

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

AUDIT REPORT

OF

UNION SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2008 to June 30, 2010



**FILED**  
03/10/2011



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	11-12
Notes to Financial Statements .....	13-20
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	21-28
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds .....	29-34
Schedule of Capital Assets.....	35
Schedule of Long-Term Debt .....	36
Audit Results and Comments:	
"Negative" Receipts and Disbursements.....	37
Posting Errors.....	37
Internal Controls over Financial Transactions and Reporting .....	38
Payroll Withholding Funds.....	38
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	40-41
Schedule of Expenditures of Federal Awards .....	42
Notes to Schedule of Expenditures of Federal Awards.....	43
Schedule of Findings and Questioned Costs .....	44-45
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	46
Corrective Action Plan.....	47
Exit Conference.....	48
Official Response .....	49

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Lankford Brandy Warren	07-01-08 to 06-30-09 07-01-09 to 06-30-11
Superintendent of Schools	Phillip Wray	01-01-08 to 06-30-11
President of the School Board	Greg Beumer Garth Jenkins Diana Grubbs	07-01-08 to 06-30-09 07-01-09 to 06-30-10 07-01-10 to 06-30-11



**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](http://www.in.gov/sboa)

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 7, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

February 7, 2011



**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](http://www.in.gov/sboa)

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item Finding 2010-1, Internal Controls over Financial Transactions and Reporting of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of the School Corporation's management, the Union School Corporation, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 7, 2011

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 1,947,760	\$ -	\$ 80,230	\$ (1,867,530)
Support services	1,562,135	73,109	135,998	(1,353,028)
Noninstructional services	245,001	-	-	(245,001)
Facilities acquisition and construction	75,462	-	-	(75,462)
Debt service	586,111	-	-	(586,111)
Nonprogrammed charges	<u>388,575</u>	<u>-</u>	<u>-</u>	<u>(388,575)</u>
Total governmental activities	<u>\$ 4,805,044</u>	<u>\$ 73,109</u>	<u>\$ 216,228</u>	<u>(4,515,707)</u>
General receipts:				
Property taxes				2,000,037
Other local sources				337,580
State aid				2,397,243
Bonds and loans				79,797
Grants and contributions not restricted to specific programs				502,021
Sale of property				3,998
Investment earnings				<u>3,443</u>
Total general receipts				<u>5,324,119</u>
Change in net assets				808,412
Net assets - beginning				<u>880,797</u>
Net assets - ending				<u>\$ 1,689,209</u>
<u>Assets</u>				
Cash and investments				\$ 1,652,526
Restricted assets:				
Cash and investments				<u>36,683</u>
Total assets				<u>\$ 1,689,209</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 36,683
Unrestricted				<u>1,652,526</u>
Total net assets				<u>\$ 1,689,209</u>

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

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 2,149,808	\$ -	\$ 65,537	\$ (2,084,271)
Support services	1,638,927	74,302	115,446	(1,449,179)
Noninstructional services	228,040	-	-	(228,040)
Facilities acquisition and construction	17,377	-	-	(17,377)
Debt service	503,092	-	-	(503,092)
Nonprogrammed charges	294,911	-	-	(294,911)
<b>Total governmental activities</b>	<b><u>\$ 4,832,155</u></b>	<b><u>\$ 74,302</u></b>	<b><u>\$ 180,983</u></b>	<b><u>(4,576,870)</u></b>
General receipts:				
Property taxes				1,934,863
Other local sources				239,749
State aid				3,198,111
Grants and contributions not restricted to specific programs				304,670
Sale of property				3,544
Investment earnings				<u>242</u>
<b>Total general receipts</b>				<b><u>5,681,179</u></b>
Change in net assets				1,104,309
Net assets - beginning				<u>1,689,209</u>
Net assets - ending				<b><u>\$ 2,793,518</u></b>
 <u>Assets</u>				
Cash and investments				\$ 2,468,089
Restricted assets:				
Cash and investments				<u>325,429</u>
<b>Total assets</b>				<b><u>\$ 2,793,518</u></b>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 325,429
Unrestricted				<u>2,468,089</u>
<b>Total net assets</b>				<b><u>\$ 2,793,518</u></b>

