

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

AUDIT REPORT
OF
SCHOOL CITY OF HOBART
LAKE COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED

03/11/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-22
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	23-35
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds	36-37
Schedule of Capital Assets	38
Schedule of Long-Term Debt	39
Audit Results and Comments:	
Timely Deposits	40
Honors Diplomas – Incorrect Reporting to the State	40
Capital Asset Records	40
School Bus Fee	40-41
Accounts Payable Voucher - Controls	41
School Lunch Reporting	41
Prepaid Food Reconciliation of Detail to Control	42
Textbook Rental Receipts	42
Textbook Rental Receipts Internal Control System	43
TBR "Other" Fees Due to Corporation	43-44
Prescribed Forms	44-45
Receipt Issuance	45
Supplemental Audit of Federal Awards:	
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	48-49
Schedule of Expenditures of Federal Awards	50
Notes to Schedule of Expenditures of Federal Awards	51
Schedule of Findings and Questioned Costs	52-53
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	54
Corrective Action Plan	55-60
Exit Conference	61
Official Response	62-63

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ted Zembala Sherry Wathen Dawn Powers	07-01-08 to 06-30-09 07-01-09 to 06-30-10 07-01-10 to 06-30-11
Superintendent of Schools	Peggy Buffington, Ph.D.	07-01-08 to 06-30-11
President of the School Board	Terry Butler	01-01-08 to 12-31-11



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 SCHOOL CITY OF HOBART, 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 School City of Hobart (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 January 31, 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.

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

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

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 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, Schedule of Capital Assets, 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 Capital Assets and Schedule of Long-Term Debt have 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

January 31, 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 SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of Hobart (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 January 31, 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.

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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, the 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

January 31, 2011

SCHOOL CITY OF HOBART
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 14,097,214	\$ -	\$ 254,877	\$ (13,842,337)
Support services	13,629,981	1,005,303	885,210	(11,739,468)
Noninstructional services	1,746,202	-	-	(1,746,202)
Facilities acquisition and construction	472,975	-	-	(472,975)
Debt service	15,188,184	-	-	(15,188,184)
Nonprogrammed charges	<u>1,850,733</u>	<u>-</u>	<u>-</u>	<u>(1,850,733)</u>
Total governmental activities	<u>\$ 46,985,289</u>	<u>\$ 1,005,303</u>	<u>\$ 1,140,087</u>	<u>(44,839,899)</u>
General receipts:				
Property taxes				14,020,117
Other local sources				3,822,302
State aid				17,433,685
Bonds and loans				5,641,390
Grants and contributions not restricted to specific programs				2,623,402
Sale of property				45,647
Investment earnings				58,867
Other				<u>101,693</u>
Total general receipts				<u>43,747,103</u>
Change in net assets				(1,092,796)
Net assets - beginning				<u>7,669,716</u>
Net assets - ending				<u>\$ 6,576,920</u>
<u>Assets</u>				
Cash and investments				\$ 6,016,635
Restricted assets:				
Cash and investments				<u>560,285</u>
Total assets				<u>\$ 6,576,920</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 560,285
Unrestricted				<u>6,016,635</u>
Total net assets				<u>\$ 6,576,920</u>

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

SCHOOL CITY OF HOBART
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 14,550,069	\$ -	\$ 196,022	\$ (14,354,047)
Support services	13,528,929	1,056,192	1,070,852	(11,401,885)
Noninstructional services	1,918,978	-	-	(1,918,978)
Facilities acquisition and construction	161,463	-	-	(161,463)
Debt service	18,228,514	-	-	(18,228,514)
Nonprogrammed charges	<u>2,113,305</u>	<u>-</u>	<u>-</u>	<u>(2,113,305)</u>
Total governmental activities	<u>\$ 50,501,258</u>	<u>\$ 1,056,192</u>	<u>\$ 1,266,874</u>	<u>(48,178,192)</u>
General receipts:				
Property taxes				17,713,993
Other local sources				2,538,823
State aid				21,251,274
Bonds and loans				4,371,053
Grants and contributions not restricted to specific programs				2,265,027
Sale of property				46,571
Investment earnings				41,524
Other				<u>22,009</u>
Total general receipts				<u>48,250,274</u>
Change in net assets				72,082
Net assets - beginning				<u>6,576,924</u>
Net assets - ending				<u>\$ 6,649,006</u>
<u>Assets</u>				
Cash and investments				\$ 3,865,115
Restricted assets:				
Cash and investments				<u>2,783,891</u>
Total assets				<u>\$ 6,649,006</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,783,891
Unrestricted				<u>3,865,115</u>
Total net assets				<u>\$ 6,649,006</u>

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

SCHOOL CITY OF HOBART
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	Textbook Rental	Fiscal Stabilization	Debt Service	Capital Projects	Construction Fund	Other	Totals
Receipts:								
Local sources	\$ 6,387,781	\$ 401,861	\$ -	\$ 6,342,279	\$ 1,557,776	\$ 781,628	\$ 3,018,430	\$ 18,489,755
Intermediate sources	416,835	-	-	-	-	-	-	416,835
State sources	17,632,628	195,211	-	-	-	-	197,219	18,025,058
Federal sources	60,037	-	1,864,035	-	-	-	1,248,043	3,172,115
Temporary loans	326,700	-	-	999,412	1,169,820	-	1,165,458	3,661,390
Other	96,735	-	-	-	-	4,958	-	101,693
Total receipts	24,920,716	597,072	1,864,035	7,341,691	2,727,596	786,586	5,629,150	43,866,846
Disbursements:								
Current:								
Instruction	13,312,528	-	193,623	-	-	-	591,063	14,097,214
Support services	8,254,430	862,949	262,559	-	1,328,042	755,992	2,166,009	13,629,981
Noninstructional services	107,788	-	-	-	-	-	1,638,414	1,746,202
Facilities acquisition and construction	213,181	-	-	-	173,338	85,596	860	472,975
Debt services	4,565,300	-	-	7,966,357	1,028,012	-	1,628,515	15,188,184
Nonprogrammed charges	1,681,292	-	138,174	-	-	-	31,267	1,850,733
Total disbursements	28,134,519	862,949	594,356	7,966,357	2,529,392	841,588	6,056,128	46,985,289
Excess (deficiency) of receipts over disbursements	(3,213,803)	(265,877)	1,269,679	(624,666)	198,204	(55,002)	(426,978)	(3,118,443)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	1,980,000	-	1,980,000
Sale of capital assets	45,647	-	-	-	-	-	-	45,647
Total other financing sources (uses)	45,647	-	-	-	-	1,980,000	-	2,025,647
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,168,156)	(265,877)	1,269,679	(624,666)	198,204	1,924,998	(426,978)	(1,092,796)
Cash and investments - beginning	3,302,891	1,257,741	-	1,017,020	642,772	167,299	1,281,993	7,669,716
Cash and investments - ending	<u>\$ 134,735</u>	<u>\$ 991,864</u>	<u>\$ 1,269,679</u>	<u>\$ 392,354</u>	<u>\$ 840,976</u>	<u>\$ 2,092,297</u>	<u>\$ 855,015</u>	<u>\$ 6,576,920</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 134,735	\$ 991,864	\$ 1,269,679	\$ -	\$ 840,976	\$ 2,092,297	\$ 687,084	\$ 6,016,635
Restricted assets:								
Cash and investments	-	-	-	392,354	-	-	167,931	560,285
Total cash and investment assets - ending	<u>\$ 134,735</u>	<u>\$ 991,864</u>	<u>\$ 1,269,679</u>	<u>\$ 392,354</u>	<u>\$ 840,976</u>	<u>\$ 2,092,297</u>	<u>\$ 855,015</u>	<u>\$ 6,576,920</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 392,354	\$ -	\$ -	\$ 167,931	\$ 560,285
Unrestricted	134,735	991,864	1,269,679	-	840,976	2,092,297	687,084	6,016,635
Total cash and investment fund balance - ending	<u>\$ 134,735</u>	<u>\$ 991,864</u>	<u>\$ 1,269,679</u>	<u>\$ 392,354</u>	<u>\$ 840,976</u>	<u>\$ 2,092,297</u>	<u>\$ 855,015</u>	<u>\$ 6,576,920</u>

