

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

AUDIT REPORT
OF

UNION COUNTY COLLEGE CORNER
JOINT SCHOOL DISTRICT
UNION COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
06/08/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marsha Maze	07-01-04 to 06-30-07
Superintendent of Schools	Mark Ransford Lynn A. Sheets	07-01-04 to 01-09-07 01-10-07 to 06-30-07
President of the School Board	Darrell Harvey Michael Murray	07-01-04 to 06-30-05 07-01-05 to 06-30-07



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

TO: THE OFFICIALS OF THE UNION COUNTY COLLEGE CORNER
JOINT SCHOOL DISTRICT, UNION 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 County College Corner Joint School District (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the Union County College Corner Joint School District'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 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, 2005 and 2006, 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 May 15, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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.

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

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management Discussion and Analysis, 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 Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. 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.

STATE BOARD OF ACCOUNTS

May 15, 2007

Except for Supplementary Schedule of Capital Assets and
Supplementary Schedule of Long-Term Debt, as to which the date
is June 19, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE UNION COUNTY COLLEGE CORNER
JOINT SCHOOL DISTRICT, UNION COUNTY, INDIANA

We have audited the financial statements of the Union County/College Corner Joint School District (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated May 15, 2007. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider items 2006-1 to be a material weakness.

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

This report is intended solely for the information and use of the School Corporation's management 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

May 15, 2007

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 366,205
Restricted assets:	
Cash and investments	<u>799,581</u>
Total assets	<u>\$ 1,165,786</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 799,581
Unrestricted	<u>366,205</u>
Total net assets	<u>\$ 1,165,786</u>

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 445,306
Restricted assets:	
Cash and investments	<u>584,509</u>
Total assets	<u>\$ 1,029,815</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 584,509
Unrestricted	<u>445,306</u>
Total net assets	<u>\$ 1,029,815</u>

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
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	\$ 6,608,357	\$ -	\$ 96,490	\$ (6,511,867)
Support services	8,837,021	504,442	248,056	(8,084,523)
Community services	114,747	-	-	(114,747)
Nonprogrammed charges	1,099,462	-	-	(1,099,462)
Debt service	1,708,349	-	-	(1,708,349)
Total governmental activities	\$ 18,367,936	\$ 504,442	\$ 344,546	(17,518,948)
General receipts:				
Property taxes				5,314,626
Other local sources				873,555
State aid				6,595,145
Grants and contributions not restricted				1,934,902
Sale of property, adjustments, and refunds				482,598
Investment earnings				1,775
Intergovernmental transfers				1,851,085
Total general receipts and intergovernmental transfers				17,053,686
Change in cash and investments				(465,262)
Net assets - beginning				1,631,048
Net assets - ending				\$ 1,165,786

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
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	\$ 6,543,136	\$ -	\$ 56,162	\$ (6,486,974)
Support services	8,697,701	512,270	252,101	(7,933,330)
Community services	119,446	-	-	(119,446)
Nonprogrammed charges	1,837,887	-	-	(1,837,887)
Debt service	2,406,206	-	-	(2,406,206)
Total governmental activities	\$ 19,604,376	\$ 512,270	\$ 308,263	(18,783,843)
General receipts:				
Property taxes				5,058,772
Other local sources				1,135,242
State aid				6,963,497
Grants and contributions not restricted				2,014,988
Bonds and loans				500,000
Sale of property, adjustments, and refunds				252,125
Investment earnings				1,889
Intergovernmental transfers				2,721,359
				<u>18,647,872</u>
				Change in cash and investments (135,971)
				<u>1,165,786</u>
				<u>\$ 1,029,815</u>

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Special Education Grant	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,686,564	\$ 608,527	\$ -	\$ 2,081,256	\$ 770,437	\$ 32,444	\$ 513,482	\$ 6,692,710
Intermediate sources	1,163	-	-	-	-	-	525	1,688
State sources	6,672,530	-	-	-	-	-	135,293	6,807,823
Federal sources	-	-	1,489,730	-	-	-	577,040	2,066,770
Sale of property, adjustments and refunds	5,231	2,513	-	-	18,675	-	456,179	482,598
Intergovernmental transfers	494,283	-	-	-	-	-	1,356,802	1,851,085
Total receipts	9,859,771	611,040	1,489,730	2,081,256	789,112	32,444	3,039,321	17,902,674
Disbursements:								
Current:								
Instruction	4,830,459	-	551,051	-	-	-	1,226,847	6,608,357
Support services	4,615,632	640,117	741,707	-	974,257	-	1,865,308	8,837,021
Community services	108,068	-	-	-	-	-	6,679	114,747
Nonprogrammed charges	395,003	114,820	-	66,126	226,250	2,975	294,288	1,099,462
Debt services	-	-	-	1,669,933	-	-	38,416	1,708,349
Total disbursements	9,949,162	754,937	1,292,758	1,736,059	1,200,507	2,975	3,431,538	18,367,936
Excess (deficiency) of total receipts over (under) total disbursements	(89,391)	(143,897)	196,972	345,197	(411,395)	29,469	(392,217)	(465,262)
Cash and investments - beginning	89,598	245,835	-	454,384	412,082	78,402	350,747	1,631,048
Cash and investments - ending	<u>\$ 207</u>	<u>\$ 101,938</u>	<u>\$ 196,972</u>	<u>\$ 799,581</u>	<u>\$ 687</u>	<u>\$ 107,871</u>	<u>\$ (41,470)</u>	<u>\$ 1,165,786</u>