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

UNION SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	General	Transportation Operating	Local Rainy Day	Other	Totals
<b>Receipts:</b>					
Local sources	\$ 1,250,846	\$ 393,274	\$ -	\$ 769,795	\$ 2,413,915
Intermediate sources	104	-	-	150	254
State sources	2,450,269	-	-	116,220	2,566,489
Federal sources	-	-	-	549,003	549,003
Temporary loans	-	18,712	-	61,085	79,797
<b>Total receipts</b>	<b>3,701,219</b>	<b>411,986</b>	<b>-</b>	<b>1,496,253</b>	<b>5,609,458</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	1,540,954	148	-	406,658	1,947,760
Support services	824,141	341,171	9,190	387,633	1,562,135
Noninstructional services	64,604	-	-	180,397	245,001
Facilities acquisition and construction	158	-	-	75,304	75,462
Debt services	79,798	-	-	506,313	586,111
Nonprogrammed charges	367,575	-	-	21,000	388,575
<b>Total disbursements</b>	<b>2,877,230</b>	<b>341,319</b>	<b>9,190</b>	<b>1,577,305</b>	<b>4,805,044</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>823,989</b>	<b>70,667</b>	<b>(9,190)</b>	<b>(81,052)</b>	<b>804,414</b>
<b>Other financing sources (uses):</b>					
Sale of capital assets	-	-	-	3,998	3,998
Transfers in	-	-	177,000	3,325	180,325
Transfers out	(177,000)	-	-	(3,325)	(180,325)
<b>Total other financing sources (uses)</b>	<b>(177,000)</b>	<b>-</b>	<b>177,000</b>	<b>3,998</b>	<b>3,998</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>646,989</b>	<b>70,667</b>	<b>167,810</b>	<b>(77,054)</b>	<b>808,412</b>
<b>Cash and investments - beginning</b>	<b>414,455</b>	<b>82,150</b>	<b>50,000</b>	<b>334,192</b>	<b>880,797</b>
<b>Cash and investments - ending</b>	<b>\$ 1,061,444</b>	<b>\$ 152,817</b>	<b>\$ 217,810</b>	<b>\$ 257,138</b>	<b>\$ 1,689,209</b>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ 1,061,444	\$ 152,817	\$ 217,810	\$ 220,455	\$ 1,652,526
Restricted assets:					
Cash and investments	-	-	-	36,683	36,683
<b>Total cash and investment assets - ending</b>	<b>\$ 1,061,444</b>	<b>\$ 152,817</b>	<b>\$ 217,810</b>	<b>\$ 257,138</b>	<b>\$ 1,689,209</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 36,683	\$ 36,683
Unrestricted	1,061,444	152,817	217,810	220,455	1,652,526
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,061,444</b>	<b>\$ 152,817</b>	<b>\$ 217,810</b>	<b>\$ 257,138</b>	<b>\$ 1,689,209</b>

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

UNION SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	General	Transportation Operating	Local Rainy Day	Other	Totals
<b>Receipts:</b>					
Local sources	\$ 101,779	\$ 626,381	\$ 57,511	\$ 1,463,335	\$ 2,249,006
Intermediate sources	-	-	-	150	150
State sources	3,236,693	-	-	66,854	3,303,547
Federal sources	-	-	-	380,217	380,217
<b>Total receipts</b>	<b><u>3,338,472</u></b>	<b><u>626,381</u></b>	<b><u>57,511</u></b>	<b><u>1,910,556</u></b>	<b><u>5,932,920</u></b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	1,785,434	-	-	364,373	2,149,807
Support services	956,903	307,868	48,321	325,836	1,638,928
Noninstructional services	61,516	-	-	166,524	228,040
Facilities acquisition and construction	-	-	-	17,377	17,377
Debt services	-	-	-	503,092	503,092
Nonprogrammed charges	293,086	-	-	1,825	294,911
<b>Total disbursements</b>	<b><u>3,096,939</u></b>	<b><u>307,868</u></b>	<b><u>48,321</u></b>	<b><u>1,379,027</u></b>	<b><u>4,832,155</u></b>
Excess of receipts over disbursements	<u>241,533</u>	<u>318,513</u>	<u>9,190</u>	<u>531,529</u>	<u>1,100,765</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets	-	-	-	3,544	3,544
Transfers in	-	-	125,000	5,194	130,194
Transfers out	(100,000)	(25,000)	-	(5,194)	(130,194)
<b>Total other financing sources (uses)</b>	<b><u>(100,000)</u></b>	<b><u>(25,000)</u></b>	<b><u>125,000</u></b>	<b><u>3,544</u></b>	<b><u>3,544</u></b>
Excess of receipts and other financing sources over disbursements and other financing uses	141,533	293,513	134,190	535,073	1,104,309
Cash and investments - beginning	<u>1,061,444</u>	<u>152,817</u>	<u>217,810</u>	<u>257,138</u>	<u>1,689,209</u>
Cash and investments - ending	<b><u>\$ 1,202,977</u></b>	<b><u>\$ 446,330</u></b>	<b><u>\$ 352,000</u></b>	<b><u>\$ 792,211</u></b>	<b><u>\$ 2,793,518</u></b>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ 1,202,977	\$ 446,330	\$ 352,000	\$ 466,782	\$ 2,468,089
Restricted assets:					
Cash and investments	-	-	-	325,429	325,429
<b>Total cash and investment assets - ending</b>	<b><u>\$ 1,202,977</u></b>	<b><u>\$ 446,330</u></b>	<b><u>\$ 352,000</u></b>	<b><u>\$ 792,211</u></b>	<b><u>\$ 2,793,518</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 325,429	\$ 325,429
Unrestricted	<u>1,202,977</u>	<u>446,330</u>	<u>352,000</u>	<u>466,782</u>	<u>2,468,089</u>
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 1,202,977</u></b>	<b><u>\$ 446,330</u></b>	<b><u>\$ 352,000</u></b>	<b><u>\$ 792,211</u></b>	<b><u>\$ 2,793,518</u></b>