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

SCHOOL CITY OF HOBART
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	Textbook Rental	Fiscal Stabilization	Debt Service	Non-exempt Debt Service	Capital Projects	Construction Fund	Other	Totals
Receipts:									
Local sources	\$ 1,204,830	\$ 412,161	\$ -	\$ 3,047,689	\$ 10,732,717	\$ 2,102,433	\$ 26,974	\$ 3,526,064	\$ 21,052,868
Intermediate sources	297,667	-	-	-	-	-	-	-	297,667
State sources	21,392,783	222,946	-	-	-	-	-	207,909	21,823,638
Federal sources	-	-	803,887	-	-	-	-	2,155,650	2,959,537
Temporary loans	397,089	-	-	-	1,703,231	846,081	-	1,424,652	4,371,053
Other	19,974	-	-	-	-	-	-	2,034	22,008
Total receipts	23,312,343	635,107	803,887	3,047,689	12,435,948	2,948,514	26,974	7,316,309	50,526,771
Disbursements:									
Current:									
Instruction	13,217,772	-	461,930	-	-	-	-	869,990	14,549,692
Support services	7,806,602	608,779	636,781	-	-	598,671	95,055	3,783,419	13,529,307
Noninstructional services	118,739	-	21	-	-	-	-	1,800,218	1,918,978
Facilities acquisition and construction	250	-	32,763	-	-	128,450	-	-	161,463
Debt services	326,700	-	-	1,727,944	11,583,070	1,964,658	-	2,626,141	18,228,513
Nonprogrammed charges	1,108,130	-	942,071	-	-	-	-	63,104	2,113,305
Total disbursements	22,578,193	608,779	2,073,566	1,727,944	11,583,070	2,691,779	95,055	9,142,872	50,501,258
Excess (deficiency) of receipts over disbursements	734,150	26,328	(1,269,679)	1,319,745	852,878	256,735	(68,081)	(1,826,563)	25,513
Other financing sources (uses):									
Sale of capital assets	46,571	-	-	-	-	-	-	-	46,571
Transfers in	2,700	223,094	-	-	1,587,138	-	-	2,089,318	3,902,250
Transfers out	-	(223,094)	-	(1,587,138)	-	-	(1,946,098)	(145,920)	(3,902,250)
Total other financing sources (uses)	49,271	-	-	(1,587,138)	1,587,138	-	(1,946,098)	1,943,398	46,571
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	783,421	26,328	(1,269,679)	(267,393)	2,440,016	256,735	(2,014,179)	116,835	72,084
Cash and investments - beginning	134,735	991,864	1,269,679	392,354	-	840,976	2,092,297	855,017	6,576,922
Cash and investments - ending	\$ 918,156	\$ 1,018,192	\$ -	\$ 124,961	\$ 2,440,016	\$ 1,097,711	\$ 78,118	\$ 971,852	\$ 6,649,006
Cash and Investment Assets - Ending									
Cash and investments	\$ 918,156	\$ 1,018,192	\$ -	\$ -	\$ -	\$ 1,097,711	\$ 78,118	\$ 752,938	\$ 3,865,115
Restricted assets:									
Cash and investments	-	-	-	124,961	2,440,016	-	-	218,914	2,783,891
Total cash and investment assets - ending	\$ 918,156	\$ 1,018,192	\$ -	\$ 124,961	\$ 2,440,016	\$ 1,097,711	\$ 78,118	\$ 971,852	\$ 6,649,006
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 124,961	\$ 2,440,016	\$ -	\$ -	\$ 218,914	\$ 2,783,891
Unrestricted	918,156	1,018,192	-	-	-	1,097,711	78,118	752,938	3,865,115
Total cash and investment fund balance - ending	\$ 918,156	\$ 1,018,192	\$ -	\$ 124,961	\$ 2,440,016	\$ 1,097,711	\$ 78,118	\$ 971,852	\$ 6,649,006

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

SCHOOL CITY OF HOBART
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Agency Funds
Additions:		
Interest	\$ 389	
Deductions:		
Benefits	<u>59,522</u>	
Excess (deficiency) of total additions over total deductions	(59,133)	
Cash and investment fund balance - beginning	<u>203,771</u>	
Cash and investment fund balance - ending	<u>\$ 144,638</u>	
Net assets:		
Cash and investments	<u>\$ 144,638</u>	<u>\$ 135,154</u>

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

SCHOOL CITY OF HOBART
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Pension Trust Fund	Agency Funds
Additions:		
Interest	\$ 386	
Deductions:		
Benefits	25,274	
Excess (deficiency) of total additions over total deductions	(24,888)	
Cash and investment fund balance - beginning	144,637	
Cash and investment fund balance - ending	\$ 119,749	
Net assets:		
Cash and investments	\$ 119,749	\$ 185,863

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

SCHOOL CITY OF HOBART
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: School City of Hobart

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

Joint Venture

The School Corporation is a participant with nine other school corporations in a joint venture to operate the Northwest Indiana Special Education Cooperative (Cooperative) which was created to provide instruction to special needs students. The School Corporation is obligated by contract to a funding percentage based on its share of assessed valuation at March 1 of the prior year and its share of Average Daily Membership as compared to the total of all member school corporations determined annually. The governing board of the cooperative consists of a member selected by each participating school corporation. The board has full authority to manage the Cooperative including responsibility for fiscal matters. Complete financial statements for the Cooperative can be obtained from the Cooperative at 2150 West 97th Avenue, Crown Point, IN 46307.

The School Corporation is a participant within the Northwest Indiana Public School Study Council (Study Council), a joint school services program established December 10, 1069, 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 pays \$1,000 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained through the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, IN 46410.

The School Corporation is a participant in the Northwest Indiana Educational Service Center (Service Center), a joint school services program established May 30, 1985, for the participating school corporations to cooperate and share programs such as curriculum development, instructional materials, needs assessments and more. The Service Center operates under the authority of the Northwest Indiana Public School Study Council. The School Corporation provides funding based on Average Daily Membership, determined annually. Complete financial statements for the Service Center can be obtained from the Service Center's Administrative Office, 2939 41st Street, Highland, IN 46322.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, IN 46405.

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.

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 Textbook Rental Fund accounts for the receipts and disbursements concerning the rental of and the purchase of, textbooks for schoolchildren.

The Fiscal Stabilization Fund accounts for the financial resources received from the American Recovery and Reinvestment Act of 2009.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The Non-exempt Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The Capital Projects Fund accounts for planned construction, repair, replacement, or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The Construction Fund accounts for planned construction, repair, replacement, and remodeling of the high school.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the pension bond, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the School Corporation as an agent for payroll taxes and withholdings, and school lunch fund prepayments.

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.

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.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental 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 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:

- 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.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. 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.

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

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

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 \$6,449,279.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

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

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2010</u>
Textbook Rental Fund	Textbook Rental Fund	\$ 223,094
Debt Service Fund	Non-exempt Debt Service	1,587,138
Construction Fund	Other Governmental Funds	1,946,098
Other Governmental Funds	General Fund	2,700
Other Governmental Funds	Other Governmental Funds	<u>143,220</u>
Total		<u>\$ 3,902,250</u>

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

C. Tax Anticipation Warrants

Tax anticipation warrant outstanding balances as of June 30, 2009 and June 30, 2010, are detailed in the following schedule.

	<u>Principal Outstanding July 1, 2008</u>	<u>New Loan Amount</u>	<u>Repayments</u>	<u>Principal Outstanding June 30, 2009</u>
General	\$ 4,565,300	\$ 326,700	\$ 4,565,300	\$ 326,700
Transportation	903,818	937,002	903,818	937,002
School Bus Replacement	200,538	54,627	200,538	54,627
Capital Projects	1,028,012	1,169,820	1,028,012	1,169,820
Debt Service	2,395,438	999,412	2,395,438	999,412
Retirement Severance Bonds Debt Service	177,665	173,829	177,665	173,829
Special Education Preschool	<u>7,658</u>	<u>-</u>	<u>7,658</u>	<u>-</u>
Totals	<u>\$ 9,278,429</u>	<u>\$ 3,661,390</u>	<u>\$ 9,278,429</u>	<u>\$ 3,661,390</u>

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Principal Outstanding July 1, 2009	New Loan Amount	Repayments	Principal Outstanding June 30, 2010
General	\$ 326,700	\$ 397,089	\$ 326,700	\$ 397,089
Transportation	937,002	1,051,438	1,664,513	323,927
School Bus Replacement	54,627	69,042	54,627	69,042
Capital Projects	1,169,820	846,081	1,964,658	51,243
Debt Service	999,412	-	999,412	-
Retirement Severance Bonds Debt Service	173,829	304,172	478,001	-
Non-exempt Debt Service	-	1,703,231	1,703,231	-
Totals	<u>\$ 3,661,390</u>	<u>\$ 4,371,053</u>	<u>\$ 7,191,142</u>	<u>\$ 841,301</u>

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; 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.

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 Corporation

The School Corporation has entered into a capital lease with Hobart 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 \$4,958,500 and \$5,226,000, respectively.

C. Subsequent Events

Reassessment and Property Taxes

Due to delays caused by trending of assessments, 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. The County issued a provisional billing due May 10, 2010, based upon the 2008 pay 2009 tax rates. The 2009 pay 2010 tax rates and levies were established as of September 2010. The County sent reconciliation tax bills due November 30, 2010. The County distributed 2009 pay 2010 tax collections in January 2011.

