

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

HANOVER COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
03/15/2013

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Dana Bogathy | 07-01-10 to 06-30-13 |
| Superintendent of Schools | Carol A. Kaiser Richard Cook (Interim) | 07-01-10 to 12-05-12 12-06-12 to 06-30-13 |
| President of the School Board | Dale Poston (Vacant) Julie Mueller Mary Joan Dickson Dana Griner (Vacant) Mary Joan Dickson | 07-01-10 to 12-31-10 01-01-11 to 01-10-11 01-11-11 to 07-10-11 07-11-11 to 06-30-12 07-01-12 to 12-31-12 01-01-13 to 01-07-13 01-08-13 to 12-31-13 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Hanover Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 9, 2013, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement 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 9, 2013



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

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

We have audited the financial statement of the Hanover Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated January 9, 2013. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
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 statement is 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 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.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 9, 2013

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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HANOVER COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 2012

| | Cash and Investments 07-01-10 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-11 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-12 |
|--|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General | \$ 2,094,021 | \$ 11,161,145 | \$ 10,729,837 | \$ (293,182) | \$ 2,232,147 | \$ 11,680,023 | \$ 10,482,569 | \$ (70,000) | \$ 3,359,601 |
| Debt Service | 960,611 | 12,778 | 104,354 | (34,656) | 834,379 | 1,770,987 | 721,470 | - | 1,883,896 |
| Exempt Debt | 3,965,259 | 5,788,472 | 7,359,024 | 58,623 | 2,453,330 | 6,987,029 | 6,656,383 | - | 2,783,976 |
| Exempt Retirement Debt Service | 125,328 | 104,829 | 226,750 | - | 3,407 | 326,306 | 232,516 | - | 97,197 |
| Capital Projects | 427,229 | 1,245,696 | 1,499,381 | - | 173,544 | 1,868,515 | 1,555,801 | - | 486,258 |
| Transportating Operating | 319,994 | 688,697 | 801,615 | - | 207,076 | 1,026,237 | 915,868 | 14,351 | 331,796 |
| Bus Replacement | 204,728 | 273,847 | 420,715 | 2,279 | 60,139 | 379,189 | 192,000 | 11,922 | 259,250 |
| Pension Trust Fund | 112,160 | - | 75,388 | - | 36,772 | - | 26,913 | - | 9,859 |
| RQAW Settlement Construction | 30,515 | 3,350 | 28,705 | - | 5,160 | - | 5,160 | - | - |
| School Lunch | 2,498 | 1,194,999 | 1,141,490 | - | 56,007 | 1,173,806 | 1,123,036 | - | 106,777 |
| Textbook Rental | (116,468) | 248,896 | 235,623 | 70,681 | (32,514) | 296,068 | 287,164 | 70,000 | 46,390 |
| Levy Excess | - | 25,747 | - | - | 25,747 | - | - | (25,747) | - |
| Joint Services and Supply - Vocational | 58,587 | - | 11,203 | - | 47,384 | - | 9,238 | - | 38,146 |
| Education License Plates | (606) | 619 | - | - | 13 | 581 | - | - | 594 |
| Early Intervention Grant | 2,418 | 31,765 | 31,162 | - | 3,021 | 35,188 | 24,948 | - | 13,261 |
| Donations - Flag Pole | 350 | - | - | - | 350 | 6,280 | 3,850 | 1,050 | 3,830 |
| Jr Wildcats - Scouting | 1,359 | - | 394 | - | 965 | - | 847 | - | 118 |
| EC Football Donations | 1,498 | - | - | - | 1,498 | - | - | - | 1,498 |
| Fitness Center | 2,958 | 2,928 | - | - | 5,886 | 1,616 | - | - | 7,502 |
| Donations - Athletic | 25 | - | - | - | 25 | - | - | - | 25 |
| Donations - Art | 10 | - | - | - | 10 | - | - | - | 10 |
| Donations - Preschool | 68 | - | - | - | 68 | - | - | - | 68 |
| 2006 GO Bond | 24,875 | - | - | - | 24,875 | - | - | - | 24,875 |
| Parents As Teachers | 3,895 | - | 2,896 | - | 999 | - | - | - | 999 |
| Literacy For Life Grant | 4,798 | - | - | - | 4,798 | - | - | - | 4,798 |
| High Ability Grant 09-10 | - | 33,068 | 29,457 | (17) | 3,594 | 32,422 | 18,609 | - | 17,407 |
| Common School Technology | (8,819) | 8,819 | - | - | - | 191,000 | 191,000 | - | - |
| Non-English Speaking Program | 6,330 | 4,809 | 9,584 | - | 1,555 | 8,477 | 4,050 | - | 5,982 |
| School Technology | - | 21,956 | 28,414 | 198,551 | 192,093 | 25,455 | 56,002 | - | 161,546 |
| Construction | 2,411,572 | 36,422 | 2,085,470 | 727,000 | 1,089,524 | 1,909,327 | 309,811 | - | 2,689,040 |
| Dairy and Nutrition Council | 20 | - | - | - | 20 | - | - | - | 20 |
| Title I | 21,122 | 142,718 | 187,301 | - | (23,461) | 183,312 | 182,375 | - | (22,524) |
| IDEA | - | - | - | - | - | 69,834 | 69,834 | - | - |
| Drug Free Schools | 117 | - | - | - | 117 | - | - | - | 117 |
| Title VI, Part A | 6,039 | - | - | (1,430) | 4,609 | - | - | - | 4,609 |
| Team Nutrition Mini-grant '10 | - | - | 224 | - | (224) | 4,100 | 3,457 | - | 419 |
| Perkins | 35,367 | 49,311 | 94,801 | - | (10,123) | 105,362 | 115,604 | (1,050) | (21,415) |
| Tech-Prep | 693 | 16,928 | 17,737 | - | (116) | 44,441 | 44,367 | - | (42) |
| Title II, Part A | 12,947 | 15,827 | 44,173 | 1,430 | (13,969) | 111,513 | 96,114 | - | 1,430 |
| Title I - Grants to LEAs (Stimulus) | 17,144 | 35,901 | 58,132 | - | (5,087) | 6,749 | 1,662 | - | - |
| Special Education - Part B Stimulus | (62,860) | 180,075 | 184,711 | - | (67,496) | 110,412 | 42,771 | - | 145 |
| Education Jobs | - | - | - | - | - | 281,813 | 316,200 | - | (34,387) |
| Prepaid School Lunch | 10,787 | 509,981 | 510,680 | - | 10,088 | 500,919 | 500,478 | - | 10,529 |
| Clearing Accounts | 70,441 | 2,426,741 | 2,420,160 | - | 77,022 | 2,591,165 | 2,622,645 | - | 45,542 |
| Totals | \$ 10,747,010 | \$ 24,266,324 | \$ 28,339,381 | \$ 729,279 | \$ 7,403,232 | \$ 31,728,126 | \$ 26,812,742 | \$ 526 | \$ 12,319,142 |