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Special Education Grant	Debt Service	Pension Bond	Capital Projects	School Bus Replacement	Other	Totals
Receipts:									
Local sources	\$ 2,823,708	\$ 658,865	\$ -	\$ 1,949,925	\$ 38,744	\$ 699,912	\$ 1,451	\$ 533,036	\$ 6,705,641
Intermediate sources	1,706	-	-	-	-	-	-	825	2,531
State sources	7,004,874	-	-	-	-	-	-	137,441	7,142,315
Federal sources	-	-	1,564,250	-	-	-	-	580,184	2,144,434
Bonds and loans	500,000	-	-	-	-	-	-	-	500,000
Sale of property, adjustments and refunds	242,637	3,579	-	-	-	-	-	5,909	252,125
Intergovernmental transfers	592,860	91,000	-	-	147,390	200,000	-	1,690,109	2,721,359
Total receipts	11,165,785	753,444	1,564,250	1,949,925	186,134	899,912	1,451	2,947,504	19,468,405
Disbursements:									
Current:									
Instruction	4,584,098	-	603,639	-	-	-	-	1,355,399	6,543,136
Support services	4,921,860	658,038	800,615	1,100	-	832,168	52,068	1,431,852	8,697,701
Community services	114,488	-	-	-	-	-	-	4,958	119,446
Nonprogrammed charges	1,131,274	-	-	550,000	-	-	-	197,655	1,878,929
Debt services	565,133	-	-	1,734,687	65,344	-	-	-	2,365,164
Total disbursements	11,316,853	658,038	1,404,254	2,285,787	65,344	832,168	52,068	2,989,864	19,604,376
Excess (deficiency) of total receipts over (under) total disbursements	(151,068)	95,406	159,996	(335,862)	120,790	67,744	(50,617)	(42,360)	(135,971)
Cash and investments - beginning	207	101,938	196,972	799,581	-	687	107,871	(41,470)	1,165,786
Cash and investments - ending	<u>\$ (150,861)</u>	<u>\$ 197,344</u>	<u>\$ 356,968</u>	<u>\$ 463,719</u>	<u>\$ 120,790</u>	<u>\$ 68,431</u>	<u>\$ 57,254</u>	<u>\$ (83,830)</u>	<u>\$ 1,029,815</u>

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
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	\$ 70,035	\$ 901
Bonds and loans	1,600,000	-
Sale of property, adjustments and refunds	-	1,000
Transfers	1,593,000	-
Total additions	3,263,035	1,901
Deductions:		
Instruction	-	781
Support services	1,752,718	9
Nonprogrammed charges	1,593,000	-
Debt services	19,935	-
Total deductions	3,365,653	790
Excess (deficiency) of total additions over (under) total deductions	(102,618)	1,111
Cash and investments - beginning	-	4,691
Cash and investments - ending	\$ (102,618)	\$ 5,802

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 70,508	\$ -
Bonds and loans	12,935	-
Sale of property, adjustments and refunds	283,953	-
Transfers	880	-
Total additions	368,276	-
Deductions:		
Instruction	-	1,322
Support services	244,223	-
Nonprogrammed charges	21,435	500
Total deductions	265,658	1,822
Excess (deficiency) of total additions over (under) total deductions	102,618	(1,822)
Cash and investments - beginning	(102,618)	5,802
Cash and investments - ending	\$ -	\$ 3,980

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ (102,618)	\$ 5,802
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ (102,618)	\$ 5,802

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>3,980</u>
 <u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>3,980</u>

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
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 accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Joint Venture

The School Corporation is a participant with Northeastern Wayne School Corporation, Franklin County Community School Corporation, and Western Wayne Schools in a joint venture to operate East Central Indiana Special Services District which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit an annual amount determined by a funding formula approved by the District Board. Complete financial statements for the East Central Indiana Special Services District can be obtained from the joint venture's administrative office at 519 Queen Street, Pershing, IN 47331.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

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.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund, and fiduciary financial statements are reported using the basis of accounting that demonstrates compliance with the cash 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 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.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, 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 special education fund accounts for the federal receipts and disbursements of the major federal grant for East Central Indiana Special Services District. The School Corporation is the administrating school for this program.

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.

The pension bond fund accounts for pension bond funding and related debt service payments.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students of the School Corporation.

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

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.

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 COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

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.

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

2. Property Taxes

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. 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 December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

School Corporation employees earn sick leave at the rate of 15 days per year. Unused sick leave may be accumulated indefinitely for certified employees, and to a maximum of 75 days for noncertified employees. Certified employees may draw up to 25 days per year from a Sick Leave Bank. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 10 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

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. Annual appropriations lapse at calendar year end.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

On or before September 10, the fiscal officer of the School Corporation submits to the School 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 School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from 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 School Board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any 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.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2004 and 2005, disbursements did not exceed appropriations. However, for the year ended December 31, 2006 disbursements exceeded budgeted appropriations in the General Fund by the amount of \$495,361. These disbursements were funded by cash deficits in the general fund. This issue of noncompliance with budgeting laws is further addressed in the Audit Results and Comments section of this report.

C. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute.

Fund	2005	2006
General Fund	\$ -	\$ 150,861
School Lunch	35,825	28,046
Textbook Rental	76,935	114,544
Joint Services and Supply	361,655	161,135

Cash and investment deficits arose primarily from disbursements or expenses exceeding receipts or revenues due to the underestimate of current requirements. These deficits are to be repaid from future revenues. The School Corporation is experiencing a decline of financial condition. This situation is addressed further in the Audit Results and Comments section of this report.

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. Indiana Code 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.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the fiscal years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Transportation Fund	General Fund	\$ 91,000	\$ -
Capital Projects	General Fund	200,000	-
Debt Service Fund	General Fund	<u>-</u>	<u>550,000</u>
Totals		<u>\$ 291,000</u>	<u>\$ 550,000</u>

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

C. Short-Term Liabilities

Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the General Fund.

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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and job related illnesses or injuries to employees are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

During 1997, the School Corporation joined together with other governmental entities to form the Indiana Public Employees Plan, Greater Randolph County School Insurance Consortium, a public entity risk pool currently operating as a common risk management and insurance program for seven member governmental entities. This risk pool was formed in 1996. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees and dependents. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$5,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$100,000 limit.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The policy of the School Corporation is not to purchase commercial insurance for the risks of loss related to natural disasters. Instead, the School Corporation records as an expenditure any loss as the liability is incurred or replacement items are purchased.

B. Holding Corporations

The School Corporation has entered into three capital leases with the Union County School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation.

C. Subsequent Event – Declining Financial Position

The School Corporation General Fund has been experiencing a decline in financial condition for the past few years. The impact of the decline could require the School Corporation to borrow additional funds, and to substantially reduce services in order to pay operating expenses when they come due.

