

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

EXAMINATION REPORT
OF
RANDOLPH SOUTHERN SCHOOL CORPORATION
RANDOLPH COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
12/22/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Government-Wide Financial Statements:	
Statements of Cash and Investments	4-5
Statements of Cash Activities.....	6-7
Fund Financial Statements:	
Governmental Funds:	
Statements of Receipts, Disbursements, and Cash and Investment Balances	
– Governmental Funds.....	8-9
Fiduciary Funds:	
Statements of Receipts, Disbursements, and Changes in Cash and Investments	
– Fiduciary Funds.....	10-11
Statements of Cash and Investments – Fiduciary Funds	12-13
Notes to Financial Information.....	14-16
Supplementary Information:	
Schedule of Capital Assets	17
Schedule of Long-Term Debt.....	18
Examination Results and Comments:	
Appropriations.....	19
Overdrawn Cash Balances	19
Exit Conference.....	20

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela D. Welch	07-01-04 to 06-30-07
Superintendent of Schools	Michael J. Necessary	07-01-04 to 06-30-09
President of the School Board	Ronald W. Stephen Keith A. Hart Russ Isenbarger	07-01-04 to 06-30-05 07-01-05 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF RANDOLPH SOUTHERN SCHOOL
CORPORATION, RANDOLPH COUNTY, INDIANA

We have examined the financial information presented herein of Randolph Southern School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

November 15, 2006

RANDOLPH SOUTHERN SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 844,022
Restricted assets:	
Cash and investments	<u>140,864</u>
Total assets	<u>\$ 984,886</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 140,864
Unrestricted	<u>844,022</u>
Total net assets	<u>\$ 984,886</u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 759,778
Restricted assets:	
Cash and investments	<u>200,682</u>
Total assets	<u>\$ 960,460</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 200,682
Unrestricted	<u>759,778</u>
Total net assets	<u>\$ 960,460</u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,202,070	\$ -	\$ 37,154	\$ (2,164,916)
Support services	2,824,103	165,008	98,305	(2,560,790)
Community services	40,327	-	-	(40,327)
Nonprogrammed charges	129,335	-	-	(129,335)
Debt service	788,819	-	-	(788,819)
Total governmental activities	<u>\$ 5,984,654</u>	<u>\$ 165,008</u>	<u>\$ 135,459</u>	<u>(5,684,187)</u>
General receipts:				
Property taxes				2,552,995
Other local sources				420,005
State aid				2,451,055
Grants and contributions not restricted				377,729
Bonds and loans				400,000
Sale of property, adjustments, and refunds				9,590
Investment earnings				11,796
Intergovernmental transfers				<u>60,708</u>
				Total general receipts and intergovernmental transfers <u>6,283,878</u>
				Change in cash and investments 599,691
				Net assets - beginning <u>385,195</u>
				Net assets - ending <u><u>\$ 984,886</u></u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,139,961	\$ -	\$ 32,953	\$ (2,107,008)
Support services	2,714,346	171,416	91,583	(2,451,347)
Community services	50,920	-	-	(50,920)
Nonprogrammed charges	100,712	-	-	(100,712)
Debt service	678,158	-	-	(678,158)
Total governmental activities	\$ 5,684,097	\$ 171,416	\$ 124,536	(5,388,145)
General receipts:				
Property taxes				2,028,037
Other local sources				367,264
State aid				2,561,894
Grants and contributions not restricted				345,937
Bonds and loans				1,500
Sale of property, adjustments, and refunds				3,311
Investment earnings				25,798
Intergovernmental transfers				29,978
				5,363,719
				(24,426)
				984,886
				\$ 960,460