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$702,299. As of January 25, 2011, the School Corporation had not made any draws.

D. Contingent Liabilities

The School Corporation has been named as a defendant in several pending lawsuits of which the outcome and the amount of potential damages has not been estimated.

E. Termination Benefits

The School Corporation offers severance pay and payments for unused sick leave to their employees upon termination. The benefits are based upon the number of years of service to the School Corporation and vary by job responsibilities and classifications. During the years ended June 30, 2009 and 2010, the School Corporation disbursed \$54,456 to 16 employees and \$34,860 to 12 employees, respectively, in termination benefits.

F. 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

SCHOOL CITY OF HOBART
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$754,711.

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 \$991,964.

SCHOOL CITY OF HOBART
 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 Preschool	School Lunch	Alternative Education Grant	School Safe Haven FY 07-08	School Intervention Career Counseling	Gifts Donations I
Receipts:							
Local sources	\$ 1,287,449	\$ 10,413	\$ 798,157	\$ -	\$ -	\$ -	\$ 10,610
State sources	-	62,691	18,071	21,639	23,884	15,000	-
Federal sources	-	-	611,890	-	-	-	-
Temporary loans	937,002	-	-	-	-	-	-
Total receipts	2,224,451	73,104	1,428,118	21,639	23,884	15,000	10,610
Disbursements:							
Current:							
Instruction	-	-	-	20,855	-	-	4,697
Support services	1,436,586	-	22,895	-	15,807	15,000	3,741
Noninstructional services	-	-	1,638,340	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	860
Debt services	903,818	7,658	-	-	-	-	-
Nonprogrammed charges	-	31,267	-	-	-	-	-
Total disbursements	2,340,404	38,925	1,661,235	20,855	15,807	15,000	9,298
Excess (deficiency) of receipts over disbursements	(115,953)	34,179	(233,117)	784	8,077	-	1,312
Cash and investments - beginning	316,477	-	362,218	-	(8,077)	-	4,850
Cash and investments - ending	<u>\$ 200,524</u>	<u>\$ 34,179</u>	<u>\$ 129,101</u>	<u>\$ 784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,162</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 200,524	\$ 34,179	\$ 129,101	\$ 784	\$ -	\$ -	\$ 6,162
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 200,524	\$ 34,179	\$ 129,101	\$ 784	\$ -	\$ -	\$ 6,162
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	200,524	34,179	129,101	784	-	-	6,162
Total cash and investment fund balance - ending	\$ 200,524	\$ 34,179	\$ 129,101	\$ 784	\$ -	\$ -	\$ 6,162

SCHOOL CITY OF HOBART
 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)

	Wal-Mart Awards	Outdoor Lab Grant	Pepsi Agreement Proceeds	Legacy Foundation	Hobart Educational Foundation	Parents as Teachers	Hobart Educational Foundation II
Receipts:							
Local sources	\$ 1,000	\$ -	\$ 19,583	\$ -	\$ 25,763	\$ 15,690	\$ 2,200
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Total receipts	1,000	-	19,583	-	25,763	15,690	2,200
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	156	27,358	-	23,678	1,680	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	156	27,358	-	23,678	1,680	-
Excess (deficiency) of receipts over disbursements	1,000	(156)	(7,775)	-	2,085	14,010	2,200
Cash and investments - beginning	-	156	26,746	175	24,996	-	312
Cash and investments - ending	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 18,971</u>	<u>\$ 175</u>	<u>\$ 27,081</u>	<u>\$ 14,010</u>	<u>\$ 2,512</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,000	\$ -	\$ 18,971	\$ 175	\$ 27,081	\$ 14,010	\$ 2,512
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,000	\$ -	\$ 18,971	\$ 175	\$ 27,081	\$ 14,010	\$ 2,512
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,000	-	18,971	175	27,081	14,010	2,512
Total cash and investment fund balance - ending	\$ 1,000	\$ -	\$ 18,971	\$ 175	\$ 27,081	\$ 14,010	\$ 2,512

SCHOOL CITY OF HOBART
 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)

	State High Ability Grant I	Gifted and Talented	Non-English Speaking FY 08-09	Technology Fund CISCO	Indiana Workforce Development	Indiana Summer Institute Technology
Receipts:						
Local sources	\$ -	\$ 33	\$ -	\$ 104,261	\$ 1,000	\$ -
State sources	42,143	-	13,791	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	<u>42,143</u>	<u>33</u>	<u>13,791</u>	<u>104,261</u>	<u>1,000</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	33,440	2,822	13,791	1,929	20,962	-
Support services	8,173	-	-	133,917	-	595
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>41,613</u>	<u>2,822</u>	<u>13,791</u>	<u>135,846</u>	<u>20,962</u>	<u>595</u>
Excess (deficiency) of receipts over disbursements	<u>530</u>	<u>(2,789)</u>	<u>-</u>	<u>(31,585)</u>	<u>(19,962)</u>	<u>(595)</u>
Cash and investments - beginning	-	2,789	-	122,959	(4,576)	4,960
Cash and investments - ending	<u>\$ 530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,374</u>	<u>\$ (24,538)</u>	<u>\$ 4,365</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 530	\$ -	\$ -	\$ 91,374	\$ (24,538)	\$ 4,365
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,374</u>	<u>\$ (24,538)</u>	<u>\$ 4,365</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	530	-	-	91,374	(24,538)	4,365
Total cash and investment fund balance - ending	<u>\$ 530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,374</u>	<u>\$ (24,538)</u>	<u>\$ 4,365</u>

SCHOOL CITY OF HOBART
 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)

	Title I FY 07-08	Title I FY 08-09	Distinguished School Award	Title V Innovative FY 06-07	Title V Innovative FY 07-08	Safe and Drug-Free FY 08-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130
State sources	-	-	-	-	-	-
Federal sources	22,000	462,342	-	-	6,168	7,519
Temporary loans	-	-	-	-	-	-
Total receipts	22,000	462,342	-	-	6,168	7,649
Disbursements:						
Current:						
Instruction	2,221	392,766	-	-	-	1,474
Support services	(437)	3,343	256	2,538	5,698	3,368
Noninstructional services	-	74	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	1,784	396,183	256	2,538	5,698	4,842
Excess (deficiency) of receipts over disbursements	20,216	66,159	(256)	(2,538)	470	2,807
Cash and investments - beginning	(20,216)	-	256	2,538	-	-
Cash and investments - ending	\$ -	\$ 66,159	\$ -	\$ -	\$ 470	\$ 2,807
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 66,159	\$ -	\$ -	\$ 470	\$ 2,807
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 66,159	\$ -	\$ -	\$ 470	\$ 2,807
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	66,159	-	-	470	2,807
Total cash and investment fund balance - ending	\$ -	\$ 66,159	\$ -	\$ -	\$ 470	\$ 2,807

SCHOOL CITY OF HOBART
 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)

	Safe and Drug-Free FY 06-07	Safe and Drug-Free FY 07-08	Carl Perkins Vocational	Mandatory Random Drug Testing FY 08-09	Title II, Part A FY 06-07	Title II, Part A FY 07-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	40,229	-	38,000
Temporary loans	-	-	-	-	-	-
Total receipts	-	-	-	40,229	-	38,000
Disbursements:						
Current:						
Instruction	227	267	-	25,239	-	58,523
Support services	-	-	-	42,280	5,151	25,200
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	227	267	-	67,519	5,151	83,723
Excess (deficiency) of receipts over disbursements	(227)	(267)	-	(27,290)	(5,151)	(45,723)
Cash and investments - beginning	227	815	750	-	5,151	63,373
Cash and investments - ending	\$ -	\$ 548	\$ 750	\$ (27,290)	\$ -	\$ 17,650
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 548	\$ 750	\$ (27,290)	\$ -	\$ 17,650
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 548	\$ 750	\$ (27,290)	\$ -	\$ 17,650
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	548	750	(27,290)	-	17,650
Total cash and investment fund balance - ending	\$ -	\$ 548	\$ 750	\$ (27,290)	\$ -	\$ 17,650

SCHOOL CITY OF HOBART
 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)