Actual General Fund receipt and disbursements for the first four months of 2007 are provided in the following schedule:

	January 2007	February 2007	March 2007	April 2007
General Fund Cash Balances, Beginning of Month	\$ 708,756.50	\$ 152,309.65	\$ 441,052.62	\$ 71,793.90
Receipts	675,402.61	652,590.58	567,549.86	557,311.75
Disbursements	(1,181,849.46)	(713,847.61)	(936,808.58)	(824,128.57)
Repayment of Tax Anticipation Warrants (TAW)	(800,000.00)	-	-	-
Monies Borrowed (TAW)	750,000.00	350,000.00	-	610,000.00
 General Fund Cash Balances, End of Month (1)	 <u>\$ 152,309.65</u>	 <u>\$ 441,052.62</u>	 <u>\$ 71,793.90</u>	 <u>\$ 414,977.08</u>
 (1) Outstanding TAWs	 \$ (750,000.00)	 \$ (1,100,000.00)	 \$ (1,100,000.00)	 \$ (1,710,000.00)

(1) Please note the above cash balances include tax anticipation borrowing. The tax anticipation borrowing plus interest is required to be repaid by December 31, 2007, in accordance with Indiana Code 20-48-1-9.

D. Pension Plans

Employees of the School Corporation participate in one of four pension plans. Employees participate in the (1) Indiana's Teachers' Retirement Fund; (2) the Ohio State Teachers' Retirement System; (3) the Indiana Public Employees' Retirement Fund; or (4) the Ohio School Employees' Retirement System. Noncertified personnel (other covered employees) participate in one of the Employees' Retirement Funds while certified personnel (licensed teachers) are members of one of the Teachers' Retirement Funds.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Plans

1. 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 and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 108,981
Interest on net pension obligation	(12,566)
Adjustment to annual required contribution	14,320
Annual pension cost	110,735
Contributions made	116,511
Decrease in net pension obligation	(5,776)
Net pension obligation, beginning of year	(173,328)
Net pension obligation, end of year	\$ (179,104)

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	6.75%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 90,293	110%	\$ (136,104)
	06-30-04	81,387	146%	(173,328)
	06-30-05	110,735	143%	(179,104)

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.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and Annual Pension Costs

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.

Plan members are required to contribute 3% of their salary. The School Corporation pays the entire cost for members. The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 9% of covered wages. The School Corporation's required contribution to the plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$271,329, \$245,897, and \$212,054, respectively. The School Corporation actually contributed 100% of the required contributions for each of the fiscal years.

Ohio Plans

Members of the Ohio State Teachers' Retirement System contribute 9.3% of gross earnings and members of the Ohio School Employees' Retirement System contribute 9.9% of gross earnings. The College Corner Local School Corporation of Ohio contributes 14% of gross earnings to the certified employees' and noncertified employees' plans. The Ohio State Teachers' Retirement System may be contacted at the following address:

State Teachers' Retirement System of Ohio
275 East Broad Street
Columbus, Ohio 43215

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,254,177	\$ 1,340,436	\$ (86,259)	94%	\$ 1,462,557	(6%)
07-01-04	1,316,445	1,596,050	(279,605)	82%	1,678,152	(17%)
07-01-05	1,409,855	1,707,500	(297,645)	83%	1,817,848	(16%)

UNION COUNTY/COLLEGE CORNER JOINT SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 172,809
Buildings	21,714,997
Improvements other than buildings	1,208,809
Machinery and equipment	<u>5,768,982</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 28,865,597</u>

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Liberty Elementary/Union County High School	\$ 4,105,000	\$ 462,334
Middle School	8,304,703	959,000
Liberty/College Corner Elementaries, and Union County High School	5,665,000	388,156
Honeywell Energy Savings Upgrade	164,764	46,880
Bonds payable:		
General obligation bonds:		
Pension Bonds	<u>1,530,000</u>	<u>129,389</u>
Total governmental activities long-term debt	<u>\$ 19,769,467</u>	<u>\$ 1,985,759</u>

Detailed information concerning principal and interest amounts to maturity is available for review through the Union County College Corner Joint School District Office for the above issues and any long-term debt transactions after June 30, 2006.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
OTHER REPORT

The biannual report presented herein was prepared in addition to another official report which will be prepared under separate cover for East Central Indiana Special Services District.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS

DECLINING FINANCIAL CONDITION

The balances and additional items which could have an effect on the School Corporation's General Fund are summarized as follows:

	<u>06-30-04</u>	<u>06-30-05</u>	<u>06-30-06</u>	<u>12-31-06</u>
General Fund Cash Balance, End of Period	\$ 89,597	\$ 207	\$ (150,861)	\$ 708,757
Additional Items:				
Interfund Loans Included in Ending Cash Balance, (Not Repaid at End of Period)	-	(291,000)	(550,000)	-
Tax Anticipation Warrant Included in Ending Cash Balance, (Not Repaid at End of Period)	-	-	-	(800,000)
Other Claims Outstanding	-	-	-	(306,171)
Payment Received in Advance from the Ohio College Corner Local School District	-	-	-	(203,089)

Please see Notes to the Financial Statements, IV.C., Subsequent Event – Declining Financial Position and I.D.2., Property Taxes.

Furthermore, normal operating transactions which could have a material effect on the General Fund are not listed in the aforementioned schedule.

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

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INACCURATE REPORTING – ADDITIONAL APPROPRIATION REQUEST

The Superintendent, Mark Ransford, initiated a request with the Indiana Department of Local Government Finance for an additional appropriation in the amount of \$380,000. The request was dated December 11, 2006. The financial information included in the request contained overstated General Fund revenue in the amount of \$800,000 that was the loan proceeds from a Tax Anticipation Note. No information was presented for audit to show a formal plan to finance the repayment of the \$800,000 loan other than from future local property tax and State tuition support revenues. These same revenues had already been appropriated by the School Board to finance calendar year 2007 operations.

