

**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, 2008 to June 30, 2010



**FILED**

03/11/2011



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Quinnlyn Van Rys	07-01-08 to 05-06-09
	(Vacant)	05-07-09 to 08-10-09
	David Shereyk	08-11-09 to 05-11-10
	(Vacant)	05-12-10 to 06-30-10
Deputy Treasurer	Dana Bogathy	07-01-10 to 06-30-11
	Lynne Styx	07-01-09 to 06-30-10
Superintendent of Schools	William Gall (Interim)	07-01-08 to 10-31-08
	Carol A. Kaiser	11-01-08 to 06-30-11
President of the School Board	Patricia Kocot	07-01-08 to 06-30-09
	Dale Poston	07-07-09 to 12-31-10
	Julie Mueller	01-01-11 to 06-30-11



**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, 2009 and 2010, 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, 2009 and 2010, 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 February 16, 2011, 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 integral part of 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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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 not 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.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 16, 2011



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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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 16, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

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 2010-1.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and 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, School Board, 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

February 16, 2011

HANOVER COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 7,021,349	\$ -	\$ 247,475	\$ (6,773,874)
Support services	4,852,077	779,651	246,593	(3,825,833)
Noninstructional services	1,192,173	-	-	(1,192,173)
Facilities acquisition and construction	1,453,858	-	-	(1,453,858)
Debt service	10,781,550	-	-	(10,781,550)
Nonprogrammed charges	759,701	-	-	(759,701)
	<u>\$ 26,060,708</u>	<u>\$ 779,651</u>	<u>\$ 494,068</u>	<u>(24,786,989)</u>
Total governmental activities				
General receipts:				
Property taxes				9,272,438
Other local sources				1,950,562
State aid				7,453,766
Bonds and loans				4,873,982
Grants and contributions not restricted to specific programs				1,379,306
Sale of property				2,176
Investment earnings				84,449
				<u>25,016,679</u>
				Change in net assets
				229,690
				Net assets - beginning
				<u>8,048,406</u>
				Net assets - ending
				<u>\$ 8,278,096</u>
<u>Assets</u>				
Cash and investments				\$ 5,454,039
Restricted assets:				
Cash and investments				<u>2,824,057</u>
Total assets				<u>\$ 8,278,096</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,824,057
Unrestricted				<u>5,454,039</u>
Total net assets				<u>\$ 8,278,096</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, 2010

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 7,220,907	\$ -	\$ 198,409	\$ (7,022,498)
Support services	4,784,380	790,950	376,076	(3,617,354)
Noninstructional services	1,253,769	-	-	(1,253,769)
Facilities acquisition and construction	1,456,274	-	-	(1,456,274)
Debt service	9,602,341	-	-	(9,602,341)
Nonprogrammed charges	811,811	-	-	(811,811)
<b>Total governmental activities</b>	<b><u>\$ 25,129,482</u></b>	<b><u>\$ 790,950</u></b>	<b><u>\$ 574,485</u></b>	<b><u>(23,764,047)</u></b>
General receipts:				
Property taxes				9,220,150
Other local sources				1,178,787
State aid				10,094,037
Bonds and loans				4,638,432
Grants and contributions not restricted to specific programs				861,835
Investment earnings				36,671
Other				<u>300</u>
<b>Total general receipts</b>				<b><u>26,030,212</u></b>
Change in net assets				2,266,165
Net assets - beginning				<u>8,278,097</u>
Net assets - ending				<b><u>\$ 10,544,262</u></b>
<u>Assets</u>				
Cash and investments				\$ 5,493,065
Restricted assets:				
Cash and investments				<u>5,051,197</u>
<b>Total assets</b>				<b><u>\$ 10,544,262</u></b>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 5,051,197
Unrestricted				<u>5,493,065</u>
<b>Total net assets</b>				<b><u>\$ 10,544,262</u></b>

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, 2009

	General	Debt Service	Exempt Debt Service	Construction Fund 2008	Other	Totals
<b>Receipts:</b>						
Local sources	\$ 4,232,148	\$ 2,392,333	\$ 2,091,879	\$ 116,709	\$ 3,241,381	\$ 12,074,450
Intermediate sources	86,677	-	-	-	975	87,652
State sources	7,611,648	-	-	-	164,062	7,775,710
Federal sources	-	-	-	-	1,476,428	1,476,428
Temporary loans	-	142,885	3,127,115	-	1,603,982	4,873,982
<b>Total receipts</b>	<b>11,930,473</b>	<b>2,535,218</b>	<b>5,218,994</b>	<b>116,709</b>	<b>6,486,828</b>	<b>26,288,222</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	6,373,918	-	-	-	647,431	7,021,349
Support services	2,798,151	32,410	-	-	2,021,516	4,852,077
Noninstructional services	154,113	-	-	-	1,038,060	1,192,173
Facilities acquisition and construction	106,284	-	-	806,536	541,038	1,453,858
Debt services	3,956,000	1,747,996	4,291,650	-	785,904	10,781,550
Nonprogrammed charges	582,085	-	-	-	177,616	759,701
<b>Total disbursements</b>	<b>13,970,551</b>	<b>1,780,406</b>	<b>4,291,650</b>	<b>806,536</b>	<b>5,211,565</b>	<b>26,060,708</b>
Excess (deficiency) of receipts over disbursements	(2,040,078)	754,812	927,344	(689,827)	1,275,263	227,514
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	2,176	2,176
Transfers in	-	-	-	-	50,000	50,000
Transfers out	(50,000)	-	-	-	-	(50,000)
<b>Total other financing sources (uses)</b>	<b>(50,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,176</b>	<b>2,176</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,090,078)	754,812	927,344	(689,827)	1,327,439	229,690
Cash and investments - beginning	2,221,635	984,154	-	4,000,000	842,617	8,048,406
Cash and investments - ending	<u>\$ 131,557</u>	<u>\$ 1,738,966</u>	<u>\$ 927,344</u>	<u>\$ 3,310,173</u>	<u>\$ 2,170,056</u>	<u>\$ 8,278,096</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 131,557	\$ -	\$ -	\$ 3,310,173	\$ 2,012,309	\$ 5,454,039
Restricted assets:						
Cash and investments	-	1,738,966	927,344	-	157,747	2,824,057
<b>Total cash and investment assets - ending</b>	<b><u>\$ 131,557</u></b>	<b><u>\$ 1,738,966</u></b>	<b><u>\$ 927,344</u></b>	<b><u>\$ 3,310,173</u></b>	<b><u>\$ 2,170,056</u></b>	<b><u>\$ 8,278,096</u></b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ 1,738,966	\$ 927,344	\$ -	\$ 157,747	\$ 2,824,057
Unrestricted	131,557	-	-	3,310,173	2,012,309	5,454,039
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 131,557</u></b>	<b><u>\$ 1,738,966</u></b>	<b><u>\$ 927,344</u></b>	<b><u>\$ 3,310,173</u></b>	<b><u>\$ 2,170,056</u></b>	<b><u>\$ 8,278,096</u></b>