	Title III Part A FY 05-07	Title III, Part A FY 08-10	Title I, Grants to LEA's Stimulus	Retirement Severance Bond Debt Service	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 342,672	\$ 399,469	\$ 3,018,430
State sources	-	-	-	-	-	197,219
Federal sources	-	13,200	46,695	-	-	1,248,043
Temporary loans	-	-	-	173,829	54,627	1,165,458
Total receipts	-	13,200	46,695	516,501	454,096	5,629,150
Disbursements:						
Current:						
Instruction	336	11,514	-	-	-	591,063
Support services	-	-	-	-	389,026	2,166,009
Noninstructional services	-	-	-	-	-	1,638,414
Facilities acquisition and construction	-	-	-	-	-	860
Debt services	-	-	-	516,501	200,538	1,628,515
Nonprogrammed charges	-	-	-	-	-	31,267
Total disbursements	336	11,514	-	516,501	589,564	6,056,128
Excess (deficiency) of receipts over disbursements	(336)	1,686	46,695	-	(135,468)	(426,978)
Cash and investments - beginning	336	-	-	167,931	206,847	1,281,993
Cash and investments - ending	\$ -	\$ 1,686	\$ 46,695	\$ 167,931	\$ 71,379	\$ 855,015
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 1,686	\$ 46,695	\$ -	\$ 71,379	\$ 687,084
Restricted assets:						
Cash and investments	-	-	-	167,931	-	167,931
Total cash and investment assets - ending	\$ -	\$ 1,686	\$ 46,695	\$ 167,931	\$ 71,379	\$ 855,015
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 167,931	\$ -	\$ 167,931
Unrestricted	-	1,686	46,695	-	71,379	687,084
Total cash and investment fund balance - ending	\$ -	\$ 1,686	\$ 46,695	\$ 167,931	\$ 71,379	\$ 855,015

SCHOOL CITY OF HOBART
 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 Preschool	School Lunch	Alternative Education Grant	Alternative Education FY 08-09	Safe Haven Grant	Indiana Early Literacy Intervention
Receipts:							
Local sources	\$ 1,755,773	\$ -	\$ 880,752	\$ -	\$ -	\$ -	\$ -
State sources	-	31,625	18,912	-	16,300	15,000	19,900
Federal sources	-	-	828,994	-	-	-	-
Temporary loans	1,051,438	-	-	-	-	-	-
Other	2,034	-	-	-	-	-	-
Total receipts	2,809,245	31,625	1,728,658	-	16,300	15,000	19,900
Disbursements:							
Current:							
Instruction	-	-	-	-	17,084	-	4,900
Support services	1,084,094	-	25,975	-	-	15,000	15,000
Noninstructional services	-	-	1,783,252	-	-	-	-
Debt services	1,664,513	-	-	-	-	-	-
Nonprogrammed charges	-	63,104	-	-	-	-	-
Total disbursements	2,748,607	63,104	1,809,227	-	17,084	15,000	19,900
Excess (deficiency) of receipts over disbursements	60,638	(31,479)	(80,569)	-	(784)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	784	-	-
Transfers out	-	(2,700)	-	(784)	-	-	-
Total other financing sources (uses)	-	(2,700)	-	(784)	784	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	60,638	(34,179)	(80,569)	(784)	-	-	-
Cash and investments - beginning	200,525	34,179	129,102	784	-	-	-
Cash and investments - ending	\$ 261,163	\$ -	\$ 48,533	\$ -	\$ -	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 261,163	\$ -	\$ 48,533	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 261,163	\$ -	\$ 48,533	\$ -	\$ -	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	261,163	-	48,533	-	-	-	-
Total cash and investment fund balance - ending	\$ 261,163	\$ -	\$ 48,533	\$ -	\$ -	\$ -	\$ -

SCHOOL CITY OF HOBART
 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)

	School Intervention Counseling	Gifts Donations I	Gifts Donations II	Norris Listening Library	Wal-Mart Awards	Pepsi Agreement Proceeds	Legacy Foundation
Receipts:							
Local sources	\$ -	\$ -	\$ 2,220	\$ 500	\$ -	\$ 15,060	\$ 10,200
State sources	15,000	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	15,000	-	2,220	500	-	15,060	10,200
Disbursements:							
Current:							
Instruction	-	-	679	-	-	-	-
Support services	15,000	2,259	-	-	-	11,311	-
Noninstructional services	-	-	-	-	-	-	8,236
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	15,000	2,259	679	-	-	11,311	8,236
Excess (deficiency) of receipts over disbursements	-	(2,259)	1,541	500	-	3,749	1,964
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,259)	1,541	500	-	3,749	1,964
Cash and investments - beginning	-	6,162	-	-	1,000	18,971	175
Cash and investments - ending	\$ -	\$ 3,903	\$ 1,541	\$ 500	\$ 1,000	\$ 22,720	\$ 2,139
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 3,903	\$ 1,541	\$ 500	\$ 1,000	\$ 22,720	\$ 2,139
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 3,903	\$ 1,541	\$ 500	\$ 1,000	\$ 22,720	\$ 2,139
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	3,903	1,541	500	1,000	22,720	2,139
Total cash and investment fund balance - ending	\$ -	\$ 3,903	\$ 1,541	\$ 500	\$ 1,000	\$ 22,720	\$ 2,139

SCHOOL CITY OF HOBART
 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)

	Hobart Educational Foundation	Lake County Initiative	Parents as Teachers	Hobart Educational Foundation II	State High Ability Grant I	State High Ability Grant II	Gifted and Talented
Receipts:							
Local sources	\$ 7,864	\$ 535	\$ 63,943	\$ 3,000	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	42,097	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	7,864	535	63,943	3,000	-	42,097	-
Disbursements:							
Current:							
Instruction	-	-	-	-	530	35,711	196
Support services	21,614	1,457	35,577	2,512	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	21,614	1,457	35,577	2,512	530	35,711	196
Excess (deficiency) of receipts over disbursements	(13,750)	(922)	28,366	488	(530)	6,386	(196)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,750)	(922)	28,366	488	(530)	6,386	(196)
Cash and investments - beginning	27,080	-	14,010	2,512	530	-	-
Cash and investments - ending	\$ 13,330	\$ (922)	\$ 42,376	\$ 3,000	\$ -	\$ 6,386	\$ (196)
Cash and Investment Assets - Ending							
Cash and investments	\$ 13,330	\$ (922)	\$ 42,376	\$ 3,000	\$ -	\$ 6,386	\$ (196)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 13,330	\$ (922)	\$ 42,376	\$ 3,000	\$ -	\$ 6,386	\$ (196)
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	13,330	(922)	42,376	3,000	-	6,386	(196)
Total cash and investment fund balance - ending	\$ 13,330	\$ (922)	\$ 42,376	\$ 3,000	\$ -	\$ 6,386	\$ (196)

SCHOOL CITY OF HOBART
 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)

	Non-English Speaking FY 09-10	Technology Fund CISCO	Indiana Workforce Development	PLTW Fund	Indiana Summer Institute Technology	Title I FY 08-09	Title I FY 09-10
Receipts:							
Local sources	\$ -	\$ 66,519	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	12,416	-	21,659	15,000	-	-	-
Federal sources	-	-	-	-	-	35,000	455,540
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	12,416	66,519	21,659	15,000	-	35,000	455,540
Disbursements:							
Current:							
Instruction	10,698	-	-	12,120	-	48,443	342,735
Support services	1,680	66,778	-	-	4,365	52,716	80,226
Noninstructional services	-	-	-	-	-	-	7,730
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	12,378	66,778	-	12,120	4,365	101,159	430,691
Excess (deficiency) of receipts over disbursements	38	(259)	21,659	2,880	(4,365)	(66,159)	24,849
Other financing sources (uses):							
Transfers in	-	-	2,880	-	-	-	-
Transfers out	-	-	-	(2,880)	-	-	-
Total other financing sources (uses)	-	-	2,880	(2,880)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	38	(259)	24,539	-	(4,365)	(66,159)	24,849
Cash and investments - beginning	-	91,374	(24,539)	-	4,365	66,159	-
Cash and investments - ending	\$ 38	\$ 91,115	\$ -	\$ -	\$ -	\$ -	\$ 24,849
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 38	\$ 91,115	\$ -	\$ -	\$ -	\$ -	\$ 24,849
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 38	\$ 91,115	\$ -	\$ -	\$ -	\$ -	\$ 24,849
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	38	91,115	-	-	-	-	24,849
Total cash and investment fund balance - ending	\$ 38	\$ 91,115	\$ -	\$ -	\$ -	\$ -	\$ 24,849

SCHOOL CITY OF HOBART
 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)