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

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

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Deductions:			
Benefits	\$ 54,035	\$ -	
Cash and investment fund balance - beginning	<u>346,657</u>	<u>791</u>	
Cash and investment fund balance - ending	<u>\$ 292,622</u>	<u>\$ 791</u>	<u>\$ 14,245</u>
Net assets:			
Cash and investment basis held in trust	<u>\$ 292,622</u>	<u>\$ 791</u>	<u>\$ 14,245</u>

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

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

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Deductions:			
Benefits	\$ 28,550	\$ -	
Cash and investment fund balance - beginning	<u>292,622</u>	<u>791</u>	
Cash and investment fund balance - ending	<u>\$ 264,072</u>	<u>\$ 791</u>	<u>\$ (492)</u>
Net assets:			
Cash and investment basis held in trust	<u>\$ 264,072</u>	<u>\$ 791</u>	<u>\$ (492)</u>

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

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Union School Corporation

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

Joint Ventures

The School Corporation is a participant in a joint venture to operate New Castle Area Vocational School Cooperative which was created to provide vocational education programs. The School Corporation is obligated by contract to remit \$46,751 and \$59,271 respectively, for the years ending June 30, 2009, and June 30, 2010, to supplement the New Castle Area Vocational School Cooperative. Complete financial statements for the New Castle Area Vocational School Cooperative can be obtained from New Castle Community School Corporation, Administrative Office, 522 Elliot Avenue, New Castle, IN 47362.

The School Corporation is a participant in a joint venture to operate New Castle Area Programs for Exceptional Children Cooperative which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit \$300,771 and \$229,446, respectively, for the years ending June 30, 2009 and June 30, 2010 to supplement the New Castle Area Programs for Exceptional Children Cooperative. Complete financial statements for the New Castle Area Programs for Exceptional Children Cooperative can be obtained from New Castle Community School Corporation, Administrative Office, 522 Elliot Avenue, New Castle, IN 47362.

The School Corporation is a participant in a joint venture to operate HPS LLC which was created to purchase food service and supplies at a discount. The School Corporation is obligated by contract to remit \$680 annually to supplement the HPS LLC. The HPS LLC pays its surplus to the participants. Complete financial statements for the HPS LLC can be obtained from P O Box 247, Middleville, MI 49333-0247.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

The transportation operating fund accounts for financial resources for the transportation of schoolchildren to and from school.

The local rainy day fund accounts for financial resources that may be used in the future.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the individual recipients of the grant.

Agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

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

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

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

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. Property taxes collected by the County Treasurer were not distributed to the School Corporation on or prior to June 30, 2008 and 2009. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30, 2010.

4. Capital Assets

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

5. Long-Term Debt

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

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

6. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

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

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Government-Wide Financial Statements

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

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

G. Rounding Differences

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Cash Balance Deficits

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

Fund	2009	2010
New Castle Special Needs Aides	\$ 6,621	\$ 3,606
Project Share	4,274	1,245
Rural Schools and Low Income	4,638	-
ARRA - Title I	96	-

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$3,170,661.

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

B. Interfund Transfers

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

Transfer From	Transfer To	2009	2010
General Fund	Local Rainy Day Fund	\$ 177,000	\$ 100,000
Transportation Operating Fund	Local Rainy Day Fund	-	25,000
Other Governmental Funds	Other Governmental Funds	<u>3,325</u>	<u>5,194</u>
Totals		<u>\$ 180,325</u>	<u>\$ 130,194</u>

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

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

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

B. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$10,547.

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana. The School Corporation's contributions to the plan during the period were \$95,565.