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

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations, and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient and self-insurance payments.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

HANOVER COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

The Indiana Teacher's Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

| | General | Debt Service | Exempt Debt | Exempt Retirement Debt Service | Capital Projects | Transportating Operating | Bus Replacement | Pension Trust Fund | RQAW Settlement Construction |
|---|--------------|--------------|--------------|--------------------------------|------------------|--------------------------|-----------------|--------------------|------------------------------|
| Cash and investments - beginning | \$ 2,094,021 | \$ 960,611 | \$ 3,965,259 | \$ 125,328 | \$ 427,229 | \$ 319,994 | \$ 204,728 | \$ 112,160 | \$ 30,515 |
| Receipts: | | | | | | | | | |
| Local sources | 537,967 | 12,778 | 2,893,472 | 24,829 | 685,696 | 368,697 | 81,847 | - | 3,350 |
| Intermediate sources | 106,383 | - | - | - | - | - | - | - | - |
| State sources | 10,516,156 | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Temporary loans | - | - | 2,895,000 | 80,000 | 560,000 | 320,000 | 192,000 | - | - |
| Other | 639 | - | - | - | - | - | - | - | - |
| Total receipts | 11,161,145 | 12,778 | 5,788,472 | 104,829 | 1,245,696 | 688,697 | 273,847 | - | 3,350 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 7,714,168 | - | - | - | - | - | - | 14,862 | - |
| Support services | 2,875,006 | - | - | - | 588,728 | 596,615 | 352,715 | 60,526 | 3,017 |
| Noninstructional services | 140,663 | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 447,653 | - | - | - | 25,688 |
| Debt services | - | 104,354 | 7,359,024 | 226,750 | 463,000 | 205,000 | 68,000 | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 10,729,837 | 104,354 | 7,359,024 | 226,750 | 1,499,381 | 801,615 | 420,715 | 75,388 | 28,705 |
| Excess (deficiency) of receipts over disbursements | 431,308 | (91,576) | (1,570,552) | (121,921) | (253,685) | (112,918) | (146,868) | (75,388) | (25,355) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | 2,279 | - | - |
| Transfers in | 17 | - | 58,623 | - | - | - | - | - | - |
| Transfers out | (293,199) | (34,656) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | (293,182) | (34,656) | 58,623 | - | - | - | 2,279 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 138,126 | (126,232) | (1,511,929) | (121,921) | (253,685) | (112,918) | (144,589) | (75,388) | (25,355) |
| Cash and investments - ending | \$ 2,232,147 | \$ 834,379 | \$ 2,453,330 | \$ 3,407 | \$ 173,544 | \$ 207,076 | \$ 60,139 | \$ 36,772 | \$ 5,160 |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

| | School Lunch | Textbook Rental | Levy Excess | Joint Services and Supply - Vocational | Education License Plates | Early Intervention Grant | Donations - Flag Pole | Jr Wildcats - Scouting | EC Football Donations |
|---|------------------|--------------------|------------------|--|--------------------------|--------------------------|-----------------------|------------------------|-----------------------|
| Cash and investments - beginning | \$ 2,498 | \$ (116,468) | \$ - | \$ 58,587 | \$ (606) | \$ 2,418 | \$ 350 | \$ 1,359 | \$ 1,498 |
| Receipts: | | | | | | | | | |
| Local sources | 868,443 | 201,829 | 25,747 | - | - | 31,765 | - | - | - |
| Intermediate sources | - | - | - | - | 619 | - | - | - | - |
| State sources | - | 47,067 | - | - | - | - | - | - | - |
| Federal sources | 326,556 | - | - | - | - | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | <u>1,194,999</u> | <u>248,896</u> | <u>25,747</u> | <u>-</u> | <u>619</u> | <u>31,765</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | 2,970 | - | 10,692 | - | 15,028 | - | - | - |
| Support services | 57,151 | 232,653 | - | - | - | 2,418 | - | - | - |
| Noninstructional services | 1,082,291 | - | - | - | - | - | - | 394 | - |
| Facilities acquisition and construction | 2,048 | - | - | 511 | - | 13,716 | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | <u>1,141,490</u> | <u>235,623</u> | <u>-</u> | <u>11,203</u> | <u>-</u> | <u>31,162</u> | <u>-</u> | <u>394</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>53,509</u> | <u>13,273</u> | <u>25,747</u> | <u>(11,203)</u> | <u>619</u> | <u>603</u> | <u>-</u> | <u>(394)</u> | <u>-</u> |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | 70,681 | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>70,681</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>53,509</u> | <u>83,954</u> | <u>25,747</u> | <u>(11,203)</u> | <u>619</u> | <u>603</u> | <u>-</u> | <u>(394)</u> | <u>-</u> |
| Cash and investments - ending | <u>\$ 56,007</u> | <u>\$ (32,514)</u> | <u>\$ 25,747</u> | <u>\$ 47,384</u> | <u>\$ 13</u> | <u>\$ 3,021</u> | <u>\$ 350</u> | <u>\$ 965</u> | <u>\$ 1,498</u> |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

| | Fitness Center | Donations - Athletic | Donations - Art | Donations - Preschool | 2006 GO Bond | Parents As Teachers | Literacy For Life Grant | High Ability Grant 09-10 | Common School Technology |
|---|-------------------|-------------------------|--------------------|--------------------------|------------------|---------------------------|----------------------------------|-----------------------------------|--------------------------------|
| Cash and investments - beginning | \$ 2,958 | \$ 25 | \$ 10 | \$ 68 | \$ 24,875 | \$ 3,895 | \$ 4,798 | \$ - | \$ (8,819) |
| Receipts: | | | | | | | | | |
| Local sources | 2,928 | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | 33,068 | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - | 8,819 |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | <u>2,928</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,068</u> | <u>8,819</u> |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | 29,457 | - |
| Support services | - | - | - | - | - | - | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | 2,896 | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,896</u> | <u>-</u> | <u>29,457</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>2,928</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,896)</u> | <u>-</u> | <u>3,611</u> | <u>8,819</u> |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | (17) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(17)</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>2,928</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,896)</u> | <u>-</u> | <u>3,594</u> | <u>8,819</u> |
| Cash and investments - ending | <u>\$ 5,886</u> | <u>\$ 25</u> | <u>\$ 10</u> | <u>\$ 68</u> | <u>\$ 24,875</u> | <u>\$ 999</u> | <u>\$ 4,798</u> | <u>\$ 3,594</u> | <u>\$ -</u> |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