	Title V Innovative FY 07-08	Safe and Drug-Free FY 08-09	Safe and Drug-Free FY 09-10	Safe and Drug-Free FY 07-08	Carl Perkins Vocational	Mandatory Random Drug Testing FY 08-09	Mandatory Random Drug Testing FY 09-10
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	2,406	900	9,228	-	-	28,262	12,127
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	2,406	900	9,228	-	-	28,262	12,127
Disbursements:							
Current:							
Instruction	-	990	3,185	548	750	973	18,512
Support services	2,826	-	5,043	-	-	-	-
Noninstructional services	-	-	1,000	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,826	990	9,228	548	750	973	18,512
Excess (deficiency) of receipts over disbursements	(420)	(90)	-	(548)	(750)	27,289	(6,385)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(420)	(90)	-	(548)	(750)	27,289	(6,385)
Cash and investments - beginning	470	2,807	-	548	750	(27,289)	-
Cash and investments - ending	\$ 50	\$ 2,717	\$ -	\$ -	\$ -	\$ -	\$ (6,385)
Cash and Investment Assets - Ending							
Cash and investments	\$ 50	\$ 2,717	\$ -	\$ -	\$ -	\$ -	\$ (6,385)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 50	\$ 2,717	\$ -	\$ -	\$ -	\$ -	\$ (6,385)
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	50	2,717	-	-	-	-	(6,385)
Total cash and investment fund balance - ending	\$ 50	\$ 2,717	\$ -	\$ -	\$ -	\$ -	\$ (6,385)

SCHOOL CITY OF HOBART
 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)

	Title II, Part A FY 07-08	Title II, Part A FY 08-09	Title II, Part A FY 09-10	Title III, Part A FY 08-10	Title III English Proficiency	Title I, Grants to LEA's Stimulus	Special Education Part B Stimulus
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	77,424	15,722	-	13,780	93,372	575,395
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	77,424	15,722	-	13,780	93,372	575,395
Disbursements:							
Current:							
Instruction	9,397	51,239	-	1,686	9,826	108,293	191,495
Support services	7,583	26,149	-	-	3,807	9,559	401,190
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	16,980	77,388	-	1,686	13,633	117,852	592,685
Excess (deficiency) of receipts over disbursements	(16,980)	36	15,722	(1,686)	147	(24,480)	(17,290)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,980)	36	15,722	(1,686)	147	(24,480)	(17,290)
Cash and investments - beginning	17,650	-	-	1,686	-	46,695	-
Cash and investments - ending	\$ 670	\$ 36	\$ 15,722	\$ -	\$ 147	\$ 22,215	\$ (17,290)
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 670	\$ 36	\$ 15,722	\$ -	\$ 147	\$ 22,215	\$ (17,290)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 670	\$ 36	\$ 15,722	\$ -	\$ 147	\$ 22,215	\$ (17,290)
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	670	36	15,722	-	147	22,215	(17,290)
Total cash and investment fund balance - ending	\$ 670	\$ 36	\$ 15,722	\$ -	\$ 147	\$ 22,215	\$ (17,290)

SCHOOL CITY OF HOBART
 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)

	School Lunch Equipment Stimulus	Retirement Severance Bond Debt Service	Exempt Retirement Pension Debt Service	School Bus Replacement	Technology Bond Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 599,411	\$ 120,287	\$ -	\$ 3,526,064
State sources	-	-	-	-	-	207,909
Federal sources	7,500	-	-	-	-	2,155,650
Temporary loans	-	-	304,172	69,042	-	1,424,652
Other	-	-	-	-	-	2,034
Total receipts	7,500	-	903,583	189,329	-	7,316,309
Disbursements:						
Current:						
Instruction	-	-	-	-	-	869,990
Support services	-	-	-	-	1,891,698	3,783,419
Noninstructional services	-	-	-	-	-	1,800,218
Debt services	-	28,376	824,225	54,627	54,400	2,626,141
Nonprogrammed charges	-	-	-	-	-	63,104
Total disbursements	-	28,376	824,225	54,627	1,946,098	9,142,872
Excess (deficiency) of receipts over disbursements	7,500	(28,376)	79,358	134,702	(1,946,098)	(1,826,563)
Other financing sources (uses):						
Transfers in	-	-	139,556	-	1,946,098	2,089,318
Transfers out	-	(139,556)	-	-	-	(145,920)
Total other financing sources (uses)	-	(139,556)	139,556	-	1,946,098	1,943,398
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,500	(167,932)	218,914	134,702	-	116,835
Cash and investments - beginning	-	167,932	-	71,379	-	855,017
Cash and investments - ending	\$ 7,500	\$ -	\$ 218,914	\$ 206,081	\$ -	\$ 971,852
Cash and Investment Assets - Ending						
Cash and investments	\$ 7,500	\$ -	\$ -	\$ 206,081	\$ -	\$ 752,938
Restricted assets:						
Cash and investments	-	-	218,914	-	-	218,914
Total cash and investment assets - ending	\$ 7,500	\$ -	\$ 218,914	\$ 206,081	\$ -	\$ 971,852
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 218,914	\$ -	\$ -	\$ 218,914
Unrestricted	7,500	-	-	206,081	-	752,938
Total cash and investment fund balance - ending	\$ 7,500	\$ -	\$ 218,914	\$ 206,081	\$ -	\$ 971,852

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

	<u>Clearing</u>	<u>Clearing Flexible Benefits</u>	<u>Prepaid Food</u>	<u>Clearing Insurance</u>	<u>Clearing Safe Hiring</u>	<u>Totals</u>
Additions:						
Agency fund additions	\$ 5,343,964	\$ 47,001	\$ 611,620	\$ 330,499	\$ 142	\$ 6,333,226
Deductions:						
Agency fund deductions	<u>5,330,094</u>	<u>43,262</u>	<u>617,311</u>	<u>318,253</u>	<u>-</u>	<u>6,308,920</u>
Excess (deficiency) of total additions over total deductions	13,870	3,739	(5,691)	12,246	142	24,306
Cash and investment fund balance - beginning	<u>81,528</u>	<u>2,962</u>	<u>12,678</u>	<u>13,680</u>	<u>-</u>	<u>110,848</u>
Cash and investment fund balance - ending	<u>\$ 95,398</u>	<u>\$ 6,701</u>	<u>\$ 6,987</u>	<u>\$ 25,926</u>	<u>\$ 142</u>	<u>\$ 135,154</u>

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

	<u>Clearing</u>	<u>Clearing Flexible Benefits</u>	<u>Prepaid Food</u>	<u>Clearing Insurance</u>	<u>Clearing Safe Hiring</u>	<u>Barr Security Global Merchant Fee</u>	<u>Totals</u>
Additions:							
Agency fund additions	\$ 5,363,903	\$ 156,817	\$ 688,557	\$ 325,518	\$ 908	\$ 1,059	\$ 6,536,762
Deductions:							
Agency fund deductions	<u>5,342,323</u>	<u>143,224</u>	<u>684,344</u>	<u>314,551</u>	<u>560</u>	<u>1,051</u>	<u>6,486,053</u>
Excess (deficiency) of total additions over total deductions	21,580	13,593	4,213	10,967	348	8	50,709
Cash and investment fund balance - beginning	<u>95,398</u>	<u>6,701</u>	<u>6,987</u>	<u>25,926</u>	<u>142</u>	<u>-</u>	<u>135,154</u>
Cash and investment fund balance - ending	<u>\$ 116,978</u>	<u>\$ 20,294</u>	<u>\$ 11,200</u>	<u>\$ 36,893</u>	<u>\$ 490</u>	<u>\$ 8</u>	<u>\$ 185,863</u>

SCHOOL CITY OF HOBART
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 800,000
Buildings	94,647,403
Improvements other than buildings	7,470,558
Machinery and equipment	<u>9,528,190</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 112,446,151</u>

SCHOOL CITY OF HOBART
 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:		
Hobart Building Corporation, Series 2006	\$ 71,520,000	\$ 5,677,095
Hobart Building Corporation, Series 2009	5,645,000	236,500
Bonds payable:		
General obligation bonds:		
2004 Pension Bonds	1,525,000	345,173
2009 School Improvement Bonds	<u>1,895,000</u>	<u>278,953</u>
Total governmental activities debt	<u>\$ 80,585,000</u>	<u>\$ 6,537,721</u>

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS

TIMELY DEPOSITS

Receipts for collections in the months of January, February and March of 2010 by the School Corporation were usually deposited once a month. The deposits in the period that were reviewed ranged from \$12,971.11 to \$64,679.32. The current Treasurer deposits collections every two weeks.

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

HONORS DIPLOMAS - INCORRECT REPORTING TO THE STATE

The School Corporation's supporting documentation reflected a count of 87 students that graduated with academic honors for the Class of 2009. The School Corporation reported 89 students to the Indiana Department of Education resulting in an overstatement of two students as academic honors diploma recipients.

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)

CAPITAL ASSET RECORDS

The School Corporation contracted with an outside vendor to prepare capital asset records. The vendor's report did not include any land values for property owned by the School Corporation. The prior report listed the land purchased for the new High School at \$800,000. The value of the land at the High School was added to the vendor's reported values at June 30, 2010. However, land values for the other five school buildings and associated properties were not presented for reporting. Officials indicated that they will provide these values for the next audit.

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

SCHOOL BUS FEE

The School Corporation charges a fee for transportation of students to and from school. The School Corporation receives tax funds for transportation related expenditures. A similar comment appeared in prior reports. However, for the school year ending June 30, 2011, the School Board suspended the fee.