A discussion was held on December 13, 2006, with Mr. Ransford who stated that he knowingly reported some information that was not in agreement with the records of the School Corporation to the Indiana Department of Local Government Finance in order to obtain approval for the additional appropriation. Information was not presented for audit that a sufficient amount of unappropriated General Fund cash was on hand to support any additional appropriation request. The request was later withdrawn from consideration by the School Corporation.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INACCURATE REPORTING – FINANCIAL INFORMATION TO SCHOOL BOARD

Mark Ransford, Superintendent, knowingly provided the School Board with inaccurate financial information in addition to the inaccuracy of reports submitted to the Indiana Department of Local Government Finance. Mr. Ransford stated during a December 11, 2006, regular meeting of the School Board, that requests for \$380,000 in additional appropriations were based on having sufficient money in the "operating balance." However, the General Fund cash balance on that date was a negative \$334,483.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Amount other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

COLLECTION OF AMOUNTS DUE - APPORTIONMENT OF EXPENSES (OHIO)

An Agreement to Reorganize the Operation of the College Corner Local School District and the Union County School Corporation was entered into by both the College Corner Local School District (Ohio) and Union County Schools (Indiana) and as a result the Union County College Corner Joint School District (UCCCJSD) was formed on July 1, 1995.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
 AUDIT RESULTS AND COMMENTS
 (Continued)

The Apportionment of Expenses section of the Agreement requires the UCCCJSD to prepare an analysis of expenses based on the formula contained in the agreement. The analysis should be the basis of the billings and payments for the Ohio students attending the UCCCJDS. The Agreement requires that the payments be made monthly for 12 months, commencing on July 1 following the calendar year for which the expenditures were determined.

Article V of the Agreement (Apportionment of Expenses) also states in part that: ". . . Expenditures shall be determined on a calendar year basis for the Joint Board of Education from all statutory funds . . ."

Article VII, Section 7C of the Agreement states that: "The Superintendent shall be the Chief Administrative Officer of the Joint School District and shall also be responsible for the formulation of administrative guidelines, assembling the annual budget, and completion of all records and documents required under state and federal law." Mark Ransford was the Superintendent during the audit period July 1, 2004 to June 30, 2006, and during the six-month period ending December 31, 2006.

The analysis of expenditures (as required by Article V of the Agreement) was not performed by the UCCCJSD for the school years 2004-2005 and 2005-2006. The consequence of not completing the analysis resulted in College Corner Local School District (Ohio) being under billed \$16,857.03 and \$96,771.64 for the school years 2004-2005 and 2005-2006, respectively, for a total of \$113,628.67. Additionally, school year 2003-2004 was recalculated resulting in an under billing of \$2,004.75, and school year 2006-2007 was recalculated resulting in an over billing of \$768.36. The total net amount due to the School Corporation from Ohio is \$114,865.06 as of the date of this report.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2006	\$ 495,361

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of thirteen funds, including General, School Lunch, Textbook Rental, Special Education, and Joint Services and Supply funds were overdrawn in 2006.

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

DISBURSEMENT WITHOUT SUPPORTING DOCUMENTATION

We noted a disbursement to Wal-Mart in the amount of \$4,800 made on July 26, 2006. The School Corporation purchased 64 gift cards in the amount of \$75 each. The disbursement was made from the Special Education Fund. The gift cards were distributed to the attendees of a back-to-school meeting. No information was presented for audit to establish what was purchased with the gift cards.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) There is a fully itemized invoice or bill for the claim;
- (2) The invoice or bill is approved by the officer or person receiving the goods and services;
- (3) The invoice or bill is filed with the governmental entity's fiscal officer;
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SERVICE CONTRACTS

The Superintendent, Mark Ransford, contracted for a Certified Maintenance Agreement, from Perfection Services, in November 2005, in the amount of \$49,728 annually. The purpose of the agreement was to provide maintenance on the heating and air conditioning systems in all the school buildings. A review of the minutes of the School Board showed no evidence that this contract had been approved by the School Board.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Guidelines Manual for Indiana Public School Corporations, Chapter 9)

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

SCHOOL LUNCH BANK DEPOSITS

School Lunch receipts were deposited later than the next business day. We examined forty-four bank deposits and found thirteen instances of untimely deposits. Eleven of the untimely deposits occurred at the Union County Middle School and two occurred at College Corner Elementary School. Funds were held for up to thirty days before being deposited in the bank. We also found one instance of a bank deposit not being made in chronological order. The Cafeteria Director is keeping the cash in her drawer for up to thirty days. At an average of \$661 dollars per day collected at the Union County Middle School for lunch, taking into account the days when there is no school, the amount of cash kept on hand at any given time could exceed \$13,000. A similar comment appeared in the prior Report B24831.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . ."

GUARANTEED ENERGY SAVINGS CONTRACTS

The Union County College Corner Joint School District entered into two separate guaranteed energy savings contracts with Honeywell, Inc. The first contract was entered into on December 11, 1995, and the contract was for five years. The total amount of the contract was \$134,200. The total amount of guaranteed energy savings was \$67,100. The total amount of guaranteed operational savings was \$67,100. The second contract was entered into on August 30, 1999, and was for a ten year period. The total amount of the contract was \$336,529. The total amount of guaranteed energy savings was \$224,590. The total amount of guaranteed operational savings was \$244,250. During the period October 2000 and January 2002, the contracts were combined. There was an overlap in the contracts and there was no way to distinguish the Energy Conservation Measure's (ECM's) of each contract since all ECM's show up on all meters. The contract provides operational cost savings projections and included capital expenditures as "agreed upon Operational Cost Savings." The "agreed upon" savings were "deemed realized upon execution" of the contract. No information was presented for audit to document the operational savings for either contract.

The contracts state in part: "Operational Savings are mutually agreed by the Customer and Honeywell and are deemed satisfied upon contract execution."

The projects include lighting retrofit, boiler replacement, water conservation measurers, steam taps and windows.

Statutory and Other Compliance Guideline Provisions

The Public Works Law, Indiana Code 36-1-12-1(e), states in part: "As an alternative to this chapter, the governing body . . . may . . . enter into a guaranteed energy savings contract as permitted under IC 36-1-12.5."

Effective March 21, 2002, Indiana Code 36-1-12.5-1 states in part: "As used in this chapter, 'energy conservation measure' means a school facility alteration or an alteration of a structure (as defined in IC 36-1-10-2) designed to reduce energy consumption costs or other operating costs . . . including future:

- (A) labor costs;
- (B) costs for contracted services; and
- (C) related capital expenditures."