| | Non-English Speaking Program | School Technology | Construction | Dairy and Nutrition Council | Title I | IDEA | Drug Free Schools | Title VI, Part A | Team Nutrition Mini-grant '10 |
|---|------------------------------------|----------------------|--------------|--------------------------------------|-------------|------|-------------------------|---------------------|-------------------------------------|
| Cash and investments - beginning | \$ 6,330 | \$ - | \$ 2,411,572 | \$ 20 | \$ 21,122 | \$ - | \$ 117 | \$ 6,039 | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | 6,878 | 36,422 | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 4,809 | 15,078 | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | 142,718 | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | 4,809 | 21,956 | 36,422 | - | 142,718 | - | - | - | - |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 9,084 | - | - | - | 173,291 | - | - | - | 224 |
| Support services | 500 | 28,414 | 134,944 | - | 12,636 | - | - | - | - |
| Noninstructional services | - | - | - | - | 1,374 | - | - | - | - |
| Facilities acquisition and construction | - | - | 1,950,526 | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 9,584 | 28,414 | 2,085,470 | - | 187,301 | - | - | - | 224 |
| Excess (deficiency) of receipts over disbursements | (4,775) | (6,458) | (2,049,048) | - | (44,583) | - | - | - | (224) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | 727,000 | - | - | - | - | - | - |
| Transfers in | - | 198,551 | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | (1,430) | - |
| Total other financing sources (uses) | - | 198,551 | 727,000 | - | - | - | - | (1,430) | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (4,775) | 192,093 | (1,322,048) | - | (44,583) | - | - | (1,430) | (224) |
| Cash and investments - ending | \$ 1,555 | \$ 192,093 | \$ 1,089,524 | \$ 20 | \$ (23,461) | \$ - | \$ 117 | \$ 4,609 | \$ (224) |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

| | Perkins | Tech-Prep | Title II, Part A | Title I - Grants to LEAs (Stimulus) | Special Education - Part B Stimulus | Education Jobs | Prepaid School Lunch | Clearing Accounts | Totals |
|---|-------------|-----------|------------------|--|--|-------------------|----------------------------|----------------------|---------------|
| Cash and investments - beginning | \$ 35,367 | \$ 693 | \$ 12,947 | \$ 17,144 | \$ (62,860) | \$ - | \$ 10,787 | \$ 70,441 | \$ 10,747,010 |
| Receipts: | | | | | | | | | |
| Local sources | 25,861 | - | 189 | - | 180,075 | - | - | - | 5,988,773 |
| Intermediate sources | - | - | - | - | - | - | - | - | 107,002 |
| State sources | - | 6,290 | - | - | - | - | - | - | 10,622,468 |
| Federal sources | 23,450 | 10,638 | 15,638 | 35,901 | - | - | - | - | 554,901 |
| Temporary loans | - | - | - | - | - | - | - | - | 4,055,819 |
| Other | - | - | - | - | - | - | 509,981 | 2,426,741 | 2,937,361 |
| Total receipts | 49,311 | 16,928 | 15,827 | 35,901 | 180,075 | - | 509,981 | 2,426,741 | 24,266,324 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 94,801 | 17,737 | 11,561 | 58,132 | 183,451 | - | - | - | 8,335,458 |
| Support services | - | - | 32,612 | - | 150 | - | - | - | 4,978,085 |
| Noninstructional services | - | - | - | - | - | - | - | - | 1,224,722 |
| Facilities acquisition and construction | - | - | - | - | 1,110 | - | - | - | 2,444,148 |
| Debt services | - | - | - | - | - | - | - | - | 8,426,128 |
| Nonprogrammed charges | - | - | - | - | - | - | 510,680 | 2,420,160 | 2,930,840 |
| Total disbursements | 94,801 | 17,737 | 44,173 | 58,132 | 184,711 | - | 510,680 | 2,420,160 | 28,339,381 |
| Excess (deficiency) of receipts over disbursements | (45,490) | (809) | (28,346) | (22,231) | (4,636) | - | (699) | 6,581 | (4,073,057) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | 729,279 |
| Transfers in | - | - | 1,430 | - | - | - | - | - | 329,302 |
| Transfers out | - | - | - | - | - | - | - | - | (329,302) |
| Total other financing sources (uses) | - | - | 1,430 | - | - | - | - | - | 729,279 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (45,490) | (809) | (26,916) | (22,231) | (4,636) | - | (699) | 6,581 | (3,343,778) |
| Cash and investments - ending | \$ (10,123) | \$ (116) | \$ (13,969) | \$ (5,087) | \$ (67,496) | \$ - | \$ 10,088 | \$ 77,022 | \$ 7,403,232 |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

