

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

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



**FILED**  
03/30/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Betty Cox	07-01-04 to 09-19-04
	Sharon Lankford	09-20-04 to 06-30-07
Superintendent of Schools	Daniel Roach	07-01-04 to 06-01-06
	Phil Dubbs (Interim)	06-02-06 to 10-16-06
	Dr. Zachary Rozelle	10-17-06 to 06-30-09
President of the School Board	Doug Shore	07-01-04 to 06-30-06
	Scott Houser	07-01-06 to 06-30-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Union 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 Funding Progress, 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 a required part of the basic financial information. They 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

February 21, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 764,151
Restricted assets:	
Cash and investments	<u>23,273</u>
Total assets	<u>\$ 787,424</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 23,273
Unrestricted	<u>764,151</u>
Total net assets	<u>\$ 787,424</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 862,268
Restricted assets:	
Cash and investments	<u>205,313</u>
Total assets	<u>\$ 1,067,581</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 205,313
Unrestricted	<u>862,268</u>
Total net assets	<u>\$ 1,067,581</u>

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

UNION 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	\$ 1,440,567	\$ -	\$ 36,080	\$ (1,404,487)
Support services	2,265,873	139,139	25,305	(2,101,429)
Community services	30,178	-	-	(30,178)
Nonprogrammed charges	320,067	-	-	(320,067)
Debt service	<u>2,356,871</u>	<u>-</u>	<u>-</u>	<u>(2,356,871)</u>
<b>Total governmental activities</b>	<u>\$ 6,413,556</u>	<u>\$ 139,139</u>	<u>\$ 61,385</u>	<u>(6,213,032)</u>
General receipts:				
Property taxes				2,912,743
Other local sources				258,395
State aid				1,975,721
Grants and contributions not restricted				192,292
Bonds and loans				720,000
Sale of property, adjustments, and refunds				29,717
Investment earnings				<u>34,613</u>
<b>Total general receipts</b>				<u>6,123,481</u>
				Change in cash and investments (89,551)
				<u>876,975</u>
				<u>\$ 787,424</u>

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

UNION 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	\$ 1,470,741	\$ -	\$ 17,508	\$ (1,453,233)
Support services	1,944,722	110,404	62,448	(1,771,870)
Community services	38,605	-	-	(38,605)
Nonprogrammed charges	215,048	-	-	(215,048)
Debt service	<u>1,052,847</u>	<u>-</u>	<u>-</u>	<u>(1,052,847)</u>
<b>Total governmental activities</b>	<u>\$ 4,721,963</u>	<u>\$ 110,404</u>	<u>\$ 79,956</u>	<u>(4,531,603)</u>
General receipts:				
Property taxes				1,749,475
Other local sources				301,806
State aid				2,117,223
Grants and contributions not restricted				155,509
Bonds and loans				440,000
Sale of property, adjustments, and refunds				1,383
Investment earnings				<u>46,364</u>
<b>Total general receipts</b>				<u>4,811,760</u>
<b>Change in cash and investments</b>				280,157
<b>Net assets - beginning</b>				<u>787,424</u>
<b>Net assets - ending</b>				<u>\$ 1,067,581</u>

