

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

UNION SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
04/02/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brandy Warren	07-01-10 to 06-30-13
Superintendent of Schools	Philip Wray Fred Herron	07-01-10 to 06-30-11 07-01-11 to 06-30-13
President of the School Board	Diana Grubbs Scott Houser Alan McCormick	07-01-10 to 06-30-11 07-01-11 to 12-31-12 01-01-13 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Union School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our examination.

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

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Receivables, Schedule of Long-Term Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

February 11, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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UNION SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 1,202,977	\$ 3,239,332	\$ 3,101,915	\$ -	\$ 1,340,394	\$ 3,050,916	\$ 3,095,911	\$ -	\$ 1,295,399
Debt Service	228,203	389,172	367,201	776	250,950	379,239	365,000	(22,262)	242,927
Retirement/Severance Bond Debt Service	97,226	125,444	132,424	-	90,246	134,558	138,697	-	86,107
Capital Projects	269,924	261,922	305,879	515	226,482	317,283	385,323	-	158,442
School Transportation	446,329	434,396	316,605	7,398	571,518	385,122	317,242	(204,743)	434,655
School Bus Replacement	90,915	89,934	-	251	181,100	102,357	88,626	-	194,831
Rainy Day	352,000	-	-	-	352,000	-	-	218,000	570,000
Retirement/Severance Bond	264,072	-	20,835	-	243,237	-	11,532	-	231,705
School Lunch	14,493	186,449	179,539	-	21,403	197,309	197,536	-	21,176
Textbook Rental	36,082	22,715	24,803	-	33,994	35,914	65,454	4,262	8,716
Levy Excess	-	6,535	-	(6,535)	-	419	-	4,743	5,162
New Castle Special Ed Aides	(3,606)	10,301	6,695	-	-	-	-	-	-
GRIC Wellness Grant	562	4,300	2,634	-	2,228	4,400	4,876	-	1,752
Educational License Plates	525	188	-	-	713	150	-	-	863
School Library Printed Material	67	-	-	-	67	-	67	-	-
Lowe's Toolbox Grant	791	-	-	-	791	-	-	-	791
High Ability Grant 2010-2011	-	26,584	26,753	1,630	1,461	-	1,461	-	-
High Ability Grant 2011-2012	-	-	-	-	-	25,572	24,184	-	1,388
High Ability Grant 2009-2010	4,590	-	2,960	(1,630)	-	-	-	-	-
Scholarships and Awards	3,544	3,355	6,060	-	839	4,374	3,755	-	1,458
School Technology	-	3,648	3,425	-	223	4,110	3,759	-	574
Miscellaneous Programs	(1,245)	19,121	17,876	-	-	-	-	-	-
Excess PTRC Distributions	-	2,405	-	(2,405)	-	-	-	-	-
Title I 2009-2010	14,231	16,051	19,452	(10,830)	-	-	-	-	-
Title I 2008-2009	5,741	-	-	(5,741)	-	-	-	-	-
Title I 2010-2011	-	93,500	106,637	16,571	3,434	10,429	13,863	-	-
Title I 2011-2012	-	-	-	-	-	127,000	116,365	-	10,635
Library Grant	1,400	-	-	-	1,400	-	1,400	-	-
Drug Free Grant	1,203	-	1,203	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	23,834	17,400	43,035	-	(1,801)	34,702	31,684	-	1,217
Rural Schools and Low Income Program - Pass Through State	-	54,115	54,115	-	-	27,064	27,064	-	-
Title I - Grants to LEAs	4,522	8,732	13,254	-	-	-	-	-	-
Education Jobs	-	-	-	-	-	59,262	54,205	-	5,057
Petty Cash	100	-	100	-	-	-	-	-	-
Payroll Withholdings	(492)	849,799	854,733	-	(5,426)	862,972	865,132	-	(7,586)
Totals	\$ 3,057,988	\$ 5,865,398	\$ 5,608,133	\$ -	\$ 3,315,253	\$ 5,763,152	\$ 5,813,136	\$ -	\$ 3,265,269

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

UNION SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. 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 statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

UNION SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Non-instructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a

UNION SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to

UNION SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. Teacher's Retirement Fund

Plan Description

The Indiana Teacher's Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent 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 SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