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-12.5-5(a) concerning energy savings contracts states in part:

"The governing body may enter into . . . a guaranteed energy savings contract with a qualified provider to reduce the school corporation's or the political subdivision's energy consumption costs or operating costs if, after review of the report described in section 6 of this chapter, the governing body finds:

- (1) that the amount the governing body would spend on the energy conservation measures under the contract and that are recommended in the report is not likely to exceed the amount to be saved in energy consumption costs and other operating costs over ten (10) years from the date of installation if the recommendations in the report were followed; and
- (2) in the case of a guaranteed energy savings contract, the qualified provider provides a written guarantee as described in subsection (d)(2)."

Indiana Code 36-1-12.5-5(d) states in part:

"An agreement to participate in . . . guaranteed energy savings contract under this section must provide that: . . .

- (2) in the case of the guaranteed energy savings contract:
 - (A) the savings in energy and operating costs due to the energy conservation measures are guaranteed to cover the costs of the payments for the measures; and
 - (B) the qualified provider will reimburse the school corporation or political subdivision for the difference between the guaranteed savings and the actual savings . . ."

Effective March 21, 2002, Indiana Code 36-1-12.5-0.5 states: "As used in this chapter, 'actual savings' includes stipulated savings."

Indiana Code 36-1-12.5-3.7 states in part: "As used in this chapter, 'stipulated savings' are assumed savings that are documented by industry engineering standards."

Indiana Code 36-1-12.5-11 states in part:

"(a) A guaranteed energy savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards.

(b) Stipulated savings may be used for energy conservation measures including . . . (9) Any work that is causally connected to the energy conservation measures listed in subdivisions (1) through (8).

(c) The guaranteed energy savings contract shall:

- (1) describe stipulated savings for:
 - (A) energy conservation measures; and
 - (B) work causally connected to the energy conservation measures; and
- (2) document assumptions by industry engineering standards."

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Repayment of Costs in Excess of Savings

The Union County College Corner Joint School District Officials conveyed that the items shown as "agreed upon" or "stipulated savings" have been predetermined. Furthermore, the Union County College Corner Joint School District Officials do not have available for audit and conveyed they do not plan in the future to have any additional information to document actual operating savings. Accordingly, with due regards for the remaining contract time for which information may be presented to document actual operating and energy savings (effective March 21, 2002, "stipulated savings" documented by "industry engineering standards"), the Union County College Corner Joint School District should request reimbursement from Honeywell, Inc., for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by "industry engineering standards") at the end of the contract term in accordance with Indiana Code 36-1-12.5-5(d)(2)(B).

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (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

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Web Site: 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 COUNTY COLLEGE CORNER
JOINT SCHOOL DISTRICT, UNION COUNTY, INDIANA

Compliance

We have audited the compliance of the Union County/College Corner Joint School District (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, 2005 and 2006. 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, 2005 and 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-2 and 2006-3.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School Corporation's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-2 and 2006-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the School Corporation's management 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

May 15, 2007

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 46,235	\$ 46,362
National School Lunch Program	10.555		<u>193,275</u>	<u>192,020</u>
Total for federal grantor agency			<u>239,510</u>	<u>238,382</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education Grants To States (IDEA, Part B)	84.027	FY 04-05	1,596,927	-
		FY 05-06	<u>-</u>	<u>1,481,982</u>
Total for Program			<u>1,596,927</u>	<u>1,481,982</u>
Special Education Preschool Grants (IDEA, Preschool)	84.173	FY 04-05	44,416	-
		FY 05-06	<u>-</u>	<u>47,926</u>
Total for Program			<u>44,416</u>	<u>47,926</u>
Total for cluster			<u>1,641,343</u>	<u>1,529,908</u>
Title I Grants to Local Educational Agencies	84.010	FY 04-05	152,204	-
		FY 05-06	<u>-</u>	<u>148,960</u>
Total for Program			<u>152,204</u>	<u>148,960</u>
Safe and Drug Free Schools and Communities	84.186	FY 02-03	5,463	-
		FY 04-06	<u>-</u>	<u>7,284</u>
Total for Program			<u>5,463</u>	<u>7,284</u>
Eisenhower Professional Development	84.281	FY 04-05	5,598	-
		FY 05-06	<u>-</u>	<u>7,167</u>
Total for Program			<u>5,598</u>	<u>7,167</u>
Innovative Education Program Strategies	84.298A	02-121	5,433	946
		03-302	8,250	-
		04-152	<u>4,879</u>	<u>5,537</u>
Total for Program			<u>18,562</u>	<u>6,483</u>
Title II, Improving Teacher Quality	84.367	02-153	53,659	12,593
		03-147	-	65,812
		04-322	<u>18,551</u>	<u>-</u>
Total for Program			<u>72,210</u>	<u>78,405</u>
Total for Federal Grantor Agency			<u>1,895,380</u>	<u>1,778,207</u>
Total Federal Awards Expended			<u>\$ 2,134,890</u>	<u>\$ 2,016,589</u>

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

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
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 County/College Corner Joint School District (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
National School Lunch	10.555	\$ 18,424	\$ 16,841
School Breakfast Program	10.553	3,812	4,354

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
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?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

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? yes

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2006-1, INTERNAL CONTROL REPORTABLE CONDITIONS

The following deficiencies in internal controls were noted:

The School Board is not being provided with, nor asking for, periodic financial statements.

The information provided by the Superintendent to the School Board did not accurately reflect the financial records regarding the cash balance of the School Corporation's General Fund and the funding source of additional appropriation requests.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Accurate and timely financial information is needed for the governing board to make informed management decisions.

The existence of these material weaknesses have led to a deteriorated financial condition for the School Corporation.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

We recommended that the School Board be provided periodic financial statements on the individual funds.

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-2, CASH MANAGEMENT

Federal Program: Special Education Grants to States (IDEA, Part B)
CFDA Number: 84.027
Federal Award Number: 14206-013PN01

The School Corporation maintained cash balances in excess of current needs for the Special Education Grants to States (IDEA, Part B) program during the period audited.