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009

	Preschool Special Education	School Lunch	Textbook Rental	New Castle Special Needs Aides	GRCEC Wellness Program	Education License Plate Fees
Receipts:						
Local sources	\$ 2,651	\$ 73,487	\$ 23,633	\$ 18,451	\$ -	\$ -
Intermediate sources	-	-	-	-	-	150
State sources	3,350	1,924	12,265	-	4,300	-
Federal sources	-	121,809	-	-	-	-
Temporary loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>6,001</b>	<b>197,220</b>	<b>35,898</b>	<b>18,451</b>	<b>4,300</b>	<b>150</b>
Disbursements:						
Current:						
Instruction	-	-	5,414	21,550	775	-
Support services	-	81	9,127	-	3,038	-
Noninstructional services	-	175,362	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	4,378	-	-	-	-	-
<b>Total disbursements</b>	<b>4,378</b>	<b>175,443</b>	<b>14,541</b>	<b>21,550</b>	<b>3,813</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	1,623	21,777	21,357	(3,099)	487	150
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	3,325	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>3,325</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,623	21,777	24,682	(3,099)	487	150
Cash and investments - beginning	20,885	(20,092)	(5,953)	(3,522)	-	225
Cash and investments - ending	<u>\$ 22,508</u>	<u>\$ 1,685</u>	<u>\$ 18,729</u>	<u>\$ (6,621)</u>	<u>\$ 487</u>	<u>\$ 375</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 22,508	\$ 1,685	\$ 18,729	\$ (6,621)	\$ 487	\$ 375
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 22,508</b>	<b>\$ 1,685</b>	<b>\$ 18,729</b>	<b>\$ (6,621)</b>	<b>\$ 487</b>	<b>\$ 375</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	22,508	1,685	18,729	(6,621)	487	375
<b>Total cash and investment fund balance - ending</b>	<b>\$ 22,508</b>	<b>\$ 1,685</b>	<b>\$ 18,729</b>	<b>\$ (6,621)</b>	<b>\$ 487</b>	<b>\$ 375</b>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	High Ability Grant	Gift and Talent	Scholarship	Project Share	Title I	Title I 2008-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 4,507	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	27,169	35	-	-	-	-
Federal sources	-	-	-	-	-	118,100
Temporary loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>27,169</b>	<b>35</b>	<b>-</b>	<b>4,507</b>	<b>-</b>	<b>118,100</b>
Disbursements:						
Current:						
Instruction	24,097	12,210	4,500	4,682	5,307	107,886
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>24,097</b>	<b>12,210</b>	<b>4,500</b>	<b>4,682</b>	<b>5,307</b>	<b>107,886</b>
Excess (deficiency) of receipts over disbursements	3,072	(12,175)	(4,500)	(175)	(5,307)	10,214
Other financing sources (uses):						
Sale of capital assets	-	-	3,998	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>3,998</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,072	(12,175)	(502)	(175)	(5,307)	10,214
Cash and investments - beginning	-	12,175	3,167	(4,099)	5,307	-
Cash and investments - ending	<u>\$ 3,072</u>	<u>\$ -</u>	<u>\$ 2,665</u>	<u>\$ (4,274)</u>	<u>\$ -</u>	<u>\$ 10,214</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 3,072	\$ -	\$ 2,665	\$ (4,274)	\$ -	\$ 10,214
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 3,072</u>	<u>\$ -</u>	<u>\$ 2,665</u>	<u>\$ (4,274)</u>	<u>\$ -</u>	<u>\$ 10,214</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	3,072	-	2,665	(4,274)	-	10,214
<b>Total cash and investment fund balance - ending</b>	<u>\$ 3,072</u>	<u>\$ -</u>	<u>\$ 2,665</u>	<u>\$ (4,274)</u>	<u>\$ -</u>	<u>\$ 10,214</u>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Library Grant Award	Drug Free Grant	Title II Class Reduction	Rural Schools and Low Income	ARRA - Stimulus Basic Grant Payment	ARRA - Title I