UNION SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 1,202,977	\$ 228,203	\$ 97,226	\$ 269,924	\$ 446,329	\$ 90,915	\$ 352,000	\$ 264,072	\$ 14,493
Receipts:									
Local sources	46,494	389,172	125,444	261,922	434,396	89,934	-	-	72,793
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	3,192,838	-	-	-	-	-	-	-	1,886
Federal sources	-	-	-	-	-	-	-	-	111,770
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>3,239,332</u>	<u>389,172</u>	<u>125,444</u>	<u>261,922</u>	<u>434,396</u>	<u>89,934</u>	<u>-</u>	<u>-</u>	<u>186,449</u>
Disbursements:									
Current:									
Instruction	2,088,190	-	-	-	-	-	-	9,448	-
Support services	931,216	6,978	-	275,382	316,605	-	-	11,387	400
Noninstructional services	81,465	-	-	-	-	-	-	-	179,139
Facilities acquisition and construction	-	-	-	30,497	-	-	-	-	-
Debt services	1,044	360,223	132,424	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total disbursements	<u>3,101,915</u>	<u>367,201</u>	<u>132,424</u>	<u>305,879</u>	<u>316,605</u>	<u>-</u>	<u>-</u>	<u>20,835</u>	<u>179,539</u>
Excess (deficiency) of receipts over disbursements	<u>137,417</u>	<u>21,971</u>	<u>(6,980)</u>	<u>(43,957)</u>	<u>117,791</u>	<u>89,934</u>	<u>-</u>	<u>(20,835)</u>	<u>6,910</u>
Other financing sources (uses):									
Transfers in	-	776	-	515	7,398	251	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>776</u>	<u>-</u>	<u>515</u>	<u>7,398</u>	<u>251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>137,417</u>	<u>22,747</u>	<u>(6,980)</u>	<u>(43,442)</u>	<u>125,189</u>	<u>90,185</u>	<u>-</u>	<u>(20,835)</u>	<u>6,910</u>
Cash and investments - ending	<u>\$ 1,340,394</u>	<u>\$ 250,950</u>	<u>\$ 90,246</u>	<u>\$ 226,482</u>	<u>\$ 571,518</u>	<u>\$ 181,100</u>	<u>\$ 352,000</u>	<u>\$ 243,237</u>	<u>\$ 21,403</u>

UNION SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Textbook Rental	Levy Excess	New Castle Special Ed Aides	GRIC Wellness Grant	Educational License Plates	School Library Printed Material	Lowes Toolbox Grant	High Ability Grant 2010-2011
Cash and investments - beginning	\$ 36,082	\$ -	\$ (3,606)	\$ 562	\$ 525	\$ 67	\$ 791	\$ -
Receipts:								
Local sources	14,377	-	10,301	-	-	-	-	-
Intermediate sources	-	-	-	-	188	-	-	-
State sources	8,338	6,535	-	4,300	-	-	-	26,584
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>22,715</u>	<u>6,535</u>	<u>10,301</u>	<u>4,300</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>26,584</u>
Disbursements:								
Current:								
Instruction	19,509	-	6,695	387	-	-	-	26,753
Support services	5,294	-	-	2,247	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total disbursements	<u>24,803</u>	<u>-</u>	<u>6,695</u>	<u>2,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,753</u>
Excess (deficiency) of receipts over disbursements	<u>(2,088)</u>	<u>6,535</u>	<u>3,606</u>	<u>1,666</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>(169)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	1,630
Transfers out	-	(6,535)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(6,535)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,630</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(2,088)</u>	<u>-</u>	<u>3,606</u>	<u>1,666</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>1,461</u>
Cash and investments - ending	<u>\$ 33,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,228</u>	<u>\$ 713</u>	<u>\$ 67</u>	<u>\$ 791</u>	<u>\$ 1,461</u>

