – Extra-Curricular Treasurer – October 2008 to March 2009

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The official bond purchased for Jennifer Grcich for the period January 1, 2007 to January 1, 2009 incorrectly identified her position as "Treasurer-Hanover School Corporation" instead of "Extracurricular Treasurer-Lincoln Elementary School."

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OFFICIAL BONDS (Applies to Hanover Community Middle/High School)

The official bonds required and/or purchased by the Hanover Community Middle/High School extra-curricular account showed the following:

- The official bond for Jean Malon, Middle/High School Extra-Curricular Treasurer, was not filed for the period September 15, 2007 to September 15, 2009.
- The official bond purchased for Jean Malon, Middle/High School Extra-Curricular Treasurer incorrectly identified her as the "Treasurer of the Hanover Community School Corporation" instead of the "Extracurricular Treasurer of the Hanover Community Middle/High School."

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OFFICIAL BONDS (Applies to Jane Ball Elementary)

The official bond for Pamela Kouder, Extra-Curricular Treasurer, was not filed in the office of the County Recorder.

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ECA DEPOSITS (Applies to Jane Ball Elementary)

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 20 days before depositing. A similar comment was in prior Report B29272.

IC 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

ATHLETIC EVENT DEPOSITS (Applies to Hanover Central Athletic Department)

Athletic event receipts were not deposited in a timely manner. Some receipts, of those reviewed, were held in excess of 105 days before depositing. A similar comment was in prior Report B29272.

IC 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

TEXTBOOK RENTAL RECEIPTS (Applies to Hanover Community Middle/High School, Jane Ball Elementary School and Lincoln Elementary School)

Receipts were not always deposited within a reasonable time. Receipts could be held for periods in excess of three weeks before depositing

IC 20-5-7-4 states in part: ". . . receipts shall be deposited without unreasonable delay."

OVERDRAWN FUND BALANCES

The Textbook Rental, Educational License Plates, Common School Technology, Carl Perkins 2006-2007, and the Tech Prep Grant 2006-2007 Funds were overdrawn in 2006-2007. The Textbook Rental, Educational License Plates, Common School Technology, and the Class Size Reduction Funds were overdrawn in 2007-2008.

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 Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Hanover Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 7, 2009

HANOVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through the Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 45,238	\$ 46,522
National School Lunch Program	10.555		<u>176,920</u>	<u>187,743</u>
Total for program			<u>222,158</u>	<u>234,265</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through the Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010			
		06-4580	3,117	-
		07-4580	77,228	3,709
		08-4580	<u>-</u>	<u>112,784</u>
Total for program			<u>80,345</u>	<u>116,493</u>
Career and Technical Education - Basic Grants to States				
	84.048			
		06-4700-4580	27,537	-
		07-4700-4580	73,928	17,280
		08-4700-4580	<u>-</u>	<u>76,275</u>
Total for program			<u>101,465</u>	<u>93,555</u>
Safe and Drug-Free School and Communities - State Grant				
	84-186			
		Project Peace	37	252
		04-098	1,732	-
		05-209	321	1,495
		4580-06	<u>-</u>	<u>122</u>
Total for program			<u>2,090</u>	<u>1,869</u>
Tech-Prep Education				
	84.243			
		TP-6-263	<u>36,729</u>	<u>1,522</u>
State Grants for Innovative Programs				
	84.298			
		05-283	16,222	-
		06-4580	<u>-</u>	<u>24,968</u>
Total for program			<u>16,222</u>	<u>24,968</u>
Education Technology State Grants				
	84.318			
		FY 05-06	<u>11,756</u>	<u>-</u>
Improving Teacher Quality State Grants				
	84.367			
		05-176	22,825	-
		06-4580	-	35,553
		07-4580	<u>-</u>	<u>6,509</u>
Total for program			<u>22,825</u>	<u>42,062</u>
Total for federal grantor agency			<u>493,590</u>	<u>514,734</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Pass-Through the Indiana Department of Homeland Security				
Public Assistance Grants				
Snow Emergency	97.036	3274	<u>4,188</u>	<u>-</u>
Total federal awards expended			<u>\$ 497,778</u>	<u>\$ 514,734</u>

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hanover Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006-2007	2007-2008
School Breakfast Program	10.553	\$ 5,545	\$ 6,543
National School Lunch Program	10.555	20,932	26,403

HANOVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

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

Section II – Financial Statement Findings

FINDING 2008-01, CAPITAL ASSET RECORDS

The School Corporation capital asset records were incomplete. Equipment purchases and major construction that occurred during the prior and current period reviewed were not recognized as additions in the capital asset records.

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)

We recommended that Hanover Community School Corporation design and properly monitor procedures to insure that capital asset records are maintained accurately and that capital assets are adequately safeguarded from loss, damage, or misappropriation.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

HANOVER COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

HANOVER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2009, with Carol A. Kaiser, Superintendent of Schools; and Patricia Kocot, President of the School Board. The officials concurred with our audit findings.