34 CFR 80.20(b)(7) states in part: "Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advanced payment procedures are used. . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to adhere to this requirement could cause the School Corporation to be deemed ineligible to receive federal awards in the future.

We recommended that the School Corporation design and properly monitor procedures that would ensure that federal funds be disbursed in a timely manner.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2006-3, ALLOWABLE COSTS/COST PRINCIPLES

Federal Program: Special Education Grants to States (IDEA, Part B)
CFDA Number: 84.027
Federal Award Number: 14206-013PN01

We noted during a review of claims a disbursement to Wal-Mart in the amount of \$4,800 made on July 26, 2006. The School Corporation purchased 64 gift cards in the amount of \$75 each. The disbursement was made from the Special Education Fund. The gift cards were distributed to the attendees of a back-to-school meeting. No documentation was presented for audit detailing what was purchased with the gift card. Without supporting documentation, we were unable to establish what these funds were expended for and, if, in fact, the \$4,800 disbursement is an allowable cost.

34 CFR 80.20 Subtitle A (b)(6) states: "Accounting records must be supported by such source documents as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

Also, OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, paragraph C.1, states in part: ". . . requires that for a cost to be allowable under Federal awards the cost must be:

1. Authorized or not prohibited under State or local laws or regulations, and
2. Be adequately documented."

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



UNION COUNTY
COLLEGE CORNER
JOINT SCHOOL
DISTRICT

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Interim
Assistant Superintendent

Grace Atkins
Payroll Clerk

Ron Elleman
Bus Coordinator

Sherry Frazer
Secretary

Marsha Maze
Treasurer

Ben Caskey
Darrell Harvey
David Hofmann
Mark Kassens
Susan Kirkpatrick
Mike Murray
Mike Sims
Gena Waltz
Johnny Welborn
School Board of Trustees

February 15, 2007

Corrective Action Plan:

FINDING NO. 2006-1, INTERNAL CONTROL REPORTABLE
CONDITIONS

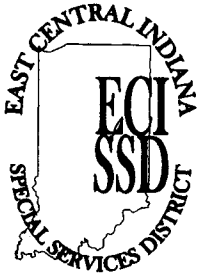
Effective with the January 8, 2007 board meeting, the treasurer will attend all regularly scheduled Board meetings and others as requested by the Board to provide financial information needed for decision making. A policy will be developed to address this situation.

The Board members will be provided with a fund report showing each fund balance and a depository statement with the current bank balance prior to each monthly meeting. Any and all information provided to the local and state agencies will reflect accurate financial records.

Sincerely,

Marsha Maze, Treasurer

Lynn Sheets, Interim Assistant Superintendent



EAST CENTRAL INDIANA SPECIAL SERVICES DISTRICT

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*The educational services provider for students of unique needs in Franklin, Union,
Western Wayne & Northeastern Wayne Counties*

February 8, 2007

Corrective Action Plan:

FINDING NO. 2006-2, CASH MANAGEMENT

Federal Program: Special Education Grants to States (IDEA, Part B)

CFDA Number: 84.027

Federal Award Number 14206-013PN01

East Central Indiana Special Services (ECISS) has submitted an amended cash request form for February 2007 to the Indiana Department of Education. ECISS is currently determining estimated monthly expenditures for the remaining months of the grant and will file an amended cash request form for March 2007 through September 2007. ECISS will work closely with Union County College Corner Joint School District to monitor the planning district's cash needs and balances. If needed, additional amendments will be made to the federal grant and related cash request forms.

FINDING NO. 2006-3, ALLOWABLE COSTS/COST PRINCIPLES

Federal Program: Special Education Grants to States (IDEA, Part B)

CFDA Number: 84.027

Federal Award Number 14206-013PN01

ECISS will discontinue providing gift cards at the annual back-to-school meeting. The ECISS governing board of superintendents has been notified that this is not an allowable practice.

Respectfully submitted,

Liza Bates

Director

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this revised report were mailed on May 3, 2007, to Mark Ransford, Superintendent of Schools, (Scheduled for Retirement on June 30, 2007). Mr. Ransford's official response has been made a part of this report and may be found on pages 47 through 50.

The contents of this revised report were discussed on May 15, 2007, with Michael Murray, President of the School Board; Marsha Maze, Treasurer; Lynn A. Sheets, Interim Superintendent; Johnny K. Welborn, Vice-President of the School Board; and Ben Caskey and David W. Hoffman, School Board members. The official responses have been made a part of this report and may be found on pages 51 through 55.

May 7, 2007

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

RE: Official Response by Superintendent Mark Ransford

Members, Indiana State Board of Accounts:

I have received a copy of the "Revised Audit Results and Comments" with a cover letter dated May 3, 2007, and I am filing this response according to the usual protocol.

My response will include comments on several topics. The first is a response to the section entitled "Inaccurate Reporting – Additional Appropriation Request." I will attempt to explain my actions.

I realized that our financial situation would not allow us to repay outstanding TAW's at the end of the 2006 calendar year. Therefore, I spoke with the representatives from the United Community Bank to allow us to extend the term of the loan until January 19, 2007. Moving a due date is not an unusual strategy employed by superintendents. I know many, many superintendents who have delayed a payment in order to end the year with a positive cash balance. My thinking was that by being able to have a positive balance at the end of the year, we could, then justify the request for an additional appropriation. Here is the difference between what I had intended and what many other superintendents in somewhat similar situation have done. Other superintendents used this tool or strategy to remain within their budgets. My strategy was to use it to support a request for an additional appropriation, which, in essence, was an effort to increase our budget. To this, the State Board of Accounts and the DLGF took exception. I understand their reasoning on this matter and accept their reasoning; however, I want to state unequivocally that no intention of dishonesty was any part of this effort. I simply was trying to buy some time to get from 2006 into 2007 so we could make appropriate cuts in order to get our financial house in order.

Despite what was stated in this section and in the next section, which was entitled "Inaccurate Reporting – Financial Information to School Board," I would like to emphatically state that information I have given the school board or comments I have made publicly, have reflected my understanding of our financial status at the time I made the comment or comments. I have never deliberately been dishonest with information. As I reflect on some of these matters, some information is much clearer now than when it was given to the Board. I will address this a bit later; however, any superintendent must have accurate, reliable, and timely information available.