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, 2010

	General	Debt Service	Exempt Debt Service	Construction Fund 2008	Other	Totals
Receipts:						
Local sources	\$ 758,371	\$ 406,669	\$ 6,049,707	\$ 71,168	\$ 3,918,068	\$ 11,203,983
Intermediate sources	23,812	-	-	-	694	24,506
State sources	10,222,671	-	-	-	131,815	10,354,486
Federal sources	-	-	-	-	1,173,940	1,173,940
Temporary loans	-	365,000	3,292,000	-	981,432	4,638,432
Other	300	-	-	-	-	300
<b>Total receipts</b>	<b>11,005,154</b>	<b>771,669</b>	<b>9,341,707</b>	<b>71,168</b>	<b>6,205,949</b>	<b>27,395,647</b>
Disbursements:						
Current:						
Instruction	5,588,597	-	-	-	1,632,310	7,220,907
Support services	2,664,379	-	-	205,446	1,914,555	4,784,380
Noninstructional services	151,459	-	-	-	1,102,310	1,253,769
Facilities acquisition and construction	22,770	-	-	764,324	669,180	1,456,274
Debt services	-	157,885	7,695,932	-	1,748,524	9,602,341
Nonprogrammed charges	627,225	-	-	-	184,586	811,811
<b>Total disbursements</b>	<b>9,054,430</b>	<b>157,885</b>	<b>7,695,932</b>	<b>969,770</b>	<b>7,251,465</b>	<b>25,129,482</b>
Excess (deficiency) of receipts over disbursements	1,950,724	613,784	1,645,775	(898,602)	(1,045,516)	2,266,165
Other financing sources (uses):						
Transfers in	53,555	-	1,392,139	-	91,809	1,537,503
Transfers out	(41,816)	(1,392,139)	-	-	(103,548)	(1,537,503)
<b>Total other financing sources (uses)</b>	<b>11,739</b>	<b>(1,392,139)</b>	<b>1,392,139</b>	<b>-</b>	<b>(11,739)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,962,463	(778,355)	3,037,914	(898,602)	(1,057,255)	2,266,165
Cash and investments - beginning	131,557	1,738,965	927,345	3,310,174	2,170,056	8,278,097
Cash and investments - ending	<u>\$ 2,094,020</u>	<u>\$ 960,610</u>	<u>\$ 3,965,259</u>	<u>\$ 2,411,572</u>	<u>\$ 1,112,801</u>	<u>\$ 10,544,262</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 2,094,020	\$ -	\$ -	\$ 2,411,572	\$ 987,473	\$ 5,493,065
Restricted assets:						
Cash and investments	-	960,610	3,965,259	-	125,328	5,051,197
<b>Total cash and investment assets - ending</b>	<b><u>\$ 2,094,020</u></b>	<b><u>\$ 960,610</u></b>	<b><u>\$ 3,965,259</u></b>	<b><u>\$ 2,411,572</u></b>	<b><u>\$ 1,112,801</u></b>	<b><u>\$ 10,544,262</u></b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ 960,610	\$ 3,965,259	\$ -	\$ 125,328	\$ 5,051,197
Unrestricted	2,094,020	-	-	2,411,572	987,473	5,493,065
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 2,094,020</u></b>	<b><u>\$ 960,610</u></b>	<b><u>\$ 3,965,259</u></b>	<b><u>\$ 2,411,572</u></b>	<b><u>\$ 1,112,801</u></b>	<b><u>\$ 10,544,262</u></b>

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, 2009

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 1,489	
Deductions:			
Benefits	34,583	-	
Administrative and general	<u>-</u>	<u>2,000</u>	
Total deductions	<u>34,583</u>	<u>2,000</u>	
Excess (deficiency) of total additions over total deductions	(34,583)	(511)	
Cash and investment fund balance - beginning	<u>172,368</u>	<u>7,159</u>	
Cash and investment fund balance - ending	<u>\$ 137,785</u>	<u>\$ 6,648</u>	<u>\$ 119,070</u>
Net assets:			
Cash and investments	<u>\$ 137,785</u>	<u>\$ 6,648</u>	<u>\$ 119,070</u>
Total net assets - cash and investment basis held in trust	<u>\$ 137,785</u>	<u>\$ 6,648</u>	<u>\$ 119,070</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, 2010

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 2,728	
Deductions:			
Benefits	25,625	-	
Administrative and general	-	19	
Total deductions	<u>25,625</u>	<u>19</u>	
Excess (deficiency) of total additions over total deductions	(25,625)	2,709	
Cash and investment fund balance - beginning	<u>137,785</u>	<u>6,648</u>	
Cash and investment fund balance - ending	<u>\$ 112,160</u>	<u>\$ 9,357</u>	<u>\$ 81,228</u>
Net assets:			
Cash and investments	<u>\$ 112,160</u>	<u>\$ 9,357</u>	<u>\$ 81,228</u>
Total net assets - cash and investment basis held in trust	<u>\$ 112,160</u>	<u>\$ 9,357</u>	<u>\$ 81,228</u>

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 in a joint venture to operate the Northwest Indiana Educational Service Center (Service Center) which was created to cooperate and share programs such as curriculum development, instructional materials, needs assessments, cooperative purchasing and more. The Service Center operates under the authority of the Northwest Indiana Public School Study Council. 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 the Service Center's Administrative Office, 2939 41st Street, Highland, Indiana 46322.

The School Corporation is a participant in a joint venture to operate Northwest Indiana Public Study Council (Study Council) which was created to 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. The Study Council is governed by a board composed of a member of each participating school corporation. The School Corporation remits \$1,000 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained from through the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, Indiana 46410.

The School Corporation is a participant in a joint venture with Tri-Creek and Crown Point Community School Corporations to operate District 4 Vocational Education Cooperative (Voc Ed Cooperative) which was created to provide vocational curriculum and curriculum support. The School Corporation is obligated by contract to remit based upon high school enrollment to support the administrative costs of Voc Ed Cooperative. Hanover, as fiscal agent, receives and disburses Perkins Grants on behalf of the three participating school corporations. Complete financial statements for the District 4 Vocational Education Cooperative (Voc Ed Cooperative) can be obtained from Hanover Community School Corporation, P.O. Box 645, Cedar Lake, Indiana 46303.

The School Corporation is a participant in a joint venture to operate the Northwest Indiana Special Education Cooperative (Cooperative) which was created to provide education services to special needs students. The School Corporation is obligated by contract to share the costs of the

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Cooperative by a formula based upon the Average Daily Membership count, as well as a fixed fee for each student that participates in the Cooperative. Complete financial statements for Cooperative can be obtained from its administrative offices at 2150 West 97<sup>th</sup> Avenue, Crown Point, Indiana 46307

The School Corporation is a participant with ten other participating school corporations and four local universities in a joint venture to operate the Lakeshore Alliance for Student Success, Inc. (LASS) which was created to implement research-based strategies in order to improve student and organizational performance. The School Corporation is obligated by contract to remit \$500 per school building annually. The governing board of LASS consists of two members, from each participating school corporation, the superintendent, and the teacher union president. The governing board has full authority to manage LASS, including responsibility for fiscal affairs. Complete financial statements for the LASS can be obtained from Bapple and Bapple, Inc., Certified Public Accountants, 101 N. Main Street, Crown Point, Indiana 46307.

The School Corporation is a participant with fifteen other school corporations in Lake County in a joint venture to operate the Lake County Safe Schools Commission (Commission). The Commission was authorized in 1999 by Indiana Code 5-2-10.1 to improve school safety issues. Although the member schools may fund the Commission, the Commission has generated sufficient revenue without member payments. Complete financial statements for the Commission can be obtained through the Lake Station Community School Corporation, 2500 Pike Street, Lake Station, Indiana 46405.

Related Organizations

The School Corporation's officials are also responsible for appointing the voting majority of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the voting majority of the Hanover Multi-School Building Corporation and Hanover Middle School Building Corporation.

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 nonexchange 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The School Corporation reports the following major governmental funds:

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

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

The Exempt Debt Service Fund accounts for the debt issued prior to July 1, 2008, which is exempt from property tax caps.

The Construction Fund 2008 accounts for planned construction, repair, replacement or remodeling of building projects.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the Post-Retirement/Severance Future Benefit fund, which accumulate resources for pension benefit payments

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the P.A.T.H. (Parents As Teachers Hanover), fitness center at the High School, and other school activities.

The agency funds account for assets held by the School Corporation as an agent for federal, state and other entities.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

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.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- 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."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

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. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. 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.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
3. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

HANOVER COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 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 Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Textbook Rental	\$ 130,579	\$ 116,468
Education License Plates	1,300	606
Common School Technology	-	8,818
Special Education - Part B Stimulus	-	62,860

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. The Textbook Rental Fund deficit is primarily from past years; the School Corporation has been making annual transfers during the audit period to reduce its deficit.

