

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

EXAMINATION REPORT
OF
CASTON SCHOOL CORPORATION
FULTON 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:	
Statement of Cash and Investments	4-5
Statement of Cash Activities	6-7
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	8-9
Notes to Financial Information.....	10-12
Supplementary Information:	
Schedule of Capital Assets	13
Schedule of Long-Term Debt.....	14
Exit Conference.....	15

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cozetta Grable	07-01-04 to 06-30-07
Superintendent of Schools	Robert K. Huffman	07-01-04 to 06-30-07
President of the School Board	Russell Phillips Dr. James Ayres Bruce Cress	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 CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

We have examined the financial information presented herein of Caston 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

October 16, 2006

CASTON SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,146,750
Restricted assets:	
Cash and investments	<u>174,395</u>
Total assets	<u>\$ 4,321,145</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 174,395
Unrestricted	<u>4,146,750</u>
Total net assets	<u>\$ 4,321,145</u>

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

CASTON SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,933,051
Restricted assets:	
Cash and investments	<u>153,370</u>
Total assets	<u>\$ 5,086,421</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 153,370
Unrestricted	<u>4,933,051</u>
Total net assets	<u>\$ 5,086,421</u>

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

CASTON 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	\$ 2,141,655	\$ -	\$ 39,884	\$ (2,101,771)
Support services	3,384,019	259,448	104,073	(3,020,498)
Community services	79,516	-	-	(79,516)
Nonprogrammed charges	383,984	-	-	(383,984)
Debt service	573,334	-	-	(573,334)
Total governmental activities	<u>\$ 6,562,508</u>	<u>\$ 259,448</u>	<u>\$ 143,957</u>	<u>(6,159,103)</u>
General receipts:				
Property taxes				4,754,233
Other local sources				645,627
State aid				2,902,045
Grants and contributions not restricted				106,296
Sale of property, adjustments, and refunds				15,110
Investment earnings				<u>21,002</u>
Total general receipts				<u>8,444,313</u>
Change in cash and investments				2,285,210
Net assets - beginning				<u>2,035,935</u>
Net assets - ending				<u>\$ 4,321,145</u>

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

CASTON 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	\$ 2,160,149	\$ -	\$ 35,728	\$ (2,124,421)
Support services	3,916,719	279,225	116,335	(3,521,159)
Community services	84,810	-	-	(84,810)
Nonprogrammed charges	436,658	-	-	(436,658)
Debt service	263,065	-	-	(263,065)
Total governmental activities	\$ 6,861,401	\$ 279,225	\$ 152,063	(6,430,113)
General receipts:				
Property taxes				3,278,605
Other local sources				483,896
State aid				3,012,374
Grants and contributions not restricted				128,390
Bonds and loans				100,000
Sale of property, adjustments, and refunds				110,427
Investment earnings				81,697
Total general receipts				7,195,389
Change in cash and investments				765,276
Net assets - beginning				4,321,145
Net assets - ending				\$ 5,086,421

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

CASTON 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	\$ 2,868,619	\$ 803,245	\$ 452,189	\$ 1,112,375	\$ 165,995	\$ 277,710	\$ 5,680,133
Intermediate sources	173	-	-	-	-	-	173
State sources	2,930,345	-	-	-	-	47,273	2,977,618
Federal sources	-	-	-	-	-	174,680	174,680
Sale of property, adjustments and refunds	6,579	1,596	-	450	-	6,489	15,114
Intergovernmental transfers	3,500	-	-	-	-	348,403	351,903
Total receipts	<u>5,809,216</u>	<u>804,841</u>	<u>452,189</u>	<u>1,112,825</u>	<u>165,995</u>	<u>854,555</u>	<u>9,199,621</u>
Disbursements:							
Current:							
Instruction	2,051,224	-	-	-	-	90,431	2,141,655
Support services	1,905,938	431,561	-	564,798	72,145	409,577	3,384,019
Community services	79,516	-	-	-	-	-	79,516
Nonprogrammed charges	700,320	5,005	6,435	6,992	965	16,170	735,887
Debt services	-	-	271,616	265,153	36,565	-	573,334
Total disbursements	<u>4,736,998</u>	<u>436,566</u>	<u>278,051</u>	<u>836,943</u>	<u>109,675</u>	<u>516,178</u>	<u>6,914,411</u>
Excess of total receipts over total disbursements	1,072,218	368,275	174,138	275,882	56,320	338,377	2,285,210
Cash and investments - beginning	1,399,836	56,713	257	407,820	72,145	99,164	2,035,935
Cash and investments - ending	<u>\$ 2,472,054</u>	<u>\$ 424,988</u>	<u>\$ 174,395</u>	<u>\$ 683,702</u>	<u>\$ 128,465</u>	<u>\$ 437,541</u>	<u>\$ 4,321,145</u>

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

CASTON 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	\$ 2,090,244	\$ 584,974	\$ 252,985	\$ 762,072	\$ 128,991	\$ 303,979	\$ 4,123,245
Intermediate sources	173	-	-	-	-	-	173
State sources	3,036,496	-	-	-	-	64,984	3,101,480
Federal sources	391	-	-	-	-	190,956	191,347
Bonds and loans	-	-	-	100,000	-	-	100,000
Sale of property, adjustments and refunds	4,936	526	-	104,970	-	-	110,432
Intergovernmental transfers	35,503	-	-	-	-	177,118	212,621
Total receipts	5,167,743	585,500	252,985	967,042	128,991	737,037	7,839,298
Disbursements:							
Current:							
Instruction	2,057,903	-	-	-	-	102,246	2,160,149
Support services	1,991,217	427,275	-	918,999	102,385	476,843	3,916,719
Community services	79,524	-	-	-	-	5,286	84,810
Nonprogrammed charges	554,203	10,441	10,946	14,233	2,445	57,011	649,279
Debt services	-	-	263,065	-	-	-	263,065
Total disbursements	4,682,847	437,716	274,011	933,232	104,830	641,386	7,074,022
Excess (deficiency) of total receipts over (under) total disbursements	484,896	147,784	(21,026)	33,810	24,161	95,651	765,276
Cash and investments - beginning	2,472,054	424,988	174,395	683,702	128,465	437,541	4,321,145
Cash and investments - ending	<u>\$ 2,956,950</u>	<u>\$ 572,772</u>	<u>\$ 153,369</u>	<u>\$ 717,512</u>	<u>\$ 152,626</u>	<u>\$ 533,192</u>	<u>\$ 5,086,421</u>

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

CASTON 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.

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.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

CASTON 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.

CASTON SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 20,000
Infrastructure	-
Buildings	7,174,126
Improvements other than buildings	5,930,837
Machinery and equipment	2,826,014
Construction in progress	<u>3,132</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 15,954,109</u>

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

The School Corporation has entered into the following debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
School Building Lease	\$ 1,360,000	\$ 120,000
Notes and loans payable	87,500	4,500
Total governmental activities debt	\$ 1,447,500	\$ 124,500

CASTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2006, with Cozetta Grable, Treasurer; Debra Smith, Administrative Associate for Finance; and Robert K. Huffman, Superintendent of Schools. Our examination disclosed no material items that warrant comment at this time.