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

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

The State Board of Accounts is of the audit position the following types of fees should not be assessed, collected or receipted by a school or school corporation: Air Conditioning Fees; Parking Fees; Instructional Fees; Bus Rider Fees; Fees for Payroll Positions (Nurses, Principals, Counselors, etc.) (The School Administrator and Uniform Compliance Guidelines, Volume 150, June 2000)

ACCOUNTS PAYABLE VOUCHER - CONTROLS

Three out of the claims (Accounts Payable Vouchers) examined did not have documentation to indicate that the claim was approved and the goods and services received by the department head or certified by the fiscal officer prior to payment. Purchase orders for these claims were not presented for audit. These claims were listed on the School Board approved claim docket.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: School corporations 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 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 board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 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 Indiana Public School Corporations, Chapter 9)

SCHOOL LUNCH REPORTING

The Annual Financial Report for fiscal year 2009-2010 School Lunch Program was remitted to the Indiana Department of Education 83 days late. Additionally, the reported detail of disbursements could not be traced to the School Lunch Fund 80 account line items on the School Corporation's ledger. Disbursements in total on the Annual Financial Report did agree to the total disbursements in the ledgers.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

PREPAID FOOD RECONCILEMENT OF DETAIL TO CONTROL

The "Prepaid Food" Fund 8410 on May 31, 2010, had a balance of \$16,935. The detail of individual student accounts at May 31, 2010, was \$16,540 (students with positive and negative balances combined). The amount reported to the State Department of Education was \$17,512 (Prepaid in Trust). The amount reported to the State, did not appear to include students with negative balances of \$1,003.08. Officials did not reconcile the detail of student balances to the control account "Prepaid Food".

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

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TEXTBOOK RENTAL RECEIPTS (Applies to Joan Martin and Ridge View Elementary Schools)

Textbook rental receipts for the school year 2009-2010 at Joan Martin Elementary School totaled more than what was posted to the Textbook Rental Fund by \$217.

Textbook rental receipts (School Form TBR-2) were not consistently written for all delinquent textbook rental collections in fiscal year 2008-2009 and 2009-2010 at Ridge View Elementary School.

The "Fee Payment Report" is a computer generated report identifying students that paid textbook rental fees included in that day's deposit. For the year ended June 30, 2009 and 2010, there was \$50 and \$20 respectively, more in current year textbook rental collections than was posted to the "Fee Payment Report" for that fiscal year. Not included are delinquent textbook rental receipts, which are not entered into the textbook rental software program. Failure to post current student payments to the computer system may result in students being turned over for delinquent collections in error. A similar comment was in the prior two audits also.

The original of Form TBR-2 is to be given the payer (student or parent). The duplicate is to be retained by the issuing officer and the triplicate is to remain intact in the book. The duplicate, together with rental fees collected, must be transmitted daily to the treasurer of the extra-curricular account. The treasurer may direct the issuing officer to deposit all fees collected each day and submit an acknowledged, duplicate deposit slip with the duplicate copies of Form TBR-2. The treasurer may also require the issuing officer to submit a summary or recap sheet of all fees collected by grade or other designated categories. If this is done, the total of the summary or recap sheet must agree with the amount on the duplicate deposit slip as well as the total of all TBR-2 forms submitted for the day. All duplicates of Form TBR-2 shall be filed alphabetically, by student last names, in the office of the treasurer for audit purposes. A separate TBR-2 should be issued for each payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL RECEIPTS INTERNAL CONTROL SYSTEM (Applies to All Schools)

All schools use the same software program for textbook rental billing and collections. The following deficiencies were noted:

1. The reports attached to the extra-curricular receipt for the total deposit of textbook rental receipts are entitled "Fee Payment Report by Student." These reports break down the collections by student; however, the receipt numbers do not appear on the reports. The lack of receipt numbers on the reports made accounting for all receipts difficult and weakens the controls over collections.
2. Treasurers manually input the receipt number for each textbook rental receipt issued. The software does not prevent a treasurer from entering the same receipt number twice for two different students.
3. Reports generated from the system called "Fee Payment Report by Category" that listed the textbook and other payments received for each grade and school for each school year, did not foot across.
4. The totals for textbook and other on the "Fee Payment Report by Category" noted above did not agree to the total of individual reports presented by the individual school.
5. Textbook rental collections consist of textbook fees and "other" supply fees. Remittances to the School Corporation for "other" fees collected are based on reports from the software system. Since delinquent textbook rental receipts are not entered into the software system the "other" fees collected from delinquent receipts are not remitted to the School Corporation.

These deficiencies hamper and reduce the accountability of the textbook rental system.

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)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TBR "OTHER" FEES DUE TO CORPORATION (Applies to All Schools)

George Earle Elementary School

The School ran a final "Fee Payment Report by Student" for the school years 2008-2009 and 2009-2010, which totaled \$3,100 and \$3,265 in "other" fees, respectively. Individual reports that were abstracted for the same period totaled \$2,720 and \$2,905 in "other" fees, respectively which resulted in an excess remitted to the School Corporation of \$380 and \$360, respectively, for both school years. Since the individual and final "Fee Payment Reports" for the same time period did not agree, the internal controls over the software program used for textbook rental collections do not appear to be adequate.

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

Liberty Elementary School

The School ran a final "Fee Payment Report by Student" for the school year 2009-2010, which totaled \$5,045 in "other" fees. Individual reports that were abstracted for the same period, totaled \$4,555 in "other" fees which resulted in an excess remitted to the School Corporation of \$490. Since the individual and final "Fee Payment Reports" for the same time period did not agree, internal controls over the software program used for textbook rental collections do not appear to be adequate.

Joan Martin Elementary School

The School ran a final "Fee Payment Report by Student" for the school years 2008-2009 and 2009-2010, which totaled \$8,795 and \$8,180 in "other" fees, respectively. The individual reports that were abstracted for the same period totaled \$8,305 and \$7,300 in "other" fees, respectively which resulted in an excess remitted to the School Corporation of \$490 and \$880, respectively for both school years. Since the individual and final "Fee Payment Reports" for the same time period did not agree, the internal controls over the software program used for textbook rental collections do not appear to be adequate.

Ridge View Elementary School

The School ran a "Fee Payment Report by Category" for the school year 2009-2010 which totaled \$9,879.50 in textbook and other fees. For the same time period, the total of all "Fee Payment Report by Student" reports that were traced to deposits totaled \$10,049. The School remitted \$2,180 in "Other" fees to the School Corporation, based on the "Fee Payment Report by Category" report attached to the claim. Since the two "Fee Payment Reports" for the same time period did not agree, the internal controls over the software program used for textbook rental collections do not appear to be adequate.

Hobart Middle School

The Middle School did not remit any supply and other fees to the School Corporation for the school year 2009-2010. However, \$41,556 was remitted to the School Corporation on January 10, 2011.

Hobart High School

The School ran a final "Fee Payment Report by Category" for the school year 2009-2010, which totaled \$85,483.39 in supply and other fees. Individual reports that were abstracted, totaled in "Supply and Other" fees \$83,823.51, resulting in an excess remitted to the School Corporation of \$1,658.49. Since the individual and final "Fee Payment Reports" for the same time period did not agree, that the internal controls over the software program used for textbook rental collections do not appear to be adequate.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PRESCRIBED FORMS (Applies to Ridge View Elementary and Hobart Middle School)

The Ridge View Elementary School did not use the "Summary Collection Form SA-8" for all collections remitted by teachers and other staff members to the extra-curricular treasurer.

SCHOOL CITY OF HOBART
AUDIT RESULTS AND COMMENTS
(Continued)

The Hobart Middle School did not use Ticket Sales Report (Form SA-4) to account for ticket sales at events or a Register of Investments (Form 350) to track investment activity.

The Summary Collection Form (SA-8) is pre-numbered and to be prepared in duplicate by the sponsor. The original is to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor. The sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extra-curricular treasurer.

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)

RECEIPT ISSUANCE (Applies to Hobart Middle and Hobart High School)

Receipts are written at the time collections are deposited and not at the time they are received.