HANOVER COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 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 School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$10,745,548. Of this amount, the following was exposed to custodial credit risk:

	2010
Uninsured deposits collateralized with securities held by the pledging financial institution	\$ 10,059,128

The remaining 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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ 50,000	\$ 41,816
Debt Service Fund	Exempt Debt Service Fund	-	1,392,139
Other Governmental Funds	General Fund	-	53,555
	Other Governmental Funds	-	49,993
		\$ 50,000	\$ 1,537,503
Totals			

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

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; 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; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into a capital lease with Hanover Multi-School Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$920,000 each year.

The School Corporation has entered into a capital lease with 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 years 2009 and 2010 totaled \$460,000 and \$920,000, respectively.

C. Other Postemployment Benefits

The School Corporation provides health insurance benefits to eligible employees and their spouses upon retirement, until age 65. Five retirees received this benefit in the 2009-2010 year.

Funding Policy

The contribution requirements of retirees for the health benefits are established by the School Corporation's governing board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the governing board. For the year ended June 30, 2010, the School Corporation contributed \$56,344 for current premiums. Retirees receiving benefits contributed \$17,911, through their required contribution, ranging from \$0 to \$783, per month for coverage.

D. Subsequent Events

Educational Jobs Fund

In August 2010, the School Corporation was notified by the Indiana Department of Education of federally enacted legislation that will provide Indiana one-time funding to be used for compensation, benefits and support services to retain existing employees, rehire former employees or hire new employees to provide childhood, elementary or secondary educational services. The School Corporation's Educational Jobs funding available for draw down between November 2010 and September 30, 2012, is \$ 337,395. The School Corporation will not make any draws until the 2011-2012 school year.

Reassessment and Property Taxes

Due to errors in assessments of Calumet Township, the assessed valuations of Lake County were not finalized by February 15, 2010, as required. Therefore, the 2009 pay 2010 property tax rates and levies, as well as related budget orders for 2010, were not established until August 2010. A similar situation occurred in the prior two years. The County issued a provisional billing

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

due May 10, 2010, based upon the 2008 pay 2009 tax rates. The final reconciliation billing with the tax rates for 2009 pay 2010 was due November 30, 2010. Distribution of the final settlement was received by the school corporation on January 20, 2011. This situation has hampered the School Corporation's ability to appropriately budget and expend funds and has forced the School Corporation to extensively borrow in anticipation of tax revenues.

The School Corporation is in the process of building a Middle School with an anticipated construction completion for the fall of 2012. The holding corporation (Hanover Middle School Building Corporation) held a bond issuance to fund this project in December 2010. The \$31,420,000 project will be able to service up to 900 students.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$210,392.

HANOVER COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy

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's contributions to the plan during the period were \$311,314.

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, 2009

	Transportation Operating	Special Education Pre-School	School Lunch	Textbook Rental	Joint Service and Supply - Vocational	Education License Plates	P.A.T.H. 2007-2008
<b>Receipts:</b>							
Local sources	\$ 486,719	\$ 8,486	\$ 897,314	\$ 254,656	\$ -	\$ -	\$ 27,133
Intermediate sources	-	-	-	-	-	975	-
State sources	-	72,658	11,404	43,582	-	-	-
Federal sources	-	-	191,607	-	-	-	-
Temporary loans	366,000	-	-	-	-	-	-
<b>Total receipts</b>	<b>852,719</b>	<b>81,144</b>	<b>1,100,325</b>	<b>298,238</b>	<b>-</b>	<b>975</b>	<b>27,133</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	8,881	896	-	26,936
Support services	533,029	-	158,278	288,122	-	1,136	1,821
Noninstructional services	-	-	1,026,311	-	-	-	-
Facilities acquisition and construction	-	-	3,847	-	-	-	-
Debt services	177,000	-	-	-	-	-	-
Nonprogrammed charges	-	102,150	-	-	-	-	-
<b>Total disbursements</b>	<b>710,029</b>	<b>102,150</b>	<b>1,188,436</b>	<b>297,003</b>	<b>896</b>	<b>1,136</b>	<b>28,757</b>
Excess (deficiency) of receipts over disbursements	142,690	(21,006)	(88,111)	1,235	(896)	(161)	(1,624)
<b>Other financing sources (uses):</b>							
Sale of capital assets	-	-	-	104	-	-	-
Transfers in	-	-	-	50,000	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,104</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	142,690	(21,006)	(88,111)	51,339	(896)	(161)	(1,624)
Cash and investments - beginning	174,314	78,219	93,457	(181,918)	61,339	(1,139)	3,074
Cash and investments - ending	\$ 317,004	\$ 57,213	\$ 5,346	\$ (130,579)	\$ 60,443	\$ (1,300)	\$ 1,450
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 317,004	\$ 57,213	\$ 5,346	\$ (130,579)	\$ 60,443	\$ (1,300)	\$ 1,450
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 317,004</b>	<b>\$ 57,213</b>	<b>\$ 5,346</b>	<b>\$ (130,579)</b>	<b>\$ 60,443</b>	<b>\$ (1,300)</b>	<b>\$ 1,450</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	317,004	57,213	5,346	(130,579)	60,443	(1,300)	1,450
<b>Total cash and investment fund balance - ending</b>	<b>\$ 317,004</b>	<b>\$ 57,213</b>	<b>\$ 5,346</b>	<b>\$ (130,579)</b>	<b>\$ 60,443</b>	<b>\$ (1,300)</b>	<b>\$ 1,450</b>

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, 2009  
 (Continued)

	Donations - Flag Pole	Jr. Wildcats - Scouting	Parents As Teachers	P.A.T.H.	Gifted and Talented 2006-2007	Gifted and Talented 2008-2009
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ 5,733	\$ 69,270	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	33,037
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>5,733</b>	<b>69,270</b>	<b>-</b>	<b>33,037</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	74,352	-	33,037
Support services	-	-	-	1,879	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,231</b>	<b>-</b>	<b>33,037</b>
Excess (deficiency) of receipts over disbursements	-	-	5,733	(6,961)	-	-
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	5,733	(6,961)	-	-
Cash and investments - beginning	350	1,359	25,306	11,895	17	-
Cash and investments - ending	<u>\$ 350</u>	<u>\$ 1,359</u>	<u>\$ 31,039</u>	<u>\$ 4,934</u>	<u>\$ 17</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 350	\$ 1,359	\$ 31,039	\$ 4,934	\$ 17	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 350</u>	<u>\$ 1,359</u>	<u>\$ 31,039</u>	<u>\$ 4,934</u>	<u>\$ 17</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	350	1,359	31,039	4,934	17	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 350</u>	<u>\$ 1,359</u>	<u>\$ 31,039</u>	<u>\$ 4,934</u>	<u>\$ 17</u>	<u>\$ -</u>

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, 2009  
 (Continued)

	Common School Technology	Non-English Speaking Program	Title I	Title V, Part A	Project Peace	Title VI, Part A
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	3,381	-	-	-	-
Federal sources	-	-	201,289	3,097	-	-
Temporary loans	195,982	-	-	-	-	-
<b>Total receipts</b>	<b>195,982</b>	<b>3,381</b>	<b>201,289</b>	<b>3,097</b>	<b>-</b>	<b>-</b>
Disbursements:						
Current:						
Instruction	-	-	154,599	3,097	-	183
Support services	36,996	-	6,743	-	-	627
Noninstructional services	-	-	11,749	-	-	-
Facilities acquisition and construction	157,391	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>194,387</b>	<b>-</b>	<b>173,091</b>	<b>3,097</b>	<b>-</b>	<b>810</b>
Excess (deficiency) of receipts over disbursements	1,595	3,381	28,198	-	-	(810)
Other financing sources (uses):						
Sale of capital assets	1,923	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,518	3,381	28,198	-	-	(810)
Cash and investments - beginning	(1,594)	4,385	9,913	-	117	2,844
Cash and investments - ending	<u>\$ 1,924</u>	<u>\$ 7,766</u>	<u>\$ 38,111</u>	<u>\$ -</u>	<u>\$ 117</u>	<u>\$ 2,034</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1,924	\$ 7,766	\$ 38,111	\$ -	\$ 117	\$ 2,034
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 1,924</b>	<b>\$ 7,766</b>	<b>\$ 38,111</b>	<b>\$ -</b>	<b>\$ 117</b>	<b>\$ 2,034</b>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,924	7,766	38,111	-	117	2,034
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,924</b>	<b>\$ 7,766</b>	<b>\$ 38,111</b>	<b>\$ -</b>	<b>\$ 117</b>	<b>\$ 2,034</b>