| | General | Debt Service | Exempt Debt | Exempt Retirement Debt Service | Capital Projects | Transportating Operating | Bus Replacement | Pension Trust Fund | RQAW Settlement Construction |
|---|---------------------|---------------------|---------------------|--------------------------------|-------------------|--------------------------|-------------------|--------------------|------------------------------|
| Cash and investments - beginning | \$ 2,232,147 | \$ 834,379 | \$ 2,453,330 | \$ 3,407 | \$ 173,544 | \$ 207,076 | \$ 60,139 | \$ 36,772 | \$ 5,160 |
| Receipts: | | | | | | | | | |
| Local sources | 709,988 | 1,770,987 | 5,749,029 | 233,306 | 1,301,515 | 740,237 | 197,189 | - | - |
| Intermediate sources | 101,884 | - | - | - | - | - | - | - | - |
| State sources | 10,868,151 | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Temporary loans | - | - | 1,238,000 | 93,000 | 567,000 | 286,000 | 182,000 | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | <u>11,680,023</u> | <u>1,770,987</u> | <u>6,987,029</u> | <u>326,306</u> | <u>1,868,515</u> | <u>1,026,237</u> | <u>379,189</u> | <u>-</u> | <u>-</u> |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 7,470,978 | - | - | - | - | - | - | 26,913 | - |
| Support services | 2,867,283 | 42,316 | - | - | 605,158 | 595,868 | - | - | 5,160 |
| Noninstructional services | 144,308 | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 390,643 | - | - | - | - |
| Debt services | - | 679,154 | 6,656,383 | 232,516 | 560,000 | 320,000 | 192,000 | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | <u>10,482,569</u> | <u>721,470</u> | <u>6,656,383</u> | <u>232,516</u> | <u>1,555,801</u> | <u>915,868</u> | <u>192,000</u> | <u>26,913</u> | <u>5,160</u> |
| Excess (deficiency) of receipts over disbursements | <u>1,197,454</u> | <u>1,049,517</u> | <u>330,646</u> | <u>93,790</u> | <u>312,714</u> | <u>110,369</u> | <u>187,189</u> | <u>(26,913)</u> | <u>(5,160)</u> |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | 526 | - | - |
| Transfers in | - | - | - | - | - | 25,747 | 11,396 | - | - |
| Transfers out | (70,000) | - | - | - | - | (11,396) | - | - | - |
| Total other financing sources (uses) | <u>(70,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,351</u> | <u>11,922</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>1,127,454</u> | <u>1,049,517</u> | <u>330,646</u> | <u>93,790</u> | <u>312,714</u> | <u>124,720</u> | <u>199,111</u> | <u>(26,913)</u> | <u>(5,160)</u> |
| Cash and investments - ending | <u>\$ 3,359,601</u> | <u>\$ 1,883,896</u> | <u>\$ 2,783,976</u> | <u>\$ 97,197</u> | <u>\$ 486,258</u> | <u>\$ 331,796</u> | <u>\$ 259,250</u> | <u>\$ 9,859</u> | <u>\$ -</u> |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | School Lunch | Textbook Rental | Levy Excess | Joint Services and Supply - Vocational | Education License Plates | Early Intervention Grant | Donations - Flag Pole | Jr Wildcats - Scouting | EC Football Donations |
|---|-----------------|--------------------|----------------|--|--------------------------------|--------------------------------|-----------------------------|---------------------------|-----------------------------|
| Cash and investments - beginning | \$ 56,007 | \$ (32,514) | \$ 25,747 | \$ 47,384 | \$ 13 | \$ 3,021 | \$ 350 | \$ 965 | \$ 1,498 |
| Receipts: | | | | | | | | | |
| Local sources | 847,843 | 211,991 | - | - | - | - | 6,280 | - | - |
| Intermediate sources | - | - | - | - | 581 | - | - | - | - |
| State sources | - | 84,077 | - | - | - | 35,188 | - | - | - |
| Federal sources | 325,719 | - | - | - | - | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - | - |
| Other | 244 | - | - | - | - | - | - | - | - |
| Total receipts | 1,173,806 | 296,068 | - | - | 581 | 35,188 | 6,280 | - | - |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | 672 | - | 9,238 | - | 23,184 | 3,850 | 499 | - |
| Support services | 45,674 | 286,492 | - | - | - | - | - | 348 | - |
| Noninstructional services | 1,070,679 | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | 6,683 | - | - | - | - | 1,764 | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 1,123,036 | 287,164 | - | 9,238 | - | 24,948 | 3,850 | 847 | - |
| Excess (deficiency) of receipts over disbursements | 50,770 | 8,904 | - | (9,238) | 581 | 10,240 | 2,430 | (847) | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | 70,000 | - | - | - | - | 1,050 | - | - |
| Transfers out | - | - | (25,747) | - | - | - | - | - | - |
| Total other financing sources (uses) | - | 70,000 | (25,747) | - | - | - | 1,050 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 50,770 | 78,904 | (25,747) | (9,238) | 581 | 10,240 | 3,480 | (847) | - |
| Cash and investments - ending | \$ 106,777 | \$ 46,390 | \$ - | \$ 38,146 | \$ 594 | \$ 13,261 | \$ 3,830 | \$ 118 | \$ 1,498 |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | Fitness Center | Donations - Athletic | Donations - Art | Donations - Preschool | 2006 GO Bond | Parents As Teachers | Literacy For Life Grant | High Ability Grant 09-10 | Common School Technology |
|---|-------------------|-------------------------|--------------------|--------------------------|-----------------|---------------------------|----------------------------------|-----------------------------------|--------------------------------|
| Cash and investments - beginning | \$ 5,886 | \$ 25 | \$ 10 | \$ 68 | \$ 24,875 | \$ 999 | \$ 4,798 | \$ 3,594 | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 1,616 | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | 32,422 | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - | 191,000 |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | 1,616 | - | - | - | - | - | - | 32,422 | 191,000 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | 18,609 | - |
| Support services | - | - | - | - | - | - | - | - | 191,000 |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | - | - | - | - | - | - | - | 18,609 | 191,000 |
| Excess (deficiency) of receipts over disbursements | 1,616 | - | - | - | - | - | - | 13,813 | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1,616 | - | - | - | - | - | - | 13,813 | - |
| Cash and investments - ending | \$ 7,502 | \$ 25 | \$ 10 | \$ 68 | \$ 24,875 | \$ 999 | \$ 4,798 | \$ 17,407 | \$ - |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | Non-English Speaking Program | School Technology | Construction | Dairy and Nutrition Council | Title I | IDEA | Drug Free Schools | Title VI, Part A | Team Nutrition Mini-grant '10 |
|---|------------------------------------|----------------------|--------------|--------------------------------------|-------------|--------|-------------------------|---------------------|-------------------------------------|
| Cash and investments - beginning | \$ 1,555 | \$ 192,093 | \$ 1,089,524 | \$ 20 | \$ (23,461) | \$ - | \$ 117 | \$ 4,609 | \$ (224) |
| Receipts: | | | | | | | | | |
| Local sources | - | 12,140 | 1,909,327 | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | 8,477 | 13,315 | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | 183,312 | 69,834 | - | - | 4,100 |
| Temporary loans | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | 8,477 | 25,455 | 1,909,327 | - | 183,312 | 69,834 | - | - | 4,100 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 4,050 | - | 24 | - | 148,401 | - | - | - | 3,232 |
| Support services | - | 17,552 | 231,227 | - | 32,029 | 69,834 | - | - | - |
| Noninstructional services | - | - | - | - | 1,945 | - | - | - | 225 |
| Facilities acquisition and construction | - | 38,450 | 78,560 | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 4,050 | 56,002 | 309,811 | - | 182,375 | 69,834 | - | - | 3,457 |
| Excess (deficiency) of receipts over disbursements | 4,427 | (30,547) | 1,599,516 | - | 937 | - | - | - | 643 |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 4,427 | (30,547) | 1,599,516 | - | 937 | - | - | - | 643 |
| Cash and investments - ending | \$ 5,982 | \$ 161,546 | \$ 2,689,040 | \$ 20 | \$ (22,524) | \$ - | \$ 117 | \$ 4,609 | \$ 419 |