A second issue I shall address will be the apportionment of expenses that were due to be paid from Ohio. Each year since I began my service to the Union County/College Corner Joint School District, the analysis of expenses has been done by the same Central Office employee. I have no explanation as to why it was not done in 2004-05 or in 2005-06. In fact, until late in 2006, I had no idea it had not been done. One person, the superintendent, cannot perform all the functions of the Central Office. He or she must delegate many tasks to other employees. However, as Superintendent, I realize that it is my duty to oversee the performance of the employees of the district.

A third issue concerns the reappearance in this audit of the conversation about the energy savings contract. I have addressed this in past audit reports and will do so again.

One of the two contracts with the vendor mentioned was signed in 1995, which was before I began serving this district. However, in 1999, which was after I began service there, a new project was approved and financed using guaranteed energy savings and, as the report states, the two contracts were combined into one.

In the last portion of the exit conference document, the language implies that we have not and would not request documentation of the stipulated savings. I disagree vehemently. In documents that are in the Office of the Superintendent, in both e-mail form and in hard copy, evidence exists that I, as Superintendent, on numerous occasions had conversations with two representatives from the vendor about documenting their claims. The fact is that the law was written so permissive that the vendor can decline and has declined to produce reports that are detailed enough that any analysis can either prove the existence of appropriate savings or disprove the same.

I feel that it is unfortunate that the local corporation has been taken to task on this matter once again. We have tried and tried to have documentation available, but to no avail. It is not the fault of the local corporation or the fault of me as the superintendent that we cannot force the vendor to provide us information that is beyond that which the law requires.

This matter has resulted in several public personal attacks on me, as superintendent. I would like to go on record as stating this. In 1999 when this project was being considered, I invited five vendors to make presentations about their ability to serve our corporation—Johnson Controls, Siemens, NESI (a subsidiary of Northern Indiana Public Service Company), Honeywell, and a subsidiary of Southern Indiana Gas and Electric Company whose acronym I cannot recall. Three chose to make presentations—Honeywell, NESI, and the subsidiary of SIGECO. After the presentations and subsequent conversations with each group, I was prepared to recommend NESI to the Board. However, I never had the opportunity to do so. Before any recommendation came from me, a person serving on the Board, who is no longer a Board member, recommended the current vendor and it was approved. Board minutes will verify that I did not make a recommendation and that the process unfolded as I have described it. So, again, I feel that I have been handed an unworkable situation, in which I have no role, yet

I somehow have been blamed for some portion of this situation and should not have been. I cannot demand more of this vendor than the statute requires.

The fourth topic I would choose to address is the effect of three strong forces.

- (1) Hostile taxpayer and the corporation's response to them. After the reassessment earlier this decade, taxes increased. In June of 2004 a significant number of taxpayers who were upset at the size of the increase in taxes attended a meeting of the UC/CC JSD Board and vented their frustration while blaming the schools for the increases in their taxes.

In response to their concerns, subsequent budgets were passed after much consideration had been given to the impact on the local tax rate. It should be noted that the school tax rate in Union County ranked 219 of 293 school corporations in the state during 2006; therefore, it would be difficult to argue that we have been overburdening our local taxpayers.

During the 2004, 2005, and 2006 budget years, we purposefully did not pursue an appeal of our local levy, an appeal called a new facility appeal for which we qualified. This would have increased our general fund revenues. Similarly, we dropped \$230,000 from our Debt Service Fund that we were collecting in advance during the 2007 budget preparation. In addition, we made other adjustments in CPF for which we qualified. My point is that one of the three factors making it a difficult atmosphere for us has been trying to do our best to accommodate taxpayers' concerns.

- (2) Declining revenues have also made it difficult to maintain a quality, high performing organization. Not only has our state support remained very modest, the state has made cuts in several areas of state support. The state eliminated its support of the Debt Service Fund when it eliminated the ADA Flat Grant. That burden was passed on the local taxpayers. The same is true with the elimination of support in the Transportation Operating Fund. Similarly, at a time when more emphasis than ever has been placed upon achievement, the state of Indiana first eliminated its Supplemental Remediation Grant and significantly reduced its regular remediation grant support.
- (3) High expectations of PL 221, NCLB, and the UC/CC JSD strategic plan. At the same time we have been dealing with fewer resources for remediation, we have been expected to achieve at high levels. P.L. 221, the accountability statute of the State of Indiana, expects continuous progress toward predefined targets based upon a corporation's past performance. The Federal Law known as "No Child Left Behind" demands that progress is made for all children and that achievement gaps between and among subgroups be eliminated. Under this law, children of families living in poverty are compared with their more affluent peers, racial categories are compared, children with disabilities are compared to their non-disabled peers, and members of the different genders are compared. Achievement

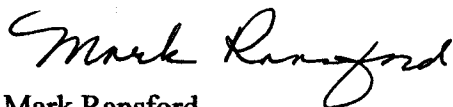
gaps, when discovered, are expected to be eliminated. Likewise, the UC/CC JSD crafted its own Strategic Plan. In it, the same theme of higher expectations can be found. We expect that we make progress in achievement, graduation rates, attendance, parent involvement, and other measures of success.

My point in discussing these three forces is to define a realistic picture of the pressures under which we perform our duties as leaders of this district. We have taxpayer activists who want us to keep our tax rates low. We face declining state and federal support. Yet, we define our success upon factors that are very much dependent upon this diminished funding. In this atmosphere, this Superintendent and any other, for that matter, is greatly dependent upon having accurate and timely information available. It is imperative that financial information is provided on time, is accurate, and is reliable. With all the attention placed on achievement and accountability, which occupies so much time, this is a must.