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, 2009  
 (Continued)

	Perkins	Class Size Reduction	Tech Prep Grant 2006-2007	Fiscal Stabilization - Education (Stimulus)	Title I - Grants To LEAs (Stimulus)	Retirement Bond Debt Service
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,044
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	125,767	53,176	-	884,332	17,160	-
Temporary loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>125,767</b>	<b>53,176</b>	<b>-</b>	<b>884,332</b>	<b>17,160</b>	<b>72,044</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	63,796	50,667	1,525	229,462	-	-
Support services	5,842	-	-	36,181	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	34,734	-	-	-	-	-
Debt services	-	-	-	-	-	73,504
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>104,372</b>	<b>50,667</b>	<b>1,525</b>	<b>265,643</b>	<b>-</b>	<b>73,504</b>
Excess (deficiency) of receipts over disbursements	21,395	2,509	(1,525)	618,689	17,160	(1,460)
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	149	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>149</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	21,395	2,509	(1,376)	618,689	17,160	(1,460)
Cash and investments - beginning	6,177	(2,509)	1,525	-	-	51,315
Cash and investments - ending	<u>\$ 27,572</u>	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ 618,689</u>	<u>\$ 17,160</u>	<u>\$ 49,855</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 27,572	\$ -	\$ 149	\$ 618,689	\$ 17,160	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	49,855
<b>Total cash and investment assets - ending</b>	<u>\$ 27,572</u>	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ 618,689</u>	<u>\$ 17,160</u>	<u>\$ 49,855</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,855
Unrestricted	27,572	-	149	618,689	17,160	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 27,572</u>	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ 618,689</u>	<u>\$ 17,160</u>	<u>\$ 49,855</u>

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, 2009  
 (Continued)

	Exempt Retirement Debt Service	Capital Projects	Bus Replacement	RQAW Settlement Construction	2006 GO Bond	Totals
<b>Receipts:</b>						
Local sources	\$ 79,292	\$ 1,124,345	\$ 216,389	\$ -	\$ -	\$ 3,241,381
Intermediate sources	-	-	-	-	-	975
State sources	-	-	-	-	-	164,062
Federal sources	-	-	-	-	-	1,476,428
Temporary loans	90,000	776,000	176,000	-	-	1,603,982
<b>Total receipts</b>	<b>169,292</b>	<b>1,900,345</b>	<b>392,389</b>	<b>-</b>	<b>-</b>	<b>6,486,828</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	-	-	647,431
Support services	-	636,778	309,613	4,471	-	2,021,516
Noninstructional services	-	-	-	-	-	1,038,060
Facilities acquisition and construction	-	294,961	-	50,105	-	541,038
Debt services	61,400	388,000	86,000	-	-	785,904
Nonprogrammed charges	-	75,466	-	-	-	177,616
<b>Total disbursements</b>	<b>61,400</b>	<b>1,395,205</b>	<b>395,613</b>	<b>54,576</b>	<b>-</b>	<b>5,211,565</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>107,892</b>	<b>505,140</b>	<b>(3,224)</b>	<b>(54,576)</b>	<b>-</b>	<b>1,275,263</b>
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	2,176
Transfers in	-	-	-	-	-	50,000
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,176</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>107,892</b>	<b>505,140</b>	<b>(3,224)</b>	<b>(54,576)</b>	<b>-</b>	<b>1,327,439</b>
<b>Cash and investments - beginning</b>	<b>-</b>	<b>66,632</b>	<b>154,383</b>	<b>258,281</b>	<b>24,875</b>	<b>842,617</b>
<b>Cash and investments - ending</b>	<b>\$ 107,892</b>	<b>\$ 571,772</b>	<b>\$ 151,159</b>	<b>\$ 203,705</b>	<b>\$ 24,875</b>	<b>\$ 2,170,056</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 571,772	\$ 151,159	\$ 203,705	\$ 24,875	\$ 2,012,309
Restricted assets:						
Cash and investments	107,892	-	-	-	-	157,747
<b>Total cash and investment assets - ending</b>	<b>\$ 107,892</b>	<b>\$ 571,772</b>	<b>\$ 151,159</b>	<b>\$ 203,705</b>	<b>\$ 24,875</b>	<b>\$ 2,170,056</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ 107,892	\$ -	\$ -	\$ -	\$ -	\$ 157,747
Unrestricted	-	571,772	151,159	203,705	24,875	2,012,309
<b>Total cash and investment fund balance - ending</b>	<b>\$ 107,892</b>	<b>\$ 571,772</b>	<b>\$ 151,159</b>	<b>\$ 203,705</b>	<b>\$ 24,875</b>	<b>\$ 2,170,056</b>

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, 2010

	Transportation Operating	Special Education Pre-School	School Lunch	Textbook Rental	Joint Service and Supply - Vocational	Education License Plates
Receipts:						
Local sources	\$ 678,455	\$ -	\$ 915,659	\$ 172,486	\$ -	\$ -
Intermediate sources	-	-	-	-	-	694
State sources	-	41,250	-	45,930	-	-
Federal sources	-	-	330,145	-	-	-
Temporary loans	230,000	-	-	-	-	-
<b>Total receipts</b>	<b>908,455</b>	<b>41,250</b>	<b>1,245,804</b>	<b>218,416</b>	<b>-</b>	<b>694</b>
Disbursements:						
Current:						
Instruction	-	-	-	47,981	1,855	-
Support services	514,466	-	146,166	186,326	-	-
Noninstructional services	-	-	1,101,881	-	-	-
Facilities acquisition and construction	-	-	604	-	-	-
Debt services	391,000	-	-	-	-	-
Nonprogrammed charges	-	44,908	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>905,466</b>	<b>44,908</b>	<b>1,248,651</b>	<b>234,307</b>	<b>1,855</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	2,989	(3,658)	(2,847)	(15,891)	(1,855)	694
Other financing sources (uses):						
Transfers in	-	-	-	30,000	-	-
Transfers out	-	(53,555)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(53,555)</b>	<b>-</b>	<b>30,000</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,989	(57,213)	(2,847)	14,109	(1,855)	694
Cash and investments - beginning	317,005	57,213	5,345	(130,577)	60,443	(1,300)
Cash and investments - ending	<u>\$ 319,994</u>	<u>\$ -</u>	<u>\$ 2,498</u>	<u>\$ (116,468)</u>	<u>\$ 58,588</u>	<u>\$ (606)</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 319,994	\$ -	\$ 2,498	\$ (116,468)	\$ 58,588	\$ (606)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b><u>\$ 319,994</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,498</u></b>	<b><u>\$ (116,468)</u></b>	<b><u>\$ 58,588</u></b>	<b><u>\$ (606)</u></b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	319,994	-	2,498	(116,468)	58,588	(606)
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 319,994</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,498</u></b>	<b><u>\$ (116,468)</u></b>	<b><u>\$ 58,588</u></b>	<b><u>\$ (606)</u></b>

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, 2010  
 (Continued)