HANOVER COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | Perkins | Tech-Prep | Title II, Part A | Title I - Grants to LEAs (Stimulus) | Special Education - Part B Stimulus | Education Jobs | Prepaid School Lunch | Clearing Accounts | Totals |
|---|--------------------|----------------|------------------|--|--|--------------------|----------------------------|----------------------|----------------------|
| Cash and investments - beginning | \$ (10,123) | \$ (116) | \$ (13,969) | \$ (5,087) | \$ (67,496) | \$ - | \$ 10,088 | \$ 77,022 | \$ 7,403,232 |
| Receipts: | | | | | | | | | |
| Local sources | 888 | - | - | - | 110,412 | - | - | - | 13,802,748 |
| Intermediate sources | - | - | - | - | - | - | - | - | 102,465 |
| State sources | - | - | - | - | - | - | - | - | 11,041,630 |
| Federal sources | 104,474 | 44,441 | 111,513 | 6,749 | - | 281,813 | - | - | 1,131,955 |
| Temporary loans | - | - | - | - | - | - | - | - | 2,557,000 |
| Other | - | - | - | - | - | - | 500,919 | 2,591,165 | 3,092,328 |
| Total receipts | <u>105,362</u> | <u>44,441</u> | <u>111,513</u> | <u>6,749</u> | <u>110,412</u> | <u>281,813</u> | <u>500,919</u> | <u>2,591,165</u> | <u>31,728,126</u> |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 115,604 | 44,367 | 59,328 | 1,662 | 42,771 | 163,792 | - | - | 8,137,174 |
| Support services | - | - | 36,786 | - | - | 152,408 | - | - | 5,179,135 |
| Noninstructional services | - | - | - | - | - | - | - | - | 1,217,157 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | 516,100 |
| Debt services | - | - | - | - | - | - | - | - | 8,640,053 |
| Nonprogrammed charges | - | - | - | - | - | - | 500,478 | 2,622,645 | 3,123,123 |
| Total disbursements | <u>115,604</u> | <u>44,367</u> | <u>96,114</u> | <u>1,662</u> | <u>42,771</u> | <u>316,200</u> | <u>500,478</u> | <u>2,622,645</u> | <u>26,812,742</u> |
| Excess (deficiency) of receipts over disbursements | <u>(10,242)</u> | <u>74</u> | <u>15,399</u> | <u>5,087</u> | <u>67,641</u> | <u>(34,387)</u> | <u>441</u> | <u>(31,480)</u> | <u>4,915,384</u> |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | 526 |
| Transfers in | - | - | - | - | - | - | - | - | 108,193 |
| Transfers out | (1,050) | - | - | - | - | - | - | - | (108,193) |
| Total other financing sources (uses) | <u>(1,050)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>526</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(11,292)</u> | <u>74</u> | <u>15,399</u> | <u>5,087</u> | <u>67,641</u> | <u>(34,387)</u> | <u>441</u> | <u>(31,480)</u> | <u>4,915,910</u> |
| Cash and investments - ending | <u>\$ (21,415)</u> | <u>\$ (42)</u> | <u>\$ 1,430</u> | <u>\$ -</u> | <u>\$ 145</u> | <u>\$ (34,387)</u> | <u>\$ 10,529</u> | <u>\$ 45,542</u> | <u>\$ 12,319,142</u> |

HANOVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2012

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|---|--------------------------------|---|
| Governmental activities: | | |
| Capital leases: | | |
| 2004 Lease Refunded 2007 Renovations | \$ 10,840,000 | \$ 920,000 |
| 2008 Lease Renovations | 10,700,000 | 920,000 |
| 2010 Lease New Middle School Construction | 31,420,000 | 3,050,000 |
| Common school loans payable: | | |
| A0406 | 3,056,677 | 392,883 |
| A0422 | 900,000 | 131,681 |
| A0453 | 105,000 | 27,300 |
| A0495 | 818,475 | 100,263 |
| A0503 | 286,883 | 52,049 |
| A0511 | 10,716,152 | 987,014 |
| A0532 | 936,000 | 84,960 |
| A1270 | 49,710 | 33,554 |
| A1285 | 40,626 | 20,669 |
| A1329 | 13,350 | 13,451 |
| A1409 | 6,050 | 6,080 |
| A1514 | 191,000 | 22,022 |
| General obligation bonds: | | |
| 2004 Severance Debt Bonds | 735,000 | 156,715 |
| Total governmental activities debt | <u>\$ 70,814,923</u> | <u>\$ 6,918,641</u> |

HANOVER COMMUNITY SCHOOL CORPORATION
OTHER REPORTS

The audit report presented herein was prepared in addition to the other official reports prepared for the individual School Corporation offices listed below:

Lincoln Elementary School
Hanover Central High School

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE - ADM CERTIFICATION

The information presented for audit indicated the number of honors diplomas reported to the Indiana Department of Education was overstated by two students for the 2009-2010 school year graduation.

The Average Daily Membership (ADM) records presented for audit did not have a written certification of the records used to report ADM.

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

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN FUND BALANCES

The fund balance of the Textbook Rental Fund was overdrawn \$32,514 at June 30, 2011.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS - TEXTBOOK RENTAL (TBR) RECEIPTS

Textbook Rental (TBR) receipts were issued at the individual schools and the Extra-Curricular Treasurers deposited the collections into the School Corporation's bank account. The Extra-Curricular Treasurers were responsible for remitting the TBR receipts to the School Corporation for recording in the appropriate fund.

Several instances were noted when the TBR receipt information was not remitted to the School Corporation in a timely manner. The School Corporation backdated the receipt to the deposit date instead of the date the information was received from the individual schools. The School Corporation determined when receipts had been deposited but not remitted for recording when performing the monthly bank reconciliation. When those instances occurred, the individual school was notified that the TBR receipt information had not been received.

The School Corporation did not establish a reconciliation process to determine if all TBR receipts had been received.

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

GENERAL FUND EXPENDITURES (Applies to Jane Ball Elementary)

The Extra- Curricular records included a General Fund. The receipts, commingled in the General Fund, are from both student and teacher oriented activities. We compared the receipts and disbursements for the school years 2010-2011 and 2011-2012 as they relate to teaching staff activities versus student activities. We found that expenditures for the teaching staff exceeded the amount of revenue generated from teaching staff activities by \$2,093.42. Thus, revenue generated by student activities was used to subsidize the expenditures made for the teaching staff activities.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

EXTRA-CURRICULAR CLAIM FOR PAYMENT (SA-7) (Applies to Lincoln Elementary)

The Claim For Payment (SA-7) was signed by the Extra-Curricular Treasurer only. The Claim for Payment (SA-7) did not include a signature for approval of payment from the sponsor or principal, as required.

Signatures are required by the person authorized to purchase and the person acknowledging the receipt of the good or services. Additionally, the extra-curricular treasurer is to sign the required certification on the form SA-7. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, 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 Extra-Curricular Accounts, Chapter 7)

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTABLE ITEMS (Applies to Hanover Central High School)

The Athletic Director authorized the order for 150 commemorative T-shirts from a vendor in celebration of the High School Boy's Baseball Championship. According to the vendor invoice, the T-shirts were ordered on June 16, 2011, at a cost of \$942.

The vendor invoice was submitted by the Assistant Athletic Director to the Extra-Curricular (ECA) Treasurer for payment in August 2011. At the time of payment, the ECA Treasurer determined that collections for the sale of the T-shirts had not been remitted for deposit.

According to School Corporation interviews of various school personnel, the T-shirts were sold at a pep rally celebrating the championship win. Thirty T-shirts were believed to be given away at no cost to baseball participants. Each remaining T-shirt was believed to be sold for \$10 each, which would have generated \$1,200 in revenue from the sales. Based on our examination of the ECA records of receipts and deposits, we did not find any evidence that this revenue was deposited in the bank account of the high school. Because several individuals took part in the selling of the T-shirts, we could not determine who was ultimately responsible for remitting the proceeds to the ECA Treasurer.