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,685,034	\$ 375,998	\$ 355,180	\$ 476,714	\$ 39,446	\$ 216,507	\$ 3,148,879
Intermediate sources	200	-	-	-	-	338	538
State sources	2,477,530	-	-	-	-	79,322	2,556,852
Federal sources	439	-	-	-	-	407,338	407,777
Bonds and loans	350,000	20,000	-	30,000	-	-	400,000
Sale of property, adjustments and refunds	1,641	138	-	3,762	-	4,050	9,591
Intergovernmental transfers	5,629	-	-	-	-	55,079	60,708
Total receipts	<u>4,520,473</u>	<u>396,136</u>	<u>355,180</u>	<u>510,476</u>	<u>39,446</u>	<u>762,634</u>	<u>6,584,345</u>
Disbursements:							
Current:							
Instruction	1,926,209	-	-	-	-	275,861	2,202,070
Support services	1,643,918	278,471	-	426,113	54,251	421,350	2,824,103
Community services	40,013	-	-	-	-	314	40,327
Nonprogrammed charges	42,523	25,290	279	350	5,029	55,864	129,335
Debt services	470,361	-	234,536	37,605	-	46,317	788,819
Total disbursements	<u>4,123,024</u>	<u>303,761</u>	<u>234,815</u>	<u>464,068</u>	<u>59,280</u>	<u>799,706</u>	<u>5,984,654</u>
Excess (deficiency) of total receipts over (under) total disbursements	397,449	92,375	120,365	46,408	(19,834)	(37,072)	599,691
Cash and investments - beginning	41,503	(14,952)	20,263	(25,397)	56,364	307,414	385,195
Cash and investments - ending	<u>\$ 438,952</u>	<u>\$ 77,423</u>	<u>\$ 140,628</u>	<u>\$ 21,011</u>	<u>\$ 36,530</u>	<u>\$ 270,342</u>	<u>\$ 984,886</u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,292,485	\$ 288,352	\$ 245,406	\$ 416,892	\$ 80,941	\$ 267,572	\$ 2,591,648
Intermediate sources	100	-	-	-	-	394	494
State sources	2,583,668	-	-	-	-	68,297	2,651,965
Federal sources	-	-	-	-	-	380,775	380,775
Bonds and loans	1,500	-	-	-	-	-	1,500
Sale of property, adjustments and refunds	2,808	266	-	-	-	237	3,311
Intergovernmental transfers	2,705	290	-	-	-	26,983	29,978
Total receipts	<u>3,883,266</u>	<u>288,908</u>	<u>245,406</u>	<u>416,892</u>	<u>80,941</u>	<u>744,258</u>	<u>5,659,671</u>
Disbursements:							
Current:							
Instruction	1,880,981	-	-	-	-	258,980	2,139,961
Support services	1,665,012	288,696	-	327,829	42,198	390,611	2,714,346
Community services	50,502	-	-	-	-	418	50,920
Nonprogrammed charges	42,661	15,000	-	-	2,800	40,251	100,712
Debt services	350,000	20,000	233,439	30,000	-	44,719	678,158
Total disbursements	<u>3,989,156</u>	<u>323,696</u>	<u>233,439</u>	<u>357,829</u>	<u>44,998</u>	<u>734,979</u>	<u>5,684,097</u>
Excess (deficiency) of total receipts over (under) total disbursements	(105,890)	(34,788)	11,967	59,063	35,943	9,279	(24,426)
Cash and investments - beginning	438,952	77,423	140,628	21,011	36,530	270,342	984,886
Cash and investments - ending	<u>\$ 333,062</u>	<u>\$ 42,635</u>	<u>\$ 152,595</u>	<u>\$ 80,074</u>	<u>\$ 72,473</u>	<u>\$ 279,621</u>	<u>\$ 960,460</u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 3,137
Intermediate sources	-	4,137
Bonds and loans	729,031	-
Sale of property, adjustments and refunds	<u>-</u>	<u>5,049</u>
Total additions	<u>729,031</u>	<u>12,323</u>
Deductions:		
Instruction	-	12
Support services	621,051	1,626
Community services	-	2,157
Nonprogrammed charges	<u>-</u>	<u>9,246</u>
Total deductions	<u>621,051</u>	<u>13,041</u>
Excess (deficiency) of total additions over (under) total deductions	107,980	(718)
Cash and investments - beginning	<u>15,228</u>	<u>74,975</u>
Cash and investments - ending	<u>\$ 123,208</u>	<u>\$ 74,257</u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 500
Intermediate sources	-	16,100
Sale of property, adjustments and refunds	-	5,784
Total additions	-	22,384
Deductions:		
Support services	-	500
Community services	-	11,554
Nonprogrammed charges	-	2,575
Total deductions	-	14,629
Excess of total additions over total deductions	-	7,755
Cash and investments - beginning	123,208	74,257
Cash and investments - ending	\$ 123,208	\$ 82,012

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>123,208</u>	\$ <u>74,257</u>
 <u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ <u>123,208</u>	\$ <u>74,257</u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 123,208	\$ 82,012
	<u> </u>	<u> </u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 123,208	\$ 82,012
	<u> </u>	<u> </u>

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

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

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

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

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

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

Funding Policy and Annual Pension Cost

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

RANDOLPH SOUTHERN SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received. The School Corporation does not own any general infrastructure assets.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 125,678
Buildings	10,559,683
Improvements other than buildings	72,185
Machinery and equipment	3,231,804
Construction in progress	<u>1,287,789</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 15,277,139</u>

RANDOLPH SOUTHERN SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

The School Corporation has entered into the following long-term debt issues:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Elementary School	\$ 90,000	\$ 92,594
HVAC System	32,972	27,326
Energy Savings	1,502,850	-
Notes and loans payable	351,465	83,504
Bonds payable:		
General obligation bonds:		
Athletic Annex	485,000	26,190
Pension	645,000	88,084
Total governmental activities long-term debt	<u>\$ 3,107,287</u>	<u>\$ 317,698</u>

RANDOLPH SOUTHERN SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

Disbursements from the Capital Projects Fund in 2005 exceeded approved appropriations by \$8,897.67.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

The cash balance of the Rural Education Achievement Program Fund was overdrawn by \$513.11 at June 30, 2005. The cash balance of the Special Education Fund was overdrawn by \$5,901.30 at June 30, 2006.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RANDOLPH SOUTHERN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2006, with Michael J. Necessary, Superintendent of Schools; Pamela D. Welch, Treasurer; and Russ Isenbarger, President of the School Board. The officials concurred with our findings.