	P.A.T.H. 2007-2008	Donations - Flag Pole	Jr. Wildcats - Scouting	Parents As Teachers	P.A.T.H.	High Ability Grant 09-10
<b>Receipts:</b>						
Local sources	\$ 31,895	\$ -	\$ -	\$ 573	\$ 1,356	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	33,572
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>31,895</b>	<b>-</b>	<b>-</b>	<b>573</b>	<b>1,356</b>	<b>33,572</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	15,927	-	-	157	5,835	33,589
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	15,000	-	-	27,560	455	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>30,927</b>	<b>-</b>	<b>-</b>	<b>27,717</b>	<b>6,290</b>	<b>33,589</b>
Excess (deficiency) of receipts over disbursements	968	-	-	(27,144)	(4,934)	(17)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	17
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	968	-	-	(27,144)	(4,934)	-
Cash and investments - beginning	1,450	350	1,359	31,039	4,934	-
Cash and investments - ending	\$ 2,418	\$ 350	\$ 1,359	\$ 3,895	\$ -	\$ -
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 2,418	\$ 350	\$ 1,359	\$ 3,895	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 2,418</b>	<b>\$ 350</b>	<b>\$ 1,359</b>	<b>\$ 3,895</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,418	350	1,359	3,895	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 2,418</b>	<b>\$ 350</b>	<b>\$ 1,359</b>	<b>\$ 3,895</b>	<b>\$ -</b>	<b>\$ -</b>

HANOVER COMMUNITY SCHOOL CORPORATION  
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 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	Gifted and Talented 2006-2007	Common School Technology	Non-English Speaking Program	Dairy and Nutrition Council	Recycled Product Grant	Title I
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	7,760	200	2,545	-
Federal sources	-	-	-	-	-	227,714
Temporary loans	-	55,432	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>55,432</b>	<b>7,760</b>	<b>200</b>	<b>2,545</b>	<b>227,714</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	9,197	-	2,545	220,093
Support services	-	39,728	-	-	-	24,362
Noninstructional services	-	-	-	180	-	249
Facilities acquisition and construction	-	26,494	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>66,222</b>	<b>9,197</b>	<b>180</b>	<b>2,545</b>	<b>244,704</b>
Excess (deficiency) of receipts over disbursements	-	(10,790)	(1,437)	20	-	(16,990)
<b>Other financing sources (uses):</b>						
Transfers in	-	49	-	-	-	-
Transfers out	(17)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(17)</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17)	(10,741)	(1,437)	20	-	(16,990)
Cash and investments - beginning	17	1,923	7,766	-	-	38,112
Cash and investments - ending	\$ -	\$ (8,818)	\$ 6,329	\$ 20	\$ -	\$ 21,122
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ (8,818)	\$ 6,329	\$ 20	\$ -	\$ 21,122
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ (8,818)</b>	<b>\$ 6,329</b>	<b>\$ 20</b>	<b>\$ -</b>	<b>\$ 21,122</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	(8,818)	6,329	20	-	21,122
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ (8,818)</b>	<b>\$ 6,329</b>	<b>\$ 20</b>	<b>\$ -</b>	<b>\$ 21,122</b>

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 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	Project Peace	Title VI, Part A	Title II, Part D	Perkins	Tech Prep Grant 09-10	Class Size Reduction
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ 32,815	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	558	-
Federal sources	-	4,005	-	72,255	21,451	67,283
Temporary loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>4,005</b>	<b>-</b>	<b>105,070</b>	<b>22,009</b>	<b>67,283</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	87,653	21,316	10,337
Support services	-	-	121	3,206	-	1,151
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	14,610	-	46,300
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>105,469</b>	<b>21,316</b>	<b>57,788</b>
Excess (deficiency) of receipts over disbursements	-	4,005	(121)	(399)	693	9,495
<b>Other financing sources (uses):</b>						
Transfers in	-	-	121	8,194	-	3,573
Transfers out	-	-	-	-	-	(121)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>8,194</b>	<b>-</b>	<b>3,452</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	4,005	-	7,795	693	12,947
Cash and investments - beginning	117	2,034	-	27,571	-	-
Cash and investments - ending	<u>\$ 117</u>	<u>\$ 6,039</u>	<u>\$ -</u>	<u>\$ 35,366</u>	<u>\$ 693</u>	<u>\$ 12,947</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 117	\$ 6,039	\$ -	\$ 35,366	\$ 693	\$ 12,947
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 117</u>	<u>\$ 6,039</u>	<u>\$ -</u>	<u>\$ 35,366</u>	<u>\$ 693</u>	<u>\$ 12,947</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	117	6,039	-	35,366	693	12,947
<b>Total cash and investment fund balance - ending</b>	<u>\$ 117</u>	<u>\$ 6,039</u>	<u>\$ -</u>	<u>\$ 35,366</u>	<u>\$ 693</u>	<u>\$ 12,947</u>

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 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, 2010  
 (Continued)

	Tech Prep Grant 2006-2007	Fiscal Stabilization - Education (Stimulus)	Title I - Grants To LEAs (Stimulus)	Special Education - Part B Stimulus	Retirement Bond Debt Service	Exempt Retirement Debt Service
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 222,847	\$ -	\$ 208,105
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	408,437	42,650	-	-	-
Temporary loans	-	-	-	-	-	93,000
<b>Total receipts</b>	<b>-</b>	<b>408,437</b>	<b>42,650</b>	<b>222,847</b>	<b>-</b>	<b>301,105</b>
Disbursements:						
Current:						
Instruction	149	922,771	42,666	210,239	-	-
Support services	-	39,977	-	67,590	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	5,100	-	7,878	-	-
Debt services	-	-	-	-	-	333,524
Nonprogrammed charges	-	59,278	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>149</b>	<b>1,027,126</b>	<b>42,666</b>	<b>285,707</b>	<b>-</b>	<b>333,524</b>
Excess (deficiency) of receipts over disbursements	(149)	(618,689)	(16)	(62,860)	-	(32,419)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	49,855
Transfers out	-	-	-	-	(49,855)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,855)</b>	<b>49,855</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(149)	(618,689)	(16)	(62,860)	(49,855)	17,436
Cash and investments - beginning	149	618,689	17,160	-	49,855	107,892
Cash and investments - ending	\$ -	\$ -	\$ 17,144	\$ (62,860)	\$ -	\$ 125,328
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ 17,144	\$ (62,860)	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	125,328
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,144</b>	<b>\$ (62,860)</b>	<b>\$ -</b>	<b>\$ 125,328</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,328
Unrestricted	-	-	17,144	(62,860)	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,144</b>	<b>\$ (62,860)</b>	<b>\$ -</b>	<b>\$ 125,328</b>

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, 2010  
 (Continued)

	Capital Projects	Bus Replacement	RQAW Settlement Construction	2006 GO Bond	Totals
<b>Receipts:</b>					
Local sources	\$ 1,324,238	\$ 329,639	\$ -	\$ -	\$ 3,918,068
Intermediate sources	-	-	-	-	694
State sources	-	-	-	-	131,815
Federal sources	-	-	-	-	1,173,940
Temporary loans	520,000	83,000	-	-	981,432
<b>Total receipts</b>	<b>1,844,238</b>	<b>412,639</b>	<b>-</b>	<b>-</b>	<b>6,205,949</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	-	-	1,632,310
Support services	673,545	168,071	49,846	-	1,914,555
Noninstructional services	-	-	-	-	1,102,310
Facilities acquisition and construction	401,835	-	123,344	-	669,180
Debt services	833,000	191,000	-	-	1,748,524
Nonprogrammed charges	80,400	-	-	-	184,586
Interfund loans	-	-	-	-	-
<b>Total disbursements</b>	<b>1,988,780</b>	<b>359,071</b>	<b>173,190</b>	<b>-</b>	<b>7,251,465</b>
Excess (deficiency) of receipts over disbursements	(144,542)	53,568	(173,190)	-	(1,045,516)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	91,809
Transfers out	-	-	-	-	(103,548)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,739)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(144,542)	53,568	(173,190)	-	(1,057,255)
Cash and investments - beginning	571,771	151,159	203,705	24,875	2,170,056
Cash and investments - ending	<u>\$ 427,229</u>	<u>\$ 204,727</u>	<u>\$ 30,515</u>	<u>\$ 24,875</u>	<u>\$ 1,112,801</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 427,229	\$ 204,727	\$ 30,515	\$ 24,875	\$ 987,473
Restricted assets:					
Cash and investments	-	-	-	-	125,328
<b>Total cash and investment assets - ending</b>	<u>\$ 427,229</u>	<u>\$ 204,727</u>	<u>\$ 30,515</u>	<u>\$ 24,875</u>	<u>\$ 1,112,801</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 125,328
Unrestricted	427,229	204,727	30,515	24,875	987,473
<b>Total cash and investment fund balance - ending</b>	<u>\$ 427,229</u>	<u>\$ 204,727</u>	<u>\$ 30,515</u>	<u>\$ 24,875</u>	<u>\$ 1,112,801</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, 2009