Collections from the sale of T-shirts had not been received by the ECA Treasurer from the Athletic Department which resulted in an estimated loss of revenue of \$1,200.

Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TICKET SALES FORM (SA-4) (Applies to Hanover Central High School)

Ticket Sales Form SA-4 in use did not contain all the requirements of the prescribed form. The forms were not prenumbered. As a result, full accountability for all monies received from ticketed events using this form could not be established.

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)

***SUBSEQUENT EVENTS – INTERNAL CONTROLS OVER
TEXTBOOK RENTAL RECEIPTING (Applies to All Schools)***

For the 2012-2013 school year, the School Corporation implemented a new software system, Acorn Integrated Student Billing, for textbook rental billings and collections. The following deficiencies concern the receipting of the 2012-2013 textbook and fees with the new software system:

1. The textbook receipts are issued in batches. These batches included receipt numbers that are not in sequential order. Also, the batch report generated by the system did not include all batch numbers.

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

2. The receipts issued for textbook collections do not necessarily relate to collections. The computerized system requires the issuance of a receipt for all changes within the system, such as adjustments for free and reduced lunch, or adding/dropping a class at the High School. Due to the system use of receipts for adjustments, it is difficult to verify that all receipts were deposited without having to review all receipts.
3. A textbook collections report cannot be directly generated from the system indicating all receipt numbers issued, purpose, and amount and type of payment. The software vendor must be contacted to obtain such a report.
4. The School Corporation did not reconcile the amounts recorded in the student system to the collections deposited into the School Corporation's bank account.
5. The output generated from the Acorn Integrated Student Billing computer system, which was used to replace prescribed forms used of textbook collections, was not submitted for approval to the State Board of Accounts.

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.

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)

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Hanover Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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.

As described in item 2012-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding reporting that is applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the period of July 1, 2010 to June 30, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, 2012-2, and 2012-3 to be material weaknesses.

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

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 9, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

HANOVER COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

| Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 06-30-11 | Total Federal Awards Expended 06-30-12 |
|---|---------------------------|--|---|---|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Pass-Through Indiana Department of Education | | | | |
| Child Nutrition Cluster | | | | |
| School Breakfast Program | 10.553 | | \$ 60,506 | \$ 60,858 |
| National School Lunch Program | 10.555 | | 308,870 | 321,841 |
| Total for cluster | | | <u>369,376</u> | <u>382,699</u> |
| Team Nutrition Grants | 10.574 | | - | 3,681 |
| Total for federal grantor agency | | | <u>369,376</u> | <u>386,380</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 | 10-4580 | 19,998 | - |
| | | 11-4580 | 122,720 | 66,585 |
| | | 12-4580 | - | 116,727 |
| Total for program | | | <u>142,718</u> | <u>183,312</u> |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | | <u>35,901</u> | <u>6,749</u> |
| Total for cluster | | | <u>178,619</u> | <u>190,061</u> |
| Pass-Through Northwest Indiana Special Education Cooperative | | | | |
| Special Education Cluster (IDEA) | | | | |
| ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act | 84.391 | | <u>180,075</u> | <u>110,412</u> |
| Total for cluster | | | <u>180,075</u> | <u>110,412</u> |
| Pass-Through Indiana Department of Education | | | | |
| Career and Technical Education - Basic Grants to States (Perkins IV) | 84.048 | 10-4700-4580 | 58,517 | - |
| | | 11-4700-4580 | 24,811 | 76,900 |
| | | 12-4700-4580 | - | 27,574 |
| | | 11-6200-4580 | - | 35,890 |
| | | A58-1-11CI-048 | <u>10,638</u> | <u>8,551</u> |
| Total for program | | | <u>93,966</u> | <u>148,915</u> |
| Pass-Through Indiana Department of Workforce Development | | | | |
| Tech-Prep Education | 84.243 | TP-9-263 | <u>6,290</u> | - |
| Pass-Through Indiana Department of Education | | | | |
| Improving Teacher Quality State Grants | 84.367 | 08-4580 | 12,826 | - |
| | | 09-4580 | 15,638 | 48,450 |
| | | 10-4580 | - | 63,063 |
| Total for program | | | <u>28,464</u> | <u>111,513</u> |
| Education Jobs Fund | 84.410 | | - | 281,813 |
| Total for federal grantor agency | | | <u>487,414</u> | <u>842,714</u> |
| Total federal awards expended | | | <u>\$ 856,790</u> | <u>\$ 1,229,094</u> |

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hanover Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2011 and 2012:

| Program Title | Federal CFDA Number | 2011 | 2012 |
|---|---------------------------|-----------|-----------|
| Career and Technical Education – Basic Grants to States | 84.048 | \$ 37,984 | \$ 88,526 |
| Improving Teacher Quality State Grants | 84.367 | 9,251 | 21,067 |

Note 3. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

| Program Title | Federal CFDA Number | 2011 | 2012 |
|-------------------------------|---------------------------|----------|----------|
| School Breakfast Program | 10.553 | \$ 6,698 | \$ 9,061 |
| National School Lunch Program | 10.555 | 35,869 | 47,919 |

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-1 - INTERNAL CONTROLS OVER TITLE I ELIGIBILITY

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I
Grants to Local Educational Agencies, Recovery Act

CFDA Number: 84.010, 84.389

Federal Award Number and Year (or Other Identifying Number): 10-4580, 11-4580, 12-4580

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the compliance requirements for eligibility. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

The enrollment and free/reduced poverty counts in the Eligible Schools Summary section of the Title I application is a prepopulated number entered by the Indiana Department of Education. Title I personnel did not verify those prepopulated numbers for accuracy. These numbers are used to calculate the poverty percentage at each school and the dollar amount received for Title I.

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds for the School Corporation.

We recommended that the School Corporation's management establish controls related to the grant agreement and eligibility compliance requirements.

**FINDING 2012-2 - INTERNAL CONTROLS OVER CHILD
NUTRITION CLUSTER SPECIAL TEST AND PROVISIONS**

Federal Agency: U. S. Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Special Tests - Verification and School Food Accounts. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

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

Verification

Once applications have been approved based on income information submitted, the School Food Authority selects the required number of applications to be verified. The next phase is to confirm that the application was approved correctly. This should be verified by someone other than the person who approved the application. There is a line in the verification section of the application to place the date and name of the person who verified the application.

The confirmation review was not completed in the verification process. Therefore, it could not be determined if the application was verified by someone other than the person who approved the application.

School Food Accounts

All school lunch collections and the purchases of meals were accounted for through the Meal Time system. The Meal Time system has, at any given time, a balance of what is remaining on each student's meal account. The student lunch collections and purchases of meals were also recorded in aggregate in the School Corporation's ledgers. The total of the student account balances and the School Corporation's ledger balance should be in agreement. School lunch and School Corporation personnel did not verify that these two amounts were in agreement nor did they perform any reconciliation of the two systems.