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 Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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 SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the School City of Hobart (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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

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

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)

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 item 2010-1 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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs 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, the 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

January 31, 2011

SCHOOL CITY OF HOBART
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity <u>Cluster Title/Program Title/Project Title</u>	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.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 117,571	\$ 145,816
National School Lunch Program	10.555		586,389	749,675
Summer Food Service Program for Children	10.559		<u>3,641</u>	<u>40,061</u>
Total for federal grantor agency			<u>707,601</u>	<u>935,552</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
Distinguished School Award			256	-
		07 - 4730	1,784	-
		08 - 4730	396,183	101,159
		09 - 4730	<u>-</u>	<u>430,691</u>
Total for program			<u>398,223</u>	<u>531,850</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10 - 4730	<u>-</u>	<u>117,852</u>
Total for cluster			<u>398,223</u>	<u>649,702</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Education State Grants, Recovery Act	84.394	10 - 4730	<u>594,356</u>	<u>2,073,566</u>
Direct Grant				
Safe and Drug-Free Schools and Communities -				
National Programs	84.184	Q184D080016	67,518	972
		Q184D080016	<u>-</u>	<u>18,512</u>
Total for program			<u>67,518</u>	<u>19,484</u>
Pass-Through Indiana Department of Education				
Career and Technical Education - Basic Grants to States				
	84.048	08-1303-4730	<u>-</u>	<u>750</u>
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	4730 - 06	227	-
		4730 - 07	267	548
		08 - 4730	4,842	990
		09 - 4730	<u>-</u>	<u>9,228</u>
Total for program			<u>5,336</u>	<u>10,766</u>
State Grants for Innovative Programs				
	84.298	06 - 4730	2,538	-
		07 - 4730	<u>5,698</u>	<u>2,826</u>
Total for program			<u>8,236</u>	<u>2,826</u>
English Language Acquisition Grants				
	84.365	06 - 4730	336	-
		07 - 4730	11,514	1,686
		08 - 4730	<u>-</u>	<u>13,633</u>
Total for program			<u>11,850</u>	<u>15,319</u>
Improving Teacher Quality State Grants				
	84.367	06 - 4730	5,151	-
		07 - 4730	83,723	16,980
		08 - 4730	<u>-</u>	<u>77,424</u>
Total for program			<u>88,874</u>	<u>94,404</u>
Total for federal grantor agency			<u>1,174,393</u>	<u>2,866,817</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Disaster #1795	<u>60,037</u>	<u>-</u>
Total federal awards expended			<u>\$ 1,942,031</u>	<u>\$ 3,802,369</u>

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

SCHOOL CITY OF HOBART
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 School City of Hobart (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	\$ 11,700	\$ 15,151
National School Lunch Program	10.555	58,208	78,921

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition 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

No matters are reportable.

SCHOOL CITY OF HOBART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010 – 1, ALLOWABLE COSTS FOR STATE FISCAL STABILIZATION FUND CLUSTER

Federal Agency: U.S. Department of Education
Federal Programs: ARRA - State Fiscal Stabilization Fund (SFSF) –
Education State Grants, Recovery Act
CFDA Numbers: 84.394
Award Numbers: 10-4730
Pass-Through Entity: Indiana Department of Education

The School Corporation disbursed \$29,435 for items that were not allowable per the federal compliance requirements for the State Fiscal Stabilization Fund. The disbursements out of Fund 7950, Fiscal Stabilization, which were not allowable, include \$20,620 for a football scoreboard, \$5,395 for a high jump pit, and \$3,420 for lease payments for the Superintendent's vehicle.

EDGAR § 80.20 Standards for financial management systems states in part: "(b)(5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs."

The American Recovery and Reinvestment Act of 2009, Sec. 14003 states in part:

"USES OF FUNDS BY LOCAL EDUCATIONAL AGENCIES . . .

(b) PROHIBITION. - A local educational agency may not use funds received under this title for -

- (1) payment of maintenance costs;
- (2) stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
- (3) purchases or upgrades of vehicles; . . ."

We considered the above items to be questioned costs for the Program.

We recommended that School Corporation Officials contact the Indiana Department of Education for guidance and resolution.

SCHOOL CITY OF HOBART
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SCHOOL CITY OF HOBART - *“Success For All Students”*

Ted J. Zembala, Business Manager
32 East 7th Street
Hobart, IN 46342

Phone: (219) 945-0250
Fax: (219) 942-0081
e-mail: tzembala@hobart.k12.in.us

CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2010-1, ALLOWABLE COSTS FOR STATE FISCAL STABILIZATION FUND CLUSTER

Federal Agency: U.S. Department of Education
Federal Programs: ARRA – State Fiscal Stabilization Fund (SFSF)
CFDA Numbers: 84.394
Award Numbers: 10-4730
Pass-Through Entity: Indiana Department of Education

The General Fund of a school corporation is allowed to pay all operating expenses with the exception of student transportation. The amount of state funding received by an Indiana school corporation is determined by a legislated funding formula and is distributed in twelve nearly equal installments over a calendar year. In calendar year 2009, public schools were directed to receipt the June 8, 2009 distribution into fund 7950 (Fiscal Stabilization). The September 2009 distribution was remitted in two parts with the lesser amount receipted into fund 7950 (Fiscal Stabilization). It must be noted that the Fiscal Stabilization receipts were not additional dollars to schools but rather “in place of” dollars leading to a conclusion that Fiscal Stabilization funds had the same spending nature as the General Fund.

A memorandum dated June 5, 2009 was sent to schools to answer frequently asked questions that included how some schools may approach spending stabilization funds. This same memorandum also mentioned that there was not a spend-down deadline of stabilization funds. A subsequent September 25th memorandum established an October 31st spend-down date.

To meet the final expenditure and reporting date, most general fund expenditures were charged to fund 7950 (Fiscal Stabilization). This resulted in expenditures that per audit findings were considered ineligible Fiscal Stabilization Fund expenditures. It should be noted that the high jump pit expense was an insurance loss and the insurance loss reimbursement was deposited into the general fund. Funds received from the high school were deposited into the general fund and used for the scoreboard purchase. The solution as discussed with the Department of Education will be to replace the ineligible expenditures in fund 7950 with eligible general fund expenditures.

In future, if the state uses stabilization funds to fund public schools, we would request precise and detailed spending guidelines.



February 10, 2011
(5 attachments)



Indiana Department of Education
SUPPORTING STUDENT SUCCESS

MEMORANDUM

TO: Superintendents, Business Managers, and Charter School Directors

FROM: Lance V. Rhodes
Chief Financial Officer

Peggy E. Smith
Fiscal Analyst

DATE: June 5, 2009

SUBJECT: Receipt Change for June 8, 2009 Tuition Support Distribution

Please be advised the tuition support distribution for the month of June will be electronically deposited into your school corporation/charter school account on Monday, June 8, 2009. This money is coming from the federal fiscal stabilization fund; therefore, it must be tracked separate from the school's general fund.

The deposit made on June 8, 2009 shall be receipted into fund 7950 (Fiscal Stabilization), using receipt account 4580 (American Recovery and Reinvestment Act of 2009). DO NOT TRANSFER THESE FUNDS TO YOUR GENERAL FUND!

Please be sure to expend the majority of funds in 7950 as quickly as possible, to ensure timely reporting of stimulus monies. The biannual financial report (Form 9) ending June 30 will serve as verification of proper accounting.

If you have any questions, please contact Peggy Smith at 1-866-234-1414 or via email to pesmith@doe.in.gov.

Payment Date	Tuition Support	Honors Grant	Special Education Grant	Vocational Education Grant	Prime Time Grant	Total Basic Grant	Total Payment
1/15/2009	\$1,693,177.42	\$5,025.00	\$115,812.75	\$26,237.50	\$34,184.49	\$1,874,437.16	\$1,874,437.16
2/13/2009	\$1,693,177.42	\$5,025.00	\$105,410.55	\$26,237.50	\$34,184.49	\$1,864,034.96	\$1,864,034.96
3/13/2009	\$1,693,177.42	\$5,025.00	\$105,410.55	\$26,237.50	\$34,184.50	\$1,864,034.97	\$1,864,034.97
4/15/2009	\$1,693,177.41	\$5,025.00	\$105,410.55	\$26,237.50	\$34,184.49	\$1,864,034.95	\$1,864,034.95
5/15/2009	\$1,693,177.42	\$5,025.00	\$105,410.55	\$26,237.50	\$34,184.50	\$1,864,034.97	\$1,864,034.97
6/8/2009	\$1,693,177.41	\$5,025.00	\$105,410.55	\$26,237.50	\$34,184.49	\$1,864,034.95	\$1,864,034.95
7/15/2009	\$1,693,177.42	\$5,025.00	\$107,144.25	\$26,237.50	\$34,184.49	\$1,865,768.66	\$1,865,768.66
8/14/2009	\$1,693,177.42	\$5,025.00	\$107,144.25	\$26,237.50	\$34,184.49	\$1,865,768.66	\$1,865,768.66
9/10/2009	\$1,693,177.42	\$5,025.00	\$107,144.25	\$26,237.50	\$34,184.50	\$1,865,768.67	\$1,579,200.79
10/15/2009	\$1,693,177.41	\$5,025.00	\$107,144.25	\$26,237.50	\$34,184.49	\$1,865,768.65	\$1,865,768.65
11/13/2009	\$1,693,177.42	\$5,025.00	\$107,144.25	\$26,237.50	\$34,184.50	\$1,865,768.67	\$1,865,768.67
12/15/2009	\$1,693,177.41	\$5,025.00	\$107,144.25	\$26,237.50	\$34,184.49	\$1,865,768.65	\$1,865,768.65
Total	\$20,318,129.00	\$60,300.00	\$1,285,731.00	\$314,850.00	\$410,213.92	\$22,389,223.92	\$22,102,656.04