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	67,177	-	-
Federal sources	757	1,688	28,023	-	278,626	-
Temporary loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>757</b>	<b>1,688</b>	<b>28,023</b>	<b>67,177</b>	<b>278,626</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	2,120	11,279	-	204,204	96
Support services	-	-	-	64,389	55,159	-
Noninstructional services	-	-	-	-	5,035	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	1,573	-	-	-	14,228	-
<b>Total disbursements</b>	<b>1,573</b>	<b>2,120</b>	<b>11,279</b>	<b>64,389</b>	<b>278,626</b>	<b>96</b>
Excess (deficiency) of receipts over disbursements	(816)	(432)	16,744	2,788	-	(96)
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(816)	(432)	16,744	2,788	-	(96)
Cash and investments - beginning	1,922	3,315	8,500	(7,426)	-	-
Cash and investments - ending	\$ 1,106	\$ 2,883	\$ 25,244	\$ (4,638)	\$ -	\$ (96)
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 1,106	\$ 2,883	\$ 25,244	\$ (4,638)	\$ -	\$ (96)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 1,106</b>	<b>\$ 2,883</b>	<b>\$ 25,244</b>	<b>\$ (4,638)</b>	<b>\$ -</b>	<b>\$ (96)</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,106	2,883	25,244	(4,638)	-	(96)
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,106</b>	<b>\$ 2,883</b>	<b>\$ 25,244</b>	<b>\$ (4,638)</b>	<b>\$ -</b>	<b>\$ (96)</b>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Debt Service	Retirement/ Severance	Capital Project	Transportation School Bus Replacement	Totals
<b>Receipts:</b>					
Local sources	\$ 396,256	\$ 138,676	\$ 96,140	\$ 15,994	\$ 769,795
Intermediate sources	-	-	-	-	150
State sources	-	-	-	-	116,220
Federal sources	-	-	-	-	549,003
Temporary loans	-	5,670	55,415	-	61,085
<b>Total receipts</b>	<u>396,256</u>	<u>144,346</u>	<u>151,555</u>	<u>15,994</u>	<u>1,496,253</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	2,538	-	406,658
Support services	2,100	-	253,739	-	387,633
Noninstructional services	-	-	-	-	180,397
Facilities acquisition and construction	-	-	75,304	-	75,304
Debt services	365,000	141,313	-	-	506,313
Nonprogrammed charges	-	-	821	-	21,000
<b>Total disbursements</b>	<u>367,100</u>	<u>141,313</u>	<u>332,402</u>	<u>-</u>	<u>1,577,305</u>
Excess (deficiency) of receipts over disbursements	<u>29,156</u>	<u>3,033</u>	<u>(180,847)</u>	<u>15,994</u>	<u>(81,052)</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets	-	-	-	-	3,998
Transfers in	-	-	-	-	3,325
Transfers out	(3,325)	-	-	-	(3,325)
<b>Total other financing sources (uses)</b>	<u>(3,325)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,998</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,831	3,033	(180,847)	15,994	(77,054)
Cash and investments - beginning	<u>963</u>	<u>6,856</u>	<u>259,802</u>	<u>52,167</u>	<u>334,192</u>
Cash and investments - ending	<u>\$ 26,794</u>	<u>\$ 9,889</u>	<u>\$ 78,955</u>	<u>\$ 68,161</u>	<u>\$ 257,138</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ -	\$ 78,955	\$ 68,161	\$ 220,455
Restricted assets:					
Cash and investments	<u>26,794</u>	<u>9,889</u>	<u>-</u>	<u>-</u>	<u>36,683</u>
<b>Total cash and investment assets - ending</b>	<u>\$ 26,794</u>	<u>\$ 9,889</u>	<u>\$ 78,955</u>	<u>\$ 68,161</u>	<u>\$ 257,138</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ 26,794	\$ 9,889	\$ -	\$ -	\$ 36,683
Unrestricted	<u>-</u>	<u>-</u>	<u>78,955</u>	<u>68,161</u>	<u>220,455</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ 26,794</u>	<u>\$ 9,889</u>	<u>\$ 78,955</u>	<u>\$ 68,161</u>	<u>\$ 257,138</u>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010