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds for the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Special Tests – Verification and School Food Accounts.

***FINDING 2012-3 – COMPLIANCE AND INTERNAL CONTROLS
OVER REPORTING FOR THE CHILD NUTRITION CLUSTER***

Federal Agency: U. S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Pass-Through Entity: Indiana Department of Education

The Annual Financial Report should include all financial transactions for fiscal year July 1 through June 30, thereby reflecting the financial position of the School Food Service Fund as of June 30. There were two Annual Financial Reports submitted for the audit period but the reports did not agree to the School Corporation's records. The beginning and ending operating balance did not agree with the School Corporation's records. The Balance of Accounts (remaining student account balances) reported in the Annual Financial Report did not agree with the School Corporation's ledger. A verification that the prepared Annual Financial Reports were in agreement with the School Corporation's ledger was not performed.

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

The following table presents the variances between what was reported as compared to the fund (ledger) amounts for the Annual Financial Reports submitted for 2010-2011 and 2011-2012 program years:

| Description | Report Amount | Ledger Amount | Variance |
|-------------------------------|----------------------|----------------------|----------------------|
| <u>2010-2011 Program Year</u> | | | |
| Account balance: | | | |
| Beginning balance | \$ 54,026.26 | \$ 2,497.92 | \$ 51,528.34 |
| Income total | 865,242.08 | 856,394.43 | 8,847.65 |
| Expense total | <u>727,241.77</u> | <u>802,885.47</u> | <u>(75,643.70)</u> |
| Ending balance | <u>\$ 192,026.57</u> | <u>\$ 56,006.88</u> | <u>\$ 136,019.69</u> |
| <u>2011-2012 Program Year</u> | | | |
| Account balance: | | | |
| Beginning balance | \$ 192,026.57 | \$ 56,006.88 | \$ 136,019.69 |
| Income total | 818,966.63 | 832,579.88 | (13,613.25) |
| Expense total | <u>783,254.82</u> | <u>781,808.32</u> | <u>1,446.50</u> |
| Ending balance | <u>\$ 227,738.38</u> | <u>\$ 106,778.44</u> | <u>\$ 120,959.94</u> |

7CFR 210.15(a) Reporting summary, states in part: "Participating school food authorities are required to submit forms and reports to the State agency or the distributing agency, as appropriate, to demonstrate compliance with Program requirements."

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. The School Corporation is not in compliance with reporting requirements for this program. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds for the School Corporation.

We recommended that the School Corporation's management establish controls related to the grant agreement and all reporting requirements.



Board of School Trustees

Mary Joan Dickson
Dana Griner
Patricia Kocot
Julie Mueller
James Sakelaris

Central Office

Carol A. Kaiser
Superintendent

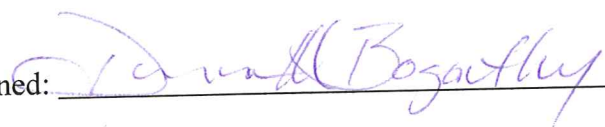
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2010-2

Original SBA Audit Report Number B38550
Fiscal Year July 1, 2008- June 30, 2010
Auditee Contact Person Dana M. Bogathy
Title of Contact Person Treasurer
Phone 219-374-3500
Status of Finding Corrected

Corrective Action:

The School Corporation has changed procedures and personnel to ensure all grant funds are handled in the appropriate manner. Federal grants are now on reimbursement status in 30 day arrears. Funds are expended prior to requesting reimbursement.

Signed:  Date: 12/20/12



Board of School Trustees

Mary Joan Dickson
Dana Griner
Patricia Kocot
Julie Mueller
James Sakelaris

Central Office

Carol A. Kaiser
Superintendent

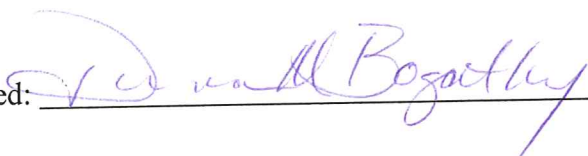
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

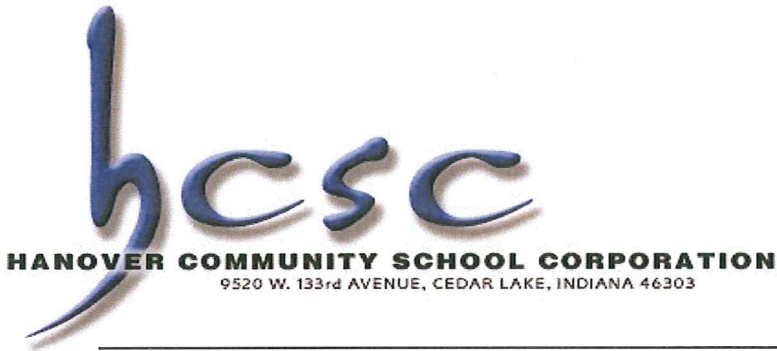
Finding Number 2010-3

| | |
|----------------------------------|-----------------------------|
| Original SBA Audit Report Number | B38550 |
| Fiscal Year | July 1, 2008- June 30, 2010 |
| Auditee Contact Person | Dana M. Bogathy |
| Title of Contact Person | Treasurer |
| Phone | 219-374-3500 |
| Status of Finding | Corrected |

Corrective Action:

The School Corporation has changed procedures and personnel to ensure all grant funds are handled in the appropriate manner. Quarterly reports are filed using actual expenditures and fund balances from the school corporation ledgers. Supporting documentation is collected and kept in a file with a copy of the filed quarterly report. Quarterly reports are verified with the grant program assistant.

Signed:  Date: 12/20/12



Board of School Trustees

Mary Pat Burkel
Mary Joan Dickson
Julie Mueller
James Sakelaris
Dennis Wilkening

Central Office

Richard G. Cook
Interim Superintendent

CORRECTIVE ACTION PLAN

Finding Number 2012-1
Fiscal Year July 1, 201-- June 30, 2012
Auditee Contact Person Dana M. Bogathy
Title of Contact Person Director of Business Services
Phone 219-374-3500
Status of Finding Corrected

Corrective Action:

The School Corporation has assigned the task of verifying the prepopulated numbers in the Title I grant application to the Title I Grant Coordinator and the Title I Program Coordinator. These numbers will be verified prior to submitting the grant for approval.

Signed:  Date: 1/9/13



Board of School Trustees

Mary Pat Burkel
Mary Joan Dickson
Julie Mueller
James Sakelaris
Dennis Wilkening

Central Office

Richard G. Cook
Interim Superintendent

CORRECTIVE ACTION PLAN

Finding Number 2012-2
Fiscal Year July 1, 2010- June 30, 2012
Auditee Contact Person Dana M. Bogathy
Title of Contact Person Director of Business Services
Phone 219-374-3500
Status of Finding Corrected- in progress

Corrective Action:

Confirmation review of meal assistance application that has been selected for verification will be completed by the Nutrition Services Office Manager. Meal assistance applications will continue to be originally approved by the Food Service Director.