	Fitness Center	Donations - Athletic	Donations - Arts	Donations - Pre School	Literacy For Life Grant	P.A.T. Econ Dev	Totals
Additions:							
Contributions:							
Other	\$ 1,470	\$ -	\$ -	\$ -	\$ -	\$ 19	\$ 1,489
Deductions:							
Administrative and general	2,000	-	-	-	-	-	2,000
Excess (deficiency) of total additions over total deductions	(530)	-	-	-	-	19	(511)
Cash and investment fund balance - beginning	2,258	25	10	68	4,798	-	7,159
Cash and investments - ending	<u>\$ 1,728</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ 4,798</u>	<u>\$ 19</u>	<u>\$ 6,648</u>
Net assets:							
Cash and investments	\$ 1,728	\$ 25	\$ 10	\$ 68	\$ 4,798	\$ 19	\$ 6,648
Total net assets - cash and investment basis held in trust	<u>\$ 1,728</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ 4,798</u>	<u>\$ 19</u>	<u>\$ 6,648</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, 2010

	EC Football Donations	Fitness Center	Donations - Athletic	Donations - Arts	Donations - Pre School	Literacy For Life Grant	P.A.T Econ Dev	Totals
Additions:								
Contributions:								
Other	\$ 1,498	\$ 1,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,728
Deductions:								
Administrative and general	-	-	-	-	-	-	19	19
Excess (deficiency) of total additions over total deductions	1,498	1,230	-	-	-	-	(19)	2,709
Cash and investment fund balance - beginning	-	1,728	25	10	68	4,798	19	6,648
Cash and investments - ending	<u>\$ 1,498</u>	<u>\$ 2,958</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ 4,798</u>	<u>\$ -</u>	<u>\$ 9,357</u>
Net assets:								
Cash and investments	\$ 1,498	\$ 2,958	\$ 25	\$ 10	\$ 68	\$ 4,798	\$ -	\$ 9,357
Total net assets - cash and investment basis held in trust	<u>\$ 1,498</u>	<u>\$ 2,958</u>	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 68</u>	<u>\$ 4,798</u>	<u>\$ -</u>	<u>\$ 9,357</u>

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009

	Prepaid School Lunch	Clearing Accounts	Totals
Additions:			
Agency fund additions	\$ 523,997	\$ 2,468,686	\$ 2,992,683
Deductions:			
Agency fund deductions	527,281	2,463,434	2,990,715
Excess (deficiency) of total additions over total deductions	(3,284)	5,252	1,968
Cash and investment fund balance - beginning	15,305	101,797	117,102
Cash and investment fund balance - ending	\$ 12,021	\$ 107,049	\$ 119,070

HANOVER COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2010

	<u>Prepaid School Lunch</u>	<u>Clearing Accounts</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 514,094	\$ 2,489,241	\$ 3,003,335
Deductions:			
Agency fund deductions	<u>515,328</u>	<u>2,525,849</u>	<u>3,041,177</u>
Excess (deficiency) of total additions over total deductions	(1,234)	(36,608)	(37,842)
Cash and investment fund balance - beginning	<u>12,021</u>	<u>107,049</u>	<u>119,070</u>
Cash and investment fund balance - ending	<u>\$ 10,787</u>	<u>\$ 70,441</u>	<u>\$ 81,228</u>

HANOVER COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2010

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:		
2004 Lease Refunded 2007 Renovations	\$ 11,710,000	\$ 920,000
2008 Lease Renovations	11,495,000	920,000
Common school loans payable:		
A0406	3,588,274	415,476
A0422	1,080,000	140,231
A0453	151,667	29,167
A0495	954,888	105,720
A0503	368,850	55,328
A0511	11,844,168	1,032,135
A1081	29,054	29,272
A0532	1,032,000	88,800
A1111	44,661	30,146
A1171	59,675	30,360
A1270	115,990	34,217
A1285	81,253	21,075
A1329	40,051	13,781
A1409	24,200	6,235
Bonds payable:		
General obligation bonds:		
2004 Severance Debt Bonds	950,000	152,350
Total governmental activities debt	<u>\$ 43,569,729</u>	<u>\$ 4,024,291</u>

HANOVER COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances, prepared by School Corporation staff during the audit period, were incorrect, incomplete and not performed timely. These reconcilments contained various unidentified cash longs and shorts. The School Corporation engaged a consultant in July 2010, to reconcile the bank accounts, beginning with June 2009. These reconcilments by the consultant noted extensive errors not detected on the previously performed cash reconcilments. The consultant, after discussion with School Corporation Officials, determined cash necessary to balance as of January 2010 which has remained constant through June 30, 2010. The cash necessary to balance at June 30, 2010, was \$1,461.77. School Corporation staff is reviewing the 2009 errors noted by the consultant and plan to perform additional research to attempt to identify the causes for cash necessary to balance. Due to a change in business managers in 2009, and the inaccuracies noted of the 2009 bank reconcilments performed by the School Corporation, we cannot determine what the cash necessary to balance was prior to January 2010 or the time of occurrence.

IC 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 responsibility for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE

Receipts were not always issued. Amounts receipted for tax anticipation warrants (loans), bank interest, and common school loan receipts from the Debt Service Fund did not have a receipt issued and were posted to the records through an adjusting entry.

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)

ERRORS ON CLAIMS - ELECTRONIC FUNDS TRANSFERS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not prepared for all disbursements. Electronic Funds Transfers (EFT) made for some types of disbursements such as certain debt payments, some employee benefits and withholdings, did not have claims prepared.
- (2) Some claims did not have School Board approval. The EFT payments noted above did not appear on the claims docket since claims were not prepared.

HANOVER COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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."

BUS PURCHASE - SPECIAL PURCHASING METHOD

The School Corporation purchased a 30 passenger bus in June 2009 from Midwest Transit. The claim stated that the bus was purchased using the CIESC (Central Indiana Education Service Center) bid. The CIESC bid file listed two bidders and a variety of prices, dependent upon the equipment selected for the bus. No documentation was provided to document how the price of the bus was determined, or that the selected vendor was the lower of the two bidders. The minutes did not reflect the selection of bus vendor or the use of the CIESC spring bid.

IC 5-22-10-3 states:

"(a) A purchasing agent shall maintain the contract records for a special purchase in a separate file.

(b) A purchasing agent shall include in the contract file a written determination of the basis for:

- (1) the special purchase; and
- (2) the selection of a particular contractor.

(c) Notwithstanding any other law, a governmental body shall maintain a record listing all contracts made under this chapter for a minimum of five (5) years. The record must contain the following information:

- (1) Each contractor's name.
- (2) The amount and type of each contract.
- (3) A description of the supplies purchased under each contract.

HANOVER COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

(d) The contract records for a special purchase are subject to annual audit by the state board of accounts."

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures reported to the Department of Education for State Support were incorrect for the school year ending June 30, 2009.

The enrollment count date for 2008-2009 year was September 12, 2008. The difference between the count reported on the ADM and the verified figures is shown below:

School Year	Grade	Count as Reported to the Department of Education	Actual Enrollment Figures	Difference
2008-2009	1 Through 12	1,852	1,853	1

The ADM records provided for audit did not have a written certification of the records used to report ADM.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

The building level Official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office should provide a written certification of ADM (written or electronic which is retained for audit) to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, June 2008)

OVERDRAWN CASH BALANCES

The following funds had overdrawn cash balances at June 30, 2009 and 2010:

Fund	2009	2010
Textbook Rental	\$ 130,579	\$ 116,468
Education License Plates	1,300	606
Common School Technology	-	8,818
Special Education - Part B Stimulus	-	62,860

The School Corporation has transferred \$80,000 over the past two years to the Textbook Rental Fund to reduce the overdrawn amount of the Fund. Additionally, the Special Ed Part B Stimulus and the Common School Technology Funds account for reimbursement grants, which cause these funds to be overdrawn.