	Preschool Special Education	School Lunch	Textbook Rental	New Castle Special Needs Aides	GRCEC Wellness Program	Education License Plate Fees
<b>Receipts:</b>						
Local sources	\$ -	\$ 74,522	\$ 20,127	\$ 25,060	\$ -	\$ -
Intermediate sources	-	-	-	-	-	150
State sources	-	1,852	10,083	-	4,100	-
Federal sources	-	103,511	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>179,885</b>	<b>30,210</b>	<b>25,060</b>	<b>4,100</b>	<b>150</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	22,508	-	5,458	22,045	248	-
Support services	-	553	7,399	-	3,777	-
Noninstructional services	-	166,524	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>22,508</b>	<b>167,077</b>	<b>12,857</b>	<b>22,045</b>	<b>4,025</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(22,508)</b>	<b>12,808</b>	<b>17,353</b>	<b>3,015</b>	<b>75</b>	<b>150</b>
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(22,508)</b>	<b>12,808</b>	<b>17,353</b>	<b>3,015</b>	<b>75</b>	<b>150</b>
<b>Cash and investments - beginning</b>	<b>22,508</b>	<b>1,685</b>	<b>18,729</b>	<b>(6,621)</b>	<b>487</b>	<b>375</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ 14,493</b>	<b>\$ 36,082</b>	<b>\$ (3,606)</b>	<b>\$ 562</b>	<b>\$ 525</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 14,493	\$ 36,082	\$ (3,606)	\$ 562	\$ 525
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 14,493</b>	<b>\$ 36,082</b>	<b>\$ (3,606)</b>	<b>\$ 562</b>	<b>\$ 525</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	14,493	36,082	(3,606)	562	525
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 14,493</b>	<b>\$ 36,082</b>	<b>\$ (3,606)</b>	<b>\$ 562</b>	<b>\$ 525</b>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	Literacy Grant 2009-2010	High Ability Grant	Gift and Talent	Scholarship	Project Share	Title I
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 17,995	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	250	3,850	23,105	-	-	-
Federal sources	-	-	-	-	-	113,300
<b>Total receipts</b>	<b>250</b>	<b>3,850</b>	<b>23,105</b>	<b>-</b>	<b>17,995</b>	<b>113,300</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	183	1,728	23,709	2,665	14,966	99,069
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>183</b>	<b>1,728</b>	<b>23,709</b>	<b>2,665</b>	<b>14,966</b>	<b>99,069</b>
Excess (deficiency) of receipts over disbursements	67	2,122	(604)	(2,665)	3,029	14,231
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	3,544	-	-
Transfers in	-	-	5,194	-	-	-
Transfers out	-	(5,194)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(5,194)</b>	<b>5,194</b>	<b>3,544</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	67	(3,072)	4,590	879	3,029	14,231
Cash and investments - beginning	-	3,072	-	2,665	(4,274)	-
Cash and investments - ending	\$ 67	\$ -	\$ 4,590	\$ 3,544	\$ (1,245)	\$ 14,231
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 67	\$ -	\$ 4,590	\$ 3,544	\$ (1,245)	\$ 14,231
<b>Restricted assets:</b>						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 67</b>	<b>\$ -</b>	<b>\$ 4,590</b>	<b>\$ 3,544</b>	<b>\$ (1,245)</b>	<b>\$ 14,231</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	67	-	4,590	3,544	(1,245)	14,231
<b>Total cash and investment fund balance - ending</b>	<b>\$ 67</b>	<b>\$ -</b>	<b>\$ 4,590</b>	<b>\$ 3,544</b>	<b>\$ (1,245)</b>	<b>\$ 14,231</b>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	Title I 2008-09	Library Grant Award	Drug Free Grant	Title II Class Reduction	Rural Schools and Low Income	ARRA - Stimulus Basic Grant Payment
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	23,614	-
Federal sources	-	295	-	28,124	-	91,887
<b>Total receipts</b>	<b>-</b>	<b>295</b>	<b>-</b>	<b>28,124</b>	<b>23,614</b>	<b>91,887</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	4,473	-	1,680	29,535	-	91,887
Support services	-	-	-	-	18,976	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>4,473</b>	<b>-</b>	<b>1,680</b>	<b>29,535</b>	<b>18,976</b>	<b>91,887</b>
Excess (deficiency) of receipts over disbursements	(4,473)	295	(1,680)	(1,411)	4,638	-
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,473)	295	(1,680)	(1,411)	4,638	-
Cash and investments - beginning	10,214	1,106	2,883	25,244	(4,638)	-
Cash and investments - ending	\$ 5,741	\$ 1,401	\$ 1,203	\$ 23,833	\$ -	\$ -
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 5,741	\$ 1,401	\$ 1,203	\$ 23,833	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 5,741</b>	<b>\$ 1,401</b>	<b>\$ 1,203</b>	<b>\$ 23,833</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	5,741	1,401	1,203	23,833	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 5,741</b>	<b>\$ 1,401</b>	<b>\$ 1,203</b>	<b>\$ 23,833</b>	<b>\$ -</b>	<b>\$ -</b>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	ARRA - Title I	Debt Service	Retirement/ Severance	Capital Project	Transportation School Bus Replacement	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ 566,409	\$ 225,429	\$ 441,902	\$ 91,891	\$ 1,463,335
Intermediate sources	-	-	-	-	-	150
State sources	-	-	-	-	-	66,854
Federal sources	43,100	-	-	-	-	380,217
<b>Total receipts</b>	<b>43,100</b>	<b>566,409</b>	<b>225,429</b>	<b>441,902</b>	<b>91,891</b>	<b>1,910,556</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	38,482	-	-	5,737	-	364,373
Support services	-	-	-	225,994	69,137	325,836
Noninstructional services	-	-	-	-	-	166,524
Facilities acquisition and construction	-	-	-	17,377	-	17,377
Debt services	-	365,000	138,092	-	-	503,092
Nonprogrammed charges	-	-	-	1,825	-	1,825
<b>Total disbursements</b>	<b>38,482</b>	<b>365,000</b>	<b>138,092</b>	<b>250,933</b>	<b>69,137</b>	<b>1,379,027</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>4,618</b>	<b>201,409</b>	<b>87,337</b>	<b>190,969</b>	<b>22,754</b>	<b>531,529</b>
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	3,544
Transfers in	-	-	-	-	-	5,194
Transfers out	-	-	-	-	-	(5,194)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,544</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>4,618</b>	<b>201,409</b>	<b>87,337</b>	<b>190,969</b>	<b>22,754</b>	<b>535,073</b>
<b>Cash and investments - beginning</b>	<b>(96)</b>	<b>26,794</b>	<b>9,889</b>	<b>78,955</b>	<b>68,161</b>	<b>257,138</b>
<b>Cash and investments - ending</b>	<b>\$ 4,522</b>	<b>\$ 228,203</b>	<b>\$ 97,226</b>	<b>\$ 269,924</b>	<b>\$ 90,915</b>	<b>\$ 792,211</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 4,522	\$ -	\$ -	\$ 269,924	\$ 90,915	\$ 466,782
<b>Restricted assets:</b>						
Cash and investments	-	228,203	97,226	-	-	325,429
<b>Total cash and investment assets - ending</b>	<b>\$ 4,522</b>	<b>\$ 228,203</b>	<b>\$ 97,226</b>	<b>\$ 269,924</b>	<b>\$ 90,915</b>	<b>\$ 792,211</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Debt service	\$ -	\$ 228,203	\$ 97,226	\$ -	\$ -	\$ 325,429
Unrestricted	4,522	-	-	269,924	90,915	466,782
<b>Total cash and investment fund balance - ending</b>	<b>\$ 4,522</b>	<b>\$ 228,203</b>	<b>\$ 97,226</b>	<b>\$ 269,924</b>	<b>\$ 90,915</b>	<b>\$ 792,211</b>