Reconcilement of the student meal account system (Meal Time) and the corporation ledger for deposits in trust will be completed monthly by the Food Service Director and the Nutrition Services Office Manager and reported to the school corporation treasurer.

Signed: *Dana M Bogathy* Date: 11/9/13



Board of School Trustees

Mary Pat Burkel
Mary Joan Dickson
Julie Mueller
James Sakelaris
Dennis Wilkening

Central Office

Richard G. Cook
Interim Superintendent

CORRECTIVE ACTION PLAN

Finding Number 2012-3
Fiscal Year July 1, 2010- June 30, 2012
Auditee Contact Person Dana M. Bogathy
Title of Contact Person Director of Business Services
Phone 219-374-3500
Status of Finding Corrected

Corrective Action:

The School Corporation has assigned the task of completing and submitting the Annual Financial Report for the School Food Service Fund to the Food Service Director and the Nutritional Services Office Manager. The school corporation Treasurer will verify the Annual Financial Report agrees with the corporation ledger and biannual report prior to submitting the report.

The School Corporation will also work with the Department of Education to correct the discrepancies on the Annual Financial Report.

Signed: *Dana M Bogathy* Date: *1/9/13*

HANOVER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2013, with Mary Joan Dickson, President of the School Board; Richard Cook, Superintendent of Schools; and Dana Bogathy, Treasurer. The Official Response has been made a part of this report and may be found on pages 50 through 52.

The contents of this report were discussed on January 9, 2013, with Carol A. Kaiser, former Superintendent of Schools.



Board of School Trustees

Mary Pat Burkel
Mary Joan Dickson
Julie Mueller
James Sakelaris
Dennis Wilkening

Central Office

Richard G. Cook
Interim Superintendent

January 23, 2013

State Board of Accounts
301 W. Washington St.
Room E418
Indianapolis, IN 46204-2765

Please let this letter serve as our official response from Hanover Community School Corporation concerning the recent audit for school years 2010-11 and 2011-12.

First, I would like to thank auditors Cindy David, Carla Wenger, and Karen Tetrault. All three were very professional in their reviewing of our books for the two school years shown above. The assigned auditors were very courteous in their requests made to the Administration, and they were very courteous in discussing the deficiencies shown in our audit.

Shown below is our response to the deficiencies the auditors found for Hanover Community School Corporation:

Hanover Community School Corporation Audit Results and Comments

**HONORS DIPLOMA-INCORRECT REPORTING TO THE STATE/ADM
CERTIFICATION**

In response to the Honors Diploma error, the school corporation will review the procedure for determining the honors diplomas count. The school corporation DOE Reports/Student Data Systems Coordinator will prepare the report. The report will then be certified and endorsed by the high school counselor and high school principal prior to submitting.

The school corporation will reimburse the Department of Finance the overpayment amount once the notice is received.

Prior to submitting the DOE-ME report, the school corporation DOE Reports/Student Data Systems Coordinator will require each building principal to certify and endorse the supporting documentation for their building count. Any adjustments made by the DOE Reports/Student Data Systems Coordinator will be certified and endorsed by the building principal prior to submitting the completed report to Superintendent and Treasurer for signature.

OVERDRAWN CASH BALANCES

There was a deficiency of \$32,514 in the textbook rental fund as of June 30, 2011. Please be advised that a \$70,000 deposit was made in January 2012 to offset said deficiency.

INTERNAL CONTROLS-TEXTBOOK RENTALS (TBR) RECEIPTS

Corporation staff responsible for the deposit of textbook rental receipts will be advised to make deposits within a reasonable amount of time. Extra-Curricular treasures will submit records of the corporation bank deposits to the Deputy Treasurer within a reasonable amount of time. The Deputy Treasurer will not back date the receipts of these deposits.

The Corporation Treasurer will reconcile the student fees system to the corporation ledger of receipts at regular intervals.

GENERAL FUND EXPENDITURES (APPLIES TO Jane Ball Elementary School)

The Corporation Treasurer has met with the Jane Ball treasurer and Principal to address this area. Effective at the end of the 2011-12 school year, the treasurer at Jane Ball will create a fund entitled, "Staff Services." Only proceeds generated by the staff such as "pop machine" funds will be deposited into the Staff Services Fund. All funds in the current "General Fund" will be transferred into the "Student Activity Fund". Only funds generated by the students will be deposited into the Student Activity Fund. Both the Jane Ball treasurer and Principal have agreed to this correction for the future.

EXTRA-CURRICULAR CLAIM FOR PAYMENT (SA-7) (APPLIES TO Lincoln Elementary School)

Please be advised the Corporation Treasurer has discussed with the Principal and bookkeeper at Lincoln Elementary School to make sure proper procedure is followed for any extra-curricular claim for payment. The Principal will sign all Claim for Payment SA-7 forms prior to expenditure of funds.

ACCOUNTABLE ITEMS (APPLIES TO Hanover Central School)

Staff involved with the collection of the commemorative T-shirts has been replaced or reassigned. The Corporation will use the Accountable Items Review Form SA-9 for all fundraisers. The Extra-Curricular Treasurer will verify the profitability of the fundraiser and discuss the results with the sponsor prior to payment of the fundraiser vendor. A copy of the finalized Accountable Items Review Form SA-9 will be submitted to the Principal or Athletic Director for review of the fundraiser.

TICKET SALES FORM (SA-4) (Applies to Hanover Central School)

The Corporation will use pre-numbered Ticket Sales Form SA-4 for the sale of tickets at events.

SUBSEQUENT EVENTS- INTERNAL CONTROLS OVER TEXTBOOK RENTAL RECEIPTING

After discussing this finding with our student fees software company, ACORN, it has been determined that the company will add a receipt number in addition to the existing transaction number to show on the receipts and throughout the system. The transaction number is sequential without any gaps, but the sequence includes transactions of all transaction types. Receipt numbers will be sequential within each specific transaction type. This means whenever someone

is looking at a receipt number for payments, all payments will have its own sequence without any gaps.

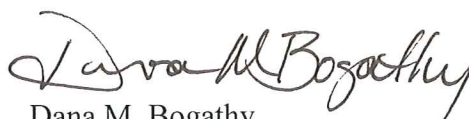
The Corporation Treasurer will reconcile the student fees system to the corporation ledger of receipts regularly. The corporation will submit the ACORN generated receipt form for approval by the State Board of Accounts.

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

Respectfully submitted,



Richard G. Cook
Interim Superintendent



Dana M. Bogathy
Treasurer