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

UNION 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
<b>Receipts:</b>							
Local sources	\$ 1,580,312	\$ 461,352	\$ 597,761	\$ 376,960	\$ 41,928	\$ 164,893	\$ 3,223,206
Intermediate sources	171	-	-	-	-	56	227
State sources	2,000,872	-	-	-	-	70,050	2,070,922
Federal sources	-	-	-	-	-	158,476	158,476
Bonds and loans	720,000	-	-	-	-	-	720,000
Sale of property, adjustments and refunds	20,537	-	-	-	6,000	3,180	29,717
<b>Total receipts</b>	<b>4,321,892</b>	<b>461,352</b>	<b>597,761</b>	<b>376,960</b>	<b>47,928</b>	<b>396,655</b>	<b>6,202,548</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	1,322,636	-	-	-	-	117,931	1,440,567
Support services	1,372,277	300,327	119	206,386	-	256,833	2,135,942
Community services	29,851	-	-	-	-	327	30,178
Nonprogrammed charges	312,345	-	-	-	-	7,722	320,067
Debt services	1,275,000	226,000	855,871	-	-	-	2,356,871
<b>Total disbursements</b>	<b>4,312,109</b>	<b>526,327</b>	<b>855,990</b>	<b>206,386</b>	<b>-</b>	<b>382,813</b>	<b>6,283,625</b>
Excess (deficiency) of total receipts over (under) total disbursements	9,783	(64,975)	(258,229)	170,574	47,928	13,842	(81,077)
Cash and investments - beginning	228,620	119,826	281,502	132,429	66,077	77,733	906,187
Cash and investments - ending	<u>\$ 238,403</u>	<u>\$ 54,851</u>	<u>\$ 23,273</u>	<u>\$ 303,003</u>	<u>\$ 114,005</u>	<u>\$ 91,575</u>	<u>\$ 825,110</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (81,077)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	(8,474)
Change in cash and investments of governmental activities	<u>\$ (89,551)</u>

UNION 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
<b>Receipts:</b>							
Local sources	\$ 1,006,969	\$ 303,343	\$ 324,876	\$ 231,185	\$ -	\$ 303,990	\$ 2,170,363
State sources	2,123,806	-	-	-	-	50,321	2,174,127
Federal sources	-	-	-	-	-	178,561	178,561
Bonds and loans	400,000	40,000	-	-	-	-	440,000
Sale of property, adjustments and refunds	(2,010)	-	-	-	-	3,393	1,383
<b>Total receipts</b>	<b><u>3,528,765</u></b>	<b><u>343,343</u></b>	<b><u>324,876</u></b>	<b><u>231,185</u></b>	<b><u>-</u></b>	<b><u>536,265</u></b>	<b><u>4,964,434</u></b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	1,324,510	-	-	-	-	146,231	1,470,741
Support services	1,212,792	269,449	42	234,021	-	228,418	1,944,722
Community services	38,109	-	-	-	-	496	38,605
Nonprogrammed charges	202,145	910	968	475	-	10,550	215,048
Debt services	720,000	-	196,266	-	-	136,581	1,052,847
<b>Total disbursements</b>	<b><u>3,497,556</u></b>	<b><u>270,359</u></b>	<b><u>197,276</u></b>	<b><u>234,496</u></b>	<b><u>-</u></b>	<b><u>522,276</u></b>	<b><u>4,721,963</u></b>
Excess (deficiency) of total receipts over (under) total disbursements	31,209	72,984	127,600	(3,311)	-	13,989	242,471
Cash and investments - beginning	238,403	54,851	23,273	303,003	114,005	91,575	825,110
Cash and investments - ending	<u>\$ 269,612</u>	<u>\$ 127,835</u>	<u>\$ 150,873</u>	<u>\$ 299,692</u>	<u>\$ 114,005</u>	<u>\$ 105,564</u>	<u>\$ 1,067,581</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 242,471
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>37,686</u>
Change in cash and investments of governmental activities	<u>\$ 280,157</u>

UNION SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 121,457
Disbursements:	
Support services	129,931
Changes in cash and investments	(8,474)
Cash and investments - beginning	(29,212)
Cash and investments - ending	\$ (37,686)

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

UNION SCHOOL CORPORATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH AND INVESTMENTS  
 PROPRIETARY FUND  
 For The Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ <u>37,686</u>
Changes in cash and investments	37,686
Cash and investments - beginning	<u>(37,686)</u>
Cash and investments - ending	<u>\$ -</u>

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

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

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 1,471,430	\$ -
State sources	-	1,800
Total additions	1,471,430	1,800
Deductions:		
Support services	823,631	2,370
Excess (deficiency) of total additions over (under) total deductions	647,799	(570)
Cash and investments - beginning	-	570
Cash and investments - ending	\$ 647,799	\$ -

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 5,935
State sources	-	<u>1,344</u>
Total additions	<u>-</u>	<u>7,279</u>
Deductions:		
Support services	117,474	-
Debt services	<u>31,821</u>	<u>-</u>
Total deductions	<u>149,295</u>	<u>-</u>
Excess (deficiency) of total additions over (under) total deductions	(149,295)	7,279
Cash and investments - beginning	<u>647,799</u>	<u>-</u>
Cash and investments - ending	<u>\$ 498,504</u>	<u>\$ 7,279</u>

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>
Cash and investments	\$ <u>647,799</u>
 <u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>647,799</u>

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 498,504	\$ 7,279
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 498,504	\$ 7,279

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

UNION 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

A. Government-Wide and Fund Financial Information

Government-Wide Financial Information

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Information

Fund financial information of the reporting entity is 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, liabilities, 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.