-- Plus Adjustments --

-- Minus Adjustments --

Payment Date	Previous Year	Appropriation/Spending Authority Reimbursement	Other	Total Plus Adjustments	Veterans Memorial	Common School	Previous Year	Appropriation / Spending Authority Reductions	Other	Total Minus Adjustments
1/15/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2/13/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3/13/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4/15/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5/15/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6/8/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
7/15/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8/14/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9/10/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$286,567.88	\$286,567.88
10/15/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/13/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
12/15/2009	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$286,567.88	\$286,567.88

PAYMENTS	JAN-JUN	JUL-DEC	TOTALS	CALCULATION OF STATE SUPPORT PER RESIDENT ADM
TOTAL BASIC GRANT	\$11,194,611.96	\$11,194,611.96	\$22,389,223.92	A. RESIDENT ADM FALL 2009 3,829.00
PREVIOUS YEAR +	\$0.00	\$0.00	\$0.00	B. TUITION SUPPORT \$20,318,129.00
OTHER +	\$0.00	\$0.00	\$0.00	C. TUITION SUPPORT PER ADM \$5,306.38
ADJUSTMENTS	\$0.00	\$0.00	\$0.00	D. PRIME TIME GRANT \$410,213.92
TOTAL +	\$0.00	\$0.00	\$0.00	E. PRIME TIME PER K-3 ADM \$397.11
ADJUSTMENTS	\$0.00	\$0.00	\$0.00	* Reflects Actual Reduction
VETERANS MEMORIAL	\$0.00	\$0.00	\$0.00	# Reflects Estimated Reduction
COMMON SCHOOL	\$0.00	\$0.00	\$0.00	
PREVIOUS YEAR -	\$0.00	\$0.00	\$0.00	
OTHER - ADJUSTMENTS	\$0.00	\$286,567.88	\$286,567.88	
TOTAL - ADJUSTMENTS	\$0.00	\$286,567.88	\$286,567.88	
TOTAL PAYMENTS	\$11,194,611.96	\$10,908,044.08	\$22,102,656.04	



MEMORANDUM

TO: Superintendents and Charter School Sponsors

FROM: Peggy E. Smith, Fiscal Analyst
Office of School Finance

DATE: June 5, 2009

SUBJECT: Additional Information Regarding June 8, 2009 Distribution

In an effort to answer some of the questions regarding the June 8, 2009 distribution, I have composed a list of the most common questions.

- 1. *Is there a deadline for expending the money from fund 7950?***
No. There is no set deadline to expend this money from fund 7950. Each school corporation will designate expenditures to be paid from fund 7950. Some school corporations will choose to use all general fund expenditures, while others will choose to pay only a few expenditures.
- 2. *Can a transfer be made from fund 7950 to the general fund?***
No. School corporations need to report, in detail, what expenditures were paid using fund 7950.
- 3. *How will this affect the school corporation's general fund budget appropriations?***
I have been in contact with the Department of Local Government Finance regarding this issue. When the DLGF is reviewing your 2010 budget, the Field Representative will reduce your 2009 General Fund appropriations by the amount distributed to the school corporation to be deposited into fund 7950. The Department of Education will provide the amounts to the DLGF.
- 4. *Is this money separate from the Title I and IDEA Part B stimulus money?***
Yes. The fiscal stabilization money is separate from the other stimulus money that you have been awarded, or will be awarded in the near future.
- 5. *Do we need an approved budget to be able to expend money from fund 7950?***
No. You do not need to wait for an approved budget to expend this money from fund 7950.
- 6. *Does the school corporation need to set up the expenditure accounts in fund 7950 in order to make the expenditure?***
Yes. Accounts must be set up in order to process payments from fund 7950.

If further information is needed, please do not hesitate to contact me at 1-866-234-1414.



Indiana Department of Education
SUPPORTING STUDENT SUCCESS

MEMORANDUM

TO: All Superintendents and Charter School Directors, Business Managers and Treasurers

FROM: Peggy E. Smith, Fiscal Analyst
Office of School Finance

DATE: September 25, 2009

SUBJECT: Fiscal Stabilization – Fund 7950

This memorandum regarding federal reporting requirements for the fiscal stabilization funds received by school corporations and charter schools on June 8, 2009 and September 3, 2009 is time sensitive and must be addressed immediately.

Please complete the attached document to certify expenditures from fund 7950 (Fiscal Stabilization). School corporations must provide detailed expenditure information to demonstrate the stabilization dollars have been expended in an appropriate and timely manner. **All funds in the fiscal stabilization fund must be expended no later than October 31, 2009.**

On the attached document, I have provided you with the amounts your school corporation/charter school received in fiscal stabilization dollars that were to be deposited into fund 7950. If these amounts were NOT receipted into fund 7950, please explain in the space provided. Also, in the grid please show your expenditures from July 1 – October 31, 2009. Please include the expenditure account and total amount of expenditure. Finally, please report your October 31, 2009 cash balance in fund 7950. If it is greater than \$0.00, please give a detailed explanation as to why there is an October 31, 2009 balance. Please sign and date and return to me no later than November 13, 2009.

If you have any questions, please call me toll free at 1-866-234-1414 or locally at 317-232-0840. I can also be reached via email to pesmith@doe.in.gov.

SCHOOL CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2011, with Peggy Buffington, Ph.D., Superintendent of Schools; Ted Zembala, former Treasurer; and Terry Butler, President of the School Board. The official response has been made a part of this report and may be found on pages 62 and 63.

SCHOOL CITY OF HOBART - "Success For All Students"

Ted J. Zembala, Business Manager
32 East 7th Street
Hobart, IN 46342

Phone: (219) 945-0250
Fax: (219) 942-0081
e-mail: tzembala@hobart.k12.in.us

OFFICIAL RESPONSE

For Audit Period July 1 2008 to June 30, 2010
Date of Exit Conference: January 31, 2011

February 8, 2011

State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204-2738

TIMELY DEPOSITS

RESPONSE:

Receipts from State and Federal sources are wired directly into the bank accounts of the school corporation. Receipts from local property tax, excise tax, financial institutions tax, commercial vehicle excise tax, and county supplemental tax received from the Auditor of Lake County Indiana are deposited the same business day the funds are received. Corporation staff responsible for the deposit of miscellaneous revenue and non-revenue receipts will be advised to make deposits within a reasonable amount of time.

HONORS DIPLOMAS - INCORRECT REPORTING TO THE STATE

RESPONSE:

The school corporation will review the procedure for determining the honors diplomas count and take corrective action.

CAPITAL ASSET RECORDS

RESPONSE:

The school corporation will instruct the outside vendor to include land values in the next appraisal.

SCHOOL BUS FEE

RESPONSE:

Both regular and special legal counsel have previously given opinions that the charging of said transportation fees is within the discretion of the Board and consistent with the General School Powers Act, IC 20-5-2-2. In view of the adoption of the Home Rule Act, IC 20-5-1.5 by the Indiana General Assembly during its 1989 Session, the school attorney prepared a resolution for the consideration of the Board of School Trustees of the School City of Hobart at its March 8, 1991 regular meeting adopting the transportation fees in accordance with the newly adopted authority of the School Corporation Home Rule Act. The resolution was adopted on the aforementioned date.

An opinion letter from the Attorney General to the State Examiner, dated July 12, 2010, stated in part, "A public school corporation is not authorized to assess and collect a bus rider fee from a student in order for that student to receive transportation to and from the student's school to receive a public education". In response to this opinion letter, the School City of Hobart has suspended the collection of bus rider fees.

ACCOUNTS PAYABLE VOUCHER - CONTROLS

RESPONSE:

Internal control procedures were reviewed and changed in January 2010 requiring a purchase order for all claims and the certification of goods and services associated with the purchase order by appropriate staff.

SCHOOL LUNCH REPORTING

RESPONSE:

Discussion with the proper personnel will take place to assure that the future submissions of the Annual Financial Report will be timely.

PREPAID FOOD RECONCILEMENT OF DETAIL TO CONTROL

RESPONSE:

The staff responsible for the oversight of "Prepaid Food" shall be instructed to discuss and create controls to reconcile the detail of student balances and to report the proper balances to the State Department of Education.

The School Corporation shall review all remaining audit comments, meet with appropriate staff members for discussion, and take corrective action.



Ted J. Zembala, Business Manager