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

	Federal Clearing Account	Teaching FICA	State Tax	County Tax	PERF Clearing	Life and LTD Insurance	Ohio State Tax
Additions:							
Agency fund additions	\$ 188,280	\$ 119,711	\$ 75,464	\$ 25,191	\$ 7,743	\$ 93	\$ 832
Deductions:							
Agency fund deductions	188,135	119,607	75,078	24,490	8,103	-	641
Excess (deficiency) of total additions over total deductions	145	104	386	701	(360)	93	191
Cash and investment fund balance - beginning	(145)	(104)	8,092	2,064	1,786	-	192
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,478</u>	<u>\$ 2,765</u>	<u>\$ 1,426</u>	<u>\$ 93</u>	<u>\$ 383</u>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Ohio School District Tax	Lord Abbott	Metlife Resources - Annuity	Non-teaching FICA	Del Met Credit Union	Union CTA Association
Additions:						
Agency fund additions	\$ 614	\$ 5,200	\$ 19,710	\$ 51,887	\$ 237,058	\$ 16,333
Deductions:						
Agency fund deductions	539	4,800	18,680	51,887	217,963	16,333
Excess (deficiency) of total additions over total deductions	75	400	1,030	-	19,095	-
Cash and investment fund balance - beginning	33	(400)	(1,030)	-	(19,095)	-
Cash and investment fund balance - ending	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	125 Plan	Anthem Health Insurance	Reimbursable Expenses	Bus Driver ECA Payroll	Fringe Benefit Clearing Account	Totals
Additions:						
Agency fund additions	\$ 11,104	\$ 44,383	\$ 4,192	\$ 784	\$ 577	\$ 809,156
Deductions:						
Agency fund deductions	10,819	50,541	4,062	874	515	793,067
Excess (deficiency) of total additions over total deductions	285	(6,158)	130	(90)	62	16,089
Cash and investment fund balance - beginning	2,224	4,609	(70)	-	-	(1,844)
Cash and investment fund balance - ending	<u>\$ 2,509</u>	<u>\$ (1,549)</u>	<u>\$ 60</u>	<u>\$ (90)</u>	<u>\$ 62</u>	<u>\$ 14,245</u>

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

	Federal Clearing Account	Teaching FICA	State Tax	County Tax	PERF Clearing	Life and LTD Insurance	Ohio State Tax
Additions:							
Agency fund additions	\$ 201,209	\$ 126,582	\$ 83,039	\$ 26,256	\$ 8,031	\$ 99	\$ 1,460
Deductions:							
Agency fund deductions	201,331	184,546	91,517	29,021	9,954	-	1,842
Excess (deficiency) of total additions over total deductions	(122)	(57,964)	(8,478)	(2,765)	(1,923)	99	(382)
Cash and investment fund balance - beginning	-	-	8,478	2,765	1,426	93	383
Cash and investment fund balance - ending	<u>\$ (122)</u>	<u>\$ (57,964)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (497)</u>	<u>\$ 192</u>	<u>\$ 1</u>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	Ohio School District Tax	Lord Abbott	Metlife Resources - Annuity	Non-teaching FICA	Del Met Credit Union	Union CTA Association	125 Plan
Additions:							
Agency fund additions	\$ 72	\$ 5,200	\$ 22,227	\$ 57,232	\$ 268,356	\$ 18,023	\$ 12,804
Deductions:							
Agency fund deductions	180	5,985	21,442	-	270,173	16,206	15,300
Excess (deficiency) of total additions over total deductions	(108)	(785)	785	57,232	(1,817)	1,817	(2,496)
Cash and investment fund balance - beginning	108	-	-	-	-	-	2,509
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (785)</u>	<u>\$ 785</u>	<u>\$ 57,232</u>	<u>\$ (1,817)</u>	<u>\$ 1,817</u>	<u>\$ 13</u>

UNION SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	Anthem Health Insurance	Supplemental Life Insurance Premiums	Reimbursable Expenses	Bus Driver ECA Payroll	Fringe Benefit Clearing Account	Totals
Additions:						
Agency fund additions	\$ 69,075	\$ 849	\$ 1,928	\$ 4,599	\$ 1,409	\$ 908,450
Deductions:						
Agency fund deductions	68,399	927	2,085	4,279	-	923,187
Excess (deficiency) of total additions over total deductions	676	(78)	(157)	320	1,409	(14,737)
Cash and investment fund balance - beginning	(1,549)	-	60	(90)	62	14,245
Cash and investment fund balance - ending	<u>\$ (873)</u>	<u>\$ (78)</u>	<u>\$ (97)</u>	<u>\$ 230</u>	<u>\$ 1,471</u>	<u>\$ (492)</u>

UNION SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2010

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 15,540
Buildings	3,901,217
Improvements other than buildings	344,469
Machinery and equipment	<u>2,491,032</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 6,752,258</u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Building Lease	\$ 3,495,000	\$ 365,000
Copiers	53,962	14,639
Bonds payable:		
General obligation bonds:		
Teacher Pension Obligation	<u>1,075,000</u>	<u>132,424</u>
Total governmental activities debt	<u>\$ 4,623,962</u>	<u>\$ 512,063</u>

UNION SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

"NEGATIVE" RECEIPTS AND DISBURSEMENTS

Some transactions were recorded as "negative" receipts and disbursements. "Negative" disbursements included \$100,000 transferred from the General Fund and \$25,000 transferred from the Transportation Operating Fund to the Local Rainy Day Fund.

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)

POSTING ERRORS

There were a few posting errors. These errors included license excise taxes posted as property taxes and property tax/excise tax distributions posted to the wrong funds. The Debt Service Fund received \$5,197.27 intended for the Capital Projects Fund and the Transportation Operating Fund received \$22,694.74 that was intended for the Pension Debt Fund.

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)

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

UNION SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes a significant deficiency:

Lack of Segregation of Duties: Control activities were not selected and developed to reduce the risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to the processing of receipts. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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)

PAYROLL WITHHOLDING FUNDS

Controls for additions and deductions to the payroll deduction funds are insufficient. At June 30, 2010, nineteen of the twenty-one payroll deduction funds had balances, with the net total being (\$492). The two funds with the largest balances were the Teaching FICA Fund which had a balance of (\$57,964) and the Non-Teaching FICA Fund which had a balance of \$57,232.