HANOVER COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

The cash 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)

ECA PURCHASE OF EQUIPMENT (Applies to Jane Ball Elementary)

Disbursements of \$564 and \$2,692 were made from the General Fund on April 12 and April 22, 2010, for a refrigerator, and for equipment (two document cameras and two projectors) for use in the classrooms. A review of the School Board minutes did not reveal authorization for the purchases prior to purchase.

IC 20-26-5-4 states in part: "In carrying out the school purposes of each school corporation, the governing body acting on the school corporation's behalf has the . . . specific powers . . . to acquire personal property or an interest in personal property as the governing body considers necessary for school purposes . . ." Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

ECA EDUCATIONAL FEES (Applies to Jane Ball Elementary and High School)

Some educational fees (lost library books and fines) were being receipted to and retained in a Library Fund.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for all the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Extra-curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds.

The following items erroneously appear in funds of the extra-curricular account. Accounting for them should be in the general fund of the school corporation. Examples are:

HANOVER COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Adult Education Fees	Rent of School Facilities
Apples in Education	Science Fees
Art Fees	Special Education
Distributive Education	Driver Education Fees
Equipment Sale or Rental	Summer School Fees
Facilities Rental	Supplies
Grants (State, Federal and Other)	Towel Fees (when towels are purchased from corporation funds)
Kindergarten Fees	Typing Fees
Library Fines and Fees	
Visual Education Fees	
Locker Fees	Vocational Education Fees
Night School Fees	Vocational Evening School Fees

6) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter

TEXTBOOK RENTAL RECEIPT FORM NOT APPROVED (applies to all schools)

All schools use a receipt form generated through the same software system for textbook collections for students already enrolled in the school system. For new students not yet entered into the system, the schools use the Prescribed Textbook Rental Receipt Form TBR-2. The receipt form created by the software system has not been approved as a replacement for Form TBR-2.

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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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, 2009 and 2010. 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 non-compliance 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.

As described in items 2010-2 and 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Title I, Part A Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2009 and 2010.

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)

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in items 2010-2 and 2010-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2010-2 and 2010-3, to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and 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, School Board, 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

February 16, 2011

HANOVER COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 42,203	\$ 61,603
National School Lunch Program	10.555		<u>179,972</u>	<u>292,009</u>
Total for federal grantor agency			<u>222,175</u>	<u>353,612</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Education Agencies (Title I, Part A of the ESEA)	84.010	08-4580	5,463	-
		09-4580	167,628	33,408
		10-4580	<u>-</u>	<u>211,296</u>
Total for program			<u>173,091</u>	<u>244,704</u>
ARRA - Title I Grants to Local Education Agencies, Recovery Act	84.389		<u>-</u>	<u>42,656</u>
Total for cluster			<u>173,091</u>	<u>287,360</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act (Education Stabilization Fund)	84.394		<u>265,643</u>	<u>1,027,126</u>
Career and Technical Education - Basic Grants to States	84.048			
		08-4700-4580	27,717	-
		09-4700-4580	75,773	46,590
		10-4700-4580	<u>-</u>	<u>58,878</u>
Total for program			<u>103,490</u>	<u>105,468</u>
Safe and Drug Free School and Communities - State Grants	84.186	05-06	390	-
		06-07	<u>420</u>	<u>-</u>
Total for program			<u>810</u>	<u>-</u>
Pass-Through Indiana Workforce Development				
Tech-Prep Education	84.243	TP-9-263	<u>-</u>	<u>21,316</u>
State Grants for Innovative Programs	84.298	07-4580	<u>3,097</u>	<u>-</u>
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants	84.367	07-4580	50,667	-
		08-4580	<u>-</u>	<u>51,788</u>
Total for program			<u>50,667</u>	<u>51,788</u>
Total for federal grantor agency			<u>596,798</u>	<u>1,493,058</u>
Total federal awards expended			<u>\$ 818,973</u>	<u>\$ 1,846,670</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 5,844	\$ 6,230
National School Lunch Program	10.555	24,953	29,479

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?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
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 for all programs except for Title I, Part A Cluster, which was qualified

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:

Name of Federal Program or Cluster

Title I, Part A Cluster  
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2010-1, BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances, prepared by School Corporation staff during the audit period, were incorrect, incomplete and not performed timely. These reconcilements contained various unidentified cash longs and shorts. The School Corporation engaged a consultant in July 2010, to reconcile the bank accounts, beginning with June 2009. These reconcilements by the consultant noted extensive errors not detected on the previously performed cash reconcilements. The consultant, after discussion with School Corporation Officials, determined cash necessary to balance as of January 2010 which has remained constant through June 30, 2010. The cash necessary to balance at June 30, 2010, was \$1,461.77. The School Corporation staff is reviewing the 2009 errors noted by the

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

consultant and plan to perform additional research to attempt to identify the causes for cash necessary to balance. Due to a change in business managers in 2009, and the inaccuracies noted of the 2009 bank reconcilements performed by the School Corporation, we cannot determine what the cash necessary to balance was prior to January 2010 or the time of occurrence.

IC 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 Indiana Public School Corporations, Chapter 9)

Failure to perform accurate and timely reconcilements could permit errors to occur and not be detected, which could cause inaccurate records and financial statements.

We recommended that School Corporation Officials develop and implement internal controls over bank reconciliations, which would allow for errors to be detected and corrected in a timely manner, which would assist in providing reliable records and accurate financial statements.

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2. INTERNAL CONTROL/CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Pass-Through Agency: Indiana Department of Education  
Federal Program: Title I, Part A Cluster  
CFDA Numbers: 84.010, 84.389  
Program Numbers: SY 2008-2009, SY 2009-2010, 10-4580

Amounts received by the School Corporation for the Title I were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant funds. The procedure used by the School Corporation is to take the award amount and divide by the number of months the funds will cover. However, the Indiana Department of Education will not allow more than 20% of the Title I award to be drawn in each of the first three months of the grant period, which covers July through September.

The cash balance on hand of the grant for fiscal year 2008-2009, exceeded the allowable cash balance based on estimated future requirements for two of the twelve months. These amounts ranged from \$5,891 to \$17,710. The cash balance for the grant fiscal year 2009-2010 exceeded the allowable cash balance for four out of twelve months by amounts ranging from \$3,630 to \$11,507. The Title I amounts received under the American Recovery and Reinvestment Act (ARRA) exceeded the allowable cash balance for all twelve months during the audit period by amounts ranging from \$11,811 to \$41,733. The estimated cash needs in the few months subsequent to the audit period did not substantiate the need for the amount of cash drawn. Cash drawdown requests were not revised to ensure there would not be excessive cash on hand.



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

The following table presents the differences between what was reported as compared to the cash fund balance for FY 2009-2010 ARRA Title I Grant:

<u>Date</u>	<u>Reported Cash on Hand</u>	<u>Fund Cash Balance</u>	<u>Over or (Under) Reported</u>
October 31, 2009	\$ 25,303	\$ 42,463	\$ (17,160)
November 30, 2009	29,907	47,066	(17,160)
December 31, 2009	34,351	42,981	(8,630)
January 31, 2010	29,234	37,864	(8,630)
February 28, 2010	24,636	34,437	(9,801)
March 31, 2010	21,257	29,887	(8,630)

EDGAR 80.20(b) (1) states: "Financial Reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Failure to adhere to reporting requirements may cause the School Corporation to be determined to be ineligible for future federal funding.

We recommended that School Corporation Officials implement controls to verify that reports agree with the fund ledger balance for the grant and file the reports timely.