The last topic is the good that has been accomplished. Out of 293 corporations in this state, when school tax rates were compared, UC/CC JSD ranked number 219. Only Rush County and Richmond, in our surrounding counties, ranked lower. When comparisons were made based upon 2006 budgets, the UC/CC JSD also ranked 239 of the 293 districts on the amount of local tax levy raised per ADM. Yet we were granted "Exemplary" status based upon our achievement. Only the Nettle Creek district of the districts in the contiguous counties shared that distinction. The messages I would like to emphasize are two. First of all, we have built a quality, high performing organization. That has not happened by accident. It has been accomplished by ridding ourselves of low-performing faculty and staff members and hiring quality people in their places. It also has been accomplished through staff development and an emphasis upon providing quality services to our children. Ironically, it has been accomplished in an environment in which the means by which progress can be accomplished has been diminishing over the past several years.

I would like to emphasize, however, that despite the critical elements of the audit report and in celebration of what has been accomplished, that not one bit of the funding received by this corporation has been spent outside of the purposes for which it was intended. It was spent to educate our students.

Respectfully submitted this 7th day of May, 2007,



Mark Ransford



UNION COUNTY
COLLEGE CORNER
JOINT SCHOOL
DISTRICT

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Interim Superintendent

Grace Atkins
Payroll Clerk

Ron Elleman
Bus Coordinator

Sherry Frazer
Secretary

Marsha Maze
Treasurer

Ben Caskey
Darrell Harvey
David Hofmann
Mark Kassens
Susan Kirkpatrick
Mike Murray
Mike Sims
Gena Waltz
Johnny Welborn
School Board of Trustees

May 21, 2007

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

RE: Official Response to Audit of Union County/College Corner Joint
School District

Dear Sir:

DECLINING FINANCIAL CONDITION

This section, which does show accurate financial information, does not adequately reflect the true financial condition of the School Corporation.

This section coupled with the Notes To Financial Statements shows the serious financial situation that the School Corporation is in.

Steps have been undertaken to reverse this downward spiral. Cost containment steps have already been implemented and negotiations with the Teachers Association are scheduled, which will hopefully result in additional operational savings.

INACCURATE REPORTING—ADDITIONAL APPROPRIATION REQUEST

The Superintendent did have accurate information available to him prior to making the December 11, 2006 request for an additional appropriation.

To provide better internal control the Corporation Treasurer has been directed to report to the School Board. She is to report any unethical or illegal act to the Board President.

INNACCURATE REPORTING—FINANCIAL INFORMATION TO SCHOOL BOARD

The Corporation Treasurer now provides cash flow, fund balances, and claim information to the School Board monthly.

This information allows the Board to make informed financial decisions. The Treasurer also attends all regularly scheduled School Board meetings, in order to answer any questions that the Board Members have related to finance.

COLLECTION OF AMOUNTS DUE—APPORTIONMENT OF EXPENSES (OHIO)

This process will be done in a timely manner in order to collect monies due the corporation. The Superintendent had the needed information available to him to initiate this process. Past due accounts will be collected as soon as this audit report is finalized.

APPROPRIATIONS

Constant monitoring of the financial information provided to the Superintendent will keep this from happening in the future.

The Corporation Treasurer was directed to make payments that caused the overspending of the approved appropriations.

OVERDRAWN CASH BALANCES

Every effort will be undertaken in an attempt to eliminate or reduce the number of funds that are overdrawn.

PUBLIC PURCHASES SERVICE CONTRACTS

School Board policy and State Law will be followed in the future regarding public purchases.

SCHOOL LUNCH BANK DEPOSITS

The food service director has been given a directive to make deposits according to the requirements of the law.

In conclusion, the Board of School Trustees now realize that they made decisions that contributed to the declining financial situation in the school corporation.

They feel that these decisions were based on inaccurate information provided by the Superintendent.

During discussions with the Superintendent, he informed the Board that he had not always fully analyzed the financial records at his disposal.

The Board of School Trustees has hired an Interim Superintendent to handle the financial functions of the school corporation.

Sincerely,

Mike Murray, Board President

Mike Murray, Board President



UNION COUNTY
COLLEGE CORNER
JOINT SCHOOL
DISTRICT

107 Layman Street
Liberty, Indiana 47353
P: (765) 458-7471
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Lynn A. Sheets,
Interim Superintendent

Grace Atkins
Payroll Clerk

Ron Ellemann
Bus Coordinator

Sherry Frazer
Secretary

Marsha Maze
Treasurer

Ben Caskey
Darrell Harvey
David Hofmann
Mark Kassens
Susan Kirkpatrick

Mike Murray
Mike Sims
Gena Waltz
Johnny Welborn
School Board of Trustees

May 21, 2007

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

RE: Official Response to Audit of Union County/College Corner Joint
School District

Dear Sir:

As Treasurer of the District, I feel I must respond to the Official
Response by Superintendent Mark Ransford.

Apportionment Expenses

The Ohio apportionment, as long as I have been employed, has always
been initiated at the Preble County Office. The years of 2004-05 and
2005-06 were not received as in previous years; therefore, it was then
initiated by this office. The apportionment payments were still being
made by Preble County at the 2003-04 rate.

Subsequently a meeting was held with the Preble County and Union
County Superintendents and the Preble County and Union County
Treasurers. Ohio presented the enrollment figures and the Union
County treasurer supplied the expenditures needed for 2004-05 and
2005-06 school years. The new apportionment figures were arrived at
and are being used for current payments. For the 2006-07 school year,
expenses and enrollment will be available after June 30.

The initiation of future apportionments will come from the Union
County/College Corner Joint School District with a meeting to be held
between the Superintendents and Treasurers from both Corporations.

Accurate, Reliable and Timely Information

The Superintendent had, at any given time, a fund report showing a
beginning year balance, a beginning month balance, monthly expenses
and receipts and current balance at the end of each month. Also
available, at any given time, was a current appropriation and revenue
report. These reports are printed monthly and a copy is in the personal
office of the Superintendent.

The monthly fund report must and does balance back to the monthly bank statement, which is always completed in an accurate and timely manner. A depository statement is completed each month showing total moneys available and this also must balance back to the funds. This statement is provided to the Superintendent and the Board in an accurate and timely manner.

It is imperative that the information (reports) provided be taken seriously. The declining balance in this district has been happening over the last few years. Fund reports show this as well as the bank balance. All of the reports furnished and conversations held with the Superintendent can only make a difference if read and listened to.

Sincerely,

Marsha Maze

Marsha Maze, Treasurer