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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Union School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

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

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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

This report is intended solely for the information and use of the School Corporation's management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 7, 2011

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster National School Lunch Program	10.555			
		FY 08-09	\$ 132,966	\$ -
		FY 09-10	-	115,448
Total for federal grantor agency			<u>132,966</u>	<u>115,448</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Education Agencies	84.010			
		08-6795	4,372	-
		09-6795	107,886	4,473
		10-6795	-	99,069
Total for program			<u>112,258</u>	<u>103,542</u>
ARRA - Title I Grants to Local Education Agencies, Recovery Act	84.389			
		10-6795	96	38,482
Total for cluster			<u>112,354</u>	<u>142,024</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394			
		FY 2008-2009	278,626	-
		FY 2009-2010	-	91,887
Total for cluster			<u>278,626</u>	<u>91,887</u>
Direct grant Small Rural Schools Achievement Program	84.358			
		S358A060023	4,874	-
		S358A070023	23,828	-
		S358A080023	35,687	18,977
Total for program			<u>64,389</u>	<u>18,977</u>
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants	84.186			
		FY 07	2,120	-
		FY 08	-	1,680
Total for program			<u>2,120</u>	<u>1,680</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298			
		08-6795	1,573	-
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367			
		07-6795	8,500	-
		08-6795	2,779	25,245
		09-6795	-	4,290
Total for program			<u>11,279</u>	<u>29,535</u>
Total for federal grantor agency			<u>470,341</u>	<u>284,103</u>
Total federal awards expended			<u>\$ 603,307</u>	<u>\$ 399,551</u>

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

UNION SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Union School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
National School Lunch Program	10.555	\$ 11,157	\$ 11,937

UNION SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster  
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

UNION SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section II – Financial Statement Findings

FINDING 2010-1. INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes a significant deficiency:

Lack of Segregation of Duties: Control activities were not selected and developed to reduce the risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to the processing of receipts. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Circular A133 Subpart C section .300(b) states in part:

"The auditee shall: . . . 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."

Failure to establish internal controls as determined by the grant agreement federal requirements may cause future funding to be reduced by the pass-through agency.

We recommended that the School Corporation evaluate the cost benefit ratio of improving internal controls by separating incompatible activities in the processing of receipts.

Section III – Federal Award Findings and Questioned Costs

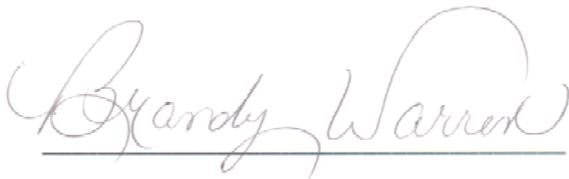
No matters are reportable.

UNION SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

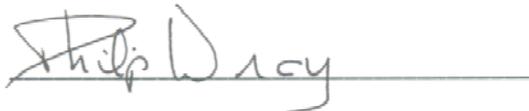
No matters are reportable.

Union School Corporation  
Corrective Action Plan

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**—We are a small public school corporation and each employee does several jobs. At this time, due to budget constraints, it would not be possible to hire additional staff.



Brandy Warren, Treasurer



Philip Wray, Superintendent



Diane Grubbs, Board President

February 7, 2011

UNION SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2011, with Brandy Warren, Treasurer; Philip Wray, Superintendent of Schools; and Diana Grubbs, President of the School Board. The official response has been made a part of this report and may be found on page 49.

## Union School Corporation

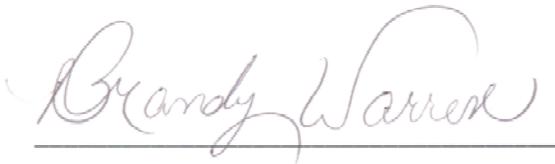
### Response and Corrective Action Plan of Audit Results & Comments

Finding, "NEGATIVE " RECEIPTS AND DISBURSEMENTS—Negative receipts resulted from transfers to the rainy day fund from the General Fund and Transportation Fund. It has been explained that a more proper way of doing this transfer would be to expense it out of one fund and receipt into the other rather than doing an internal fund transfer. A transfer of this manner should not occur again.

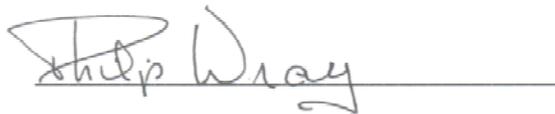
Finding, POSTING ERRORS—I concur with the finding of a posting error indicated. It was indeed an oversight and an incorrect posting.

Finding, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING—We are a small public school corporation and each employee does several jobs. At this time, due to budget constraints, it would not be possible to hire additional staff.

Finding, PAYROLL WITHHOLDING FUNDS—The large negative/positive balances in the Teaching & Non-Teaching FICA Funds have since been corrected and are now at zero. They were reversed at some point and the error was not found until after the end of fiscal year.



Brandy Warren, Treasurer



Philip Wray, Superintendent



Diane Grubbs, Board President

February 7, 2011