HANOVER COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



**Board of School Trustees**

Mary Joan Dickson  
Dana Griner  
Patricia Kocot  
Julie Mueller  
James Sakelaris

**Central Office**

Carol A. Kaiser  
Superintendent

**CORRECTIVE ACTION PLAN**

Finding Number                    2010-1  
Fiscal Year                         July 1, 2008- June 30, 2010  
Auditee Contact Person         Carol. A. Kaiser  
Title of Contact Person         Superintendent  
Phone                                 219-374-3500  
Status of Finding                 Corrected

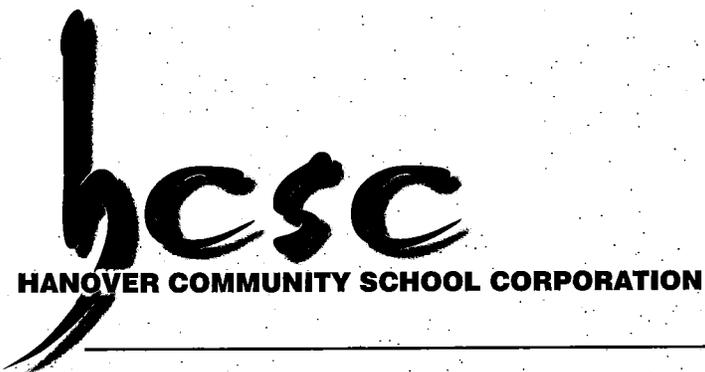
Corrective Action:

The School Corporation has put a procedure in place to ensure that bank reconciliations are done on a monthly basis, as soon as possible after the statements are made available by the bank. Internal controls have been put in place to verify the procedure is completed.

Signed: Carol A. Kaiser Date: 2-16-11

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219.374.3500 • Fax 219.374.4411 • <http://www.hanover.k12.in.us>



**Board of School Trustees**

Mary Joan Dickson  
Dana Griner  
Patricia Kocot  
Julie Mueller  
James Sakelaris

**Central Office**

Carol A. Kaiser  
Superintendent

**CORRECTIVE ACTION PLAN**

Finding Number                    2010-2  
Fiscal Year                        July 1, 2008- June 30, 2010  
Auditee Contact Person        Carol. A. Kaiser  
Title of Contact Person        Superintendent  
Phone                                219-374-3500  
Status of Finding                Corrected

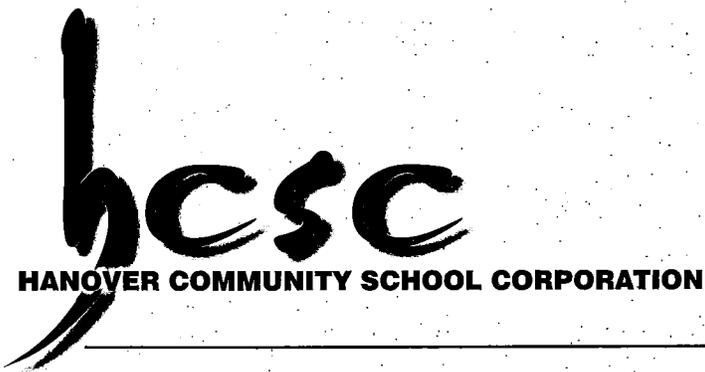
Corrective Action:

The School Corporation has changed procedures and personnel to ensure all grant funds are handled in the appropriate manner. Reports and cash requests will be reviewed monthly.

Signed: Carol A. Kaiser Date: 2-16-11

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**Board of School Trustees**

Mary Joan Dickson  
Dana Griner  
Patricia Kocot  
Julie Mueller  
James Sakelaris

**Central Office**

Carol A. Kaiser  
Superintendent

**CORRECTIVE ACTION PLAN**

Finding Number: 2010-3  
Fiscal Year: July 1, 2008- June 30, 2010  
Auditee Contact Person: Carol. A. Kaiser  
Title of Contact Person: Superintendent  
Phone: 219-374-3500  
Status of Finding: Corrected

Corrective Action:

The School Corporation has changed procedures and personnel to ensure all grant funds are handled in the appropriate manner. Reports and cash requests will be reviewed monthly.

Signed: Carol A. Kaiser Date: 2-16-11

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HANOVER COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2011, with Carol A Kaiser, Superintendent of Schools; Mary Joan Dickson, School Board Secretary; Dana M. Griner; School Board member; Dana M. Bogathy, Treasurer; and Lynne Styx, Business Office Specialist. The official response has been made a part of this report and may be found on pages 59 through 61.



Board of School Trustees

Mary Joan Dickson  
Dana Griner  
Patricia Kocot  
Julie Mueller  
James Sakelaris

Central Office

Carol A. Kaiser  
Superintendent

Indiana State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

February 24, 2011

Re: Hanover Community School Corp.  
Audit Results & Comments  
July 1, 2008 to June 30, 2010  
OFFICIAL RESPONSE

The Hanover Community School Corporation Business Office offers the following response to our recent audit completed by Cynthia David, Auditor.

BANK ACCOUNT RECONCILIATIONS

The School Corporation has put a procedure in place to ensure that bank reconciliations are done on a monthly basis, as soon as possible after the statements are made available by the bank. Internal controls have been put in place to verify the procedure is completed.

RECEIPT ISSUANCE

Prior to the audit findings the School Corporation initiated a procedure that corrected this finding. Adjusting entries are no longer used to record monies received from sources such as tax anticipation warrants, bank interest and common school loans. Receipts are recorded as the monies are received either as a receipt or a pre-run docket.

ERRORS ON CLAIMS- ELECTRONIC FUND TRANSFERS

The School Corporation has initiated a procedure to ensure all claims are recorded in the financial system properly with the correct supporting documentation. All claims receive approval by the School Corporation Treasurer and the Board of School Trustees at the monthly meeting.

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### BUS PURCHASE- SPECIAL PURCHASING METHOD

Effective with the purchase of the 2010 bus bid, the School Corporation has bid all buses. Additionally, a bid tabulation form has been given to all board members. The Board of School Trustees approves all bid tabulations and takes action on the recommendation and a purchase order is issued for the awarding party. The School Corporation has designated new personnel to ensure proper paperwork and files are kept.

### AVERAGE DAILY MEMBERSHIP (ADM)- INCORRECT REPORTING TO THE STATE

The audit period included personnel that have since left the corporation. New internal controls for all grant funds have been established and will be reviewed on a monthly basis. Corrective Action has been instituted on the issues shown in the audit report. The School Corporation will contact the Indiana Department of Education and Department of School Finance to request the funds that were underpaid.

### OVERDRAWN CASH BLANCES

The School Corporation has designated new personnel to oversee all funds. The following specifics pertain to the findings in the audit:

**Textbook Rental Fund-** As funds become available the Board of School Trustees will continue to make progress on reducing the overdrawn cash balance.

**Education License Plates-** New purchasing procedures eliminate the possibility of overdrawn cash balances on funds such as these.

**Common School Technology & Special Education- Part B Stimulus-** Grant funds such as these are now reimbursable grants in which funds are requested after a claim has been paid.

### ECA PURCHASE OF EQUIPMENT

Procedures have been put in place to have the Board of School Trustees approve all ECA purchases prior to purchase.

ECA EDUCATIONAL FEES

Procedures have been put in place to ensure all ECA Educational Fees are receipted and retained by the Administration on behalf of the School Corporation Treasurer as in accordance to IC 20-5-3-1.

TEXTBOOK RENTAL RECEIPT FORM NOT APPROVED

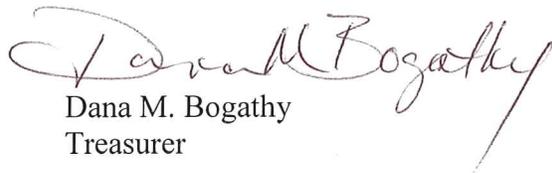
The School Corporation has taken the necessary steps to submit the PowerSchool textbook receipt as a replacement for TBR-2 by the State Board of Accounts.

In closing, it is the desire of Hanover Community School Corporation to fully comply with all requirements pertaining to the administration of all funds entrusted to the Corporation.

Respectfully submitted,



Carol A. Kaiser  
Superintendent



Dana M. Bogathy  
Treasurer