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 school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for Self-Insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement 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 grants.

**B. Measurement Focus and Basis of Accounting**

The government-wide, governmental fund, proprietary fund and fiduciary fund financial information is 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.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

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.

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

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

UNION SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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:

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.

UNION SCHOOL CORPORATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 556,402	\$ 319,138	\$ 237,264	174%	\$ 337,308	70%
07-01-04	544,483	346,904	197,579	157%	374,675	53%
07-01-05	546,630	381,509	165,121	143%	350,355	47%

UNION SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 15,540
Buildings	3,956,804
Improvements other than buildings	216,871
Machinery and equipment	1,057,095
Construction in progress	<u>4,595,000</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 9,841,310</u>

UNION SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
School Building Leases	\$ 4,158,007	\$ 243,820
Copy Leases	24,766	5,166
Bonds payable:		
General obligation bonds:		
Severance/retirement Pension Bonds	1,335,000	70,000
Total governmental activities long-term debt	\$ 5,517,773	\$ 318,986

UNION SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records were not presented for examination to support the ADM claimed by the School Corporation.

The building level official did not present for examination a certified record to support the ADM claimed by the School Corporation. Detailed student listings for Kindergarten, First, Second, Third and Fourth Grade were unavailable for School Year 2004-2005. A copy of Form 30A Report of ADM for State Support ADM Count as of September 17, 2004, which has a summary total of all students by grade, was on file.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 142, June 1998)

TRANSFER TUITION - CHILDREN OF TEACHERS

Some teachers who do not live in the School Corporation District have not paid transfer tuition for their children who are being educated by the School Corporation.

Indiana Code 20-26-11-6 states in part:

"(a) A school corporation may accept a transferring student without approval of the transferor corporation under section 5 of this chapter."

"(b) A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . ."

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation that goods or services had been received.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

UNION SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

COPIES OF CANCELLED CHECKS (Applies to Union Elementary School)

The Elementary Extra-Curricular Bank is returning copies of the cancelled checks that have been reduced and when printed are illegible.

Indiana Code 26-2-8-111 Retention of electronic records; originals, states in part:

(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference.

(b) A requirement to retain records in accordance with subsection (a) does not apply to any information whose sole purpose is to enable the record to be sent, communicated, or received.

(c) A person satisfies subsection (a) by using the services of any other person if the requirements of subsection (a) are met.

(d) If a law requires a record to be presented or retained in its original form, or provides consequences if the record is not presented or retained in its original form, that law is satisfied by an electronic record retained in accordance with subsection (a).

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a).

(f) A record retained as an electronic record in accordance with subsection (a) satisfies a law requiring a person to retain records for evidentiary, audit, or like purposes, unless a law enacted after July 1, 2000, specifically prohibits the use of an electronic record for a specified purpose."

USE OF FORM SA-5, FINANCIAL REPORT (Applies to Union Elementary School)

Financial Reports (Form SA-5) were not presented for examination. We used computer printouts which detailed the beginning cash, receipts, disbursements and balances by account, but there was no detail of receipts and disbursements by sub account.

All governmental units are required by law to use the forms prescribed by the State Board of Accounts; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

UNION SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OVERDRAWN FUND BALANCES (Applies to Union Elementary School)

The Textbook Rental Fund and Music Fund were overdrawn at June 30, 2006.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

UNION SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2007, with Sharon Lankford, Treasurer; Dr. Zachary Rozelle, Superintendent of Schools; and Alan McCormick, Vice President of the School Board. The officials concurred with our findings.