UNION SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	High Ability Grant 2009-2010	Scholarships and Awards	School Technology	Miscellaneous Programs	Excess PTRC Distributions	Title I 2009-2010	Title I 2008-2009	Title I 2010-2011
Cash and investments - beginning	\$ 4,590	\$ 3,544	\$ -	\$ (1,245)	\$ -	\$ 14,231	\$ 5,741	\$ -
Receipts:								
Local sources	-	-	-	19,121	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	3,648	-	2,405	-	-	-
Federal sources	-	-	-	-	-	16,051	-	93,500
Other	-	3,355	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>3,355</u>	<u>3,648</u>	<u>19,121</u>	<u>2,405</u>	<u>16,051</u>	<u>-</u>	<u>93,500</u>
Disbursements:								
Current:								
Instruction	2,960	6,060	-	17,876	-	19,452	-	106,637
Support services	-	-	3,425	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total disbursements	<u>2,960</u>	<u>6,060</u>	<u>3,425</u>	<u>17,876</u>	<u>-</u>	<u>19,452</u>	<u>-</u>	<u>106,637</u>
Excess (deficiency) of receipts over disbursements	<u>(2,960)</u>	<u>(2,705)</u>	<u>223</u>	<u>1,245</u>	<u>2,405</u>	<u>(3,401)</u>	<u>-</u>	<u>(13,137)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	5,741	-	16,571
Transfers out	<u>(1,630)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,405)</u>	<u>(16,571)</u>	<u>(5,741)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,630)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,405)</u>	<u>(10,830)</u>	<u>(5,741)</u>	<u>16,571</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(4,590)</u>	<u>(2,705)</u>	<u>223</u>	<u>1,245</u>	<u>-</u>	<u>(14,231)</u>	<u>(5,741)</u>	<u>3,434</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 839</u>	<u>\$ 223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,434</u>

UNION SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Library Grant	Drug Free Grant	Improving Teaching Quality No Child Left Title II, Part A	Rural Schools and Low Income Program Pass Through State	Title I Grants to LEAs	Petty Cash	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 1,400	\$ 1,203	\$ 23,834	\$ -	\$ 4,522	\$ 100	\$ (492)	\$ 3,057,988
Receipts:								
Local sources	-	-	-	-	-	-	-	1,463,954
Intermediate sources	-	-	-	-	-	-	-	188
State sources	-	-	-	54,115	-	-	-	3,300,649
Federal sources	-	-	17,400	-	8,732	-	-	247,453
Other	-	-	-	-	-	-	849,799	853,154
Total receipts	-	-	17,400	54,115	8,732	-	849,799	5,865,398
Disbursements:								
Current:								
Instruction	-	1,203	43,035	-	13,254	-	-	2,361,459
Support services	-	-	-	54,115	-	-	-	1,607,049
Noninstructional services	-	-	-	-	-	-	-	260,604
Facilities acquisition and construction	-	-	-	-	-	-	-	30,497
Debt services	-	-	-	-	-	-	-	493,691
Other	-	-	-	-	-	100	854,733	854,833
Total disbursements	-	1,203	43,035	54,115	13,254	100	854,733	5,608,133
Excess (deficiency) of receipts over disbursements	-	(1,203)	(25,635)	-	(4,522)	(100)	(4,934)	257,265
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	32,882
Transfers out	-	-	-	-	-	-	-	(32,882)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,203)	(25,635)	-	(4,522)	(100)	(4,934)	257,265
Cash and investments - ending	\$ 1,400	\$ -	\$ (1,801)	\$ -	\$ -	\$ -	\$ (5,426)	\$ 3,315,253

UNION SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 1,340,394	\$ 250,950	\$ 90,246	\$ 226,482	\$ 571,518	\$ 181,100	\$ 352,000	\$ 243,237	\$ 21,403
Receipts:									
Local sources	40,581	379,239	134,558	317,283	385,122	102,357	-	-	73,828
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	3,010,335	-	-	-	-	-	-	-	1,780
Federal sources	-	-	-	-	-	-	-	-	121,701
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>3,050,916</u>	<u>379,239</u>	<u>134,558</u>	<u>317,283</u>	<u>385,122</u>	<u>102,357</u>	<u>-</u>	<u>-</u>	<u>197,309</u>
Disbursements:									
Current:									
Instruction	2,092,186	-	-	-	-	-	-	7,235	-
Support services	915,973	3,420	-	375,855	314,619	88,626	-	4,297	324
Noninstructional services	85,760	-	-	-	-	-	-	-	197,212
Facilities acquisition and construction	-	-	-	9,468	2,623	-	-	-	-
Debt services	1,992	361,580	138,697	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total disbursements	<u>3,095,911</u>	<u>365,000</u>	<u>138,697</u>	<u>385,323</u>	<u>317,242</u>	<u>88,626</u>	<u>-</u>	<u>11,532</u>	<u>197,536</u>
Excess (deficiency) of receipts over disbursements	<u>(44,995)</u>	<u>14,239</u>	<u>(4,139)</u>	<u>(68,040)</u>	<u>67,880</u>	<u>13,731</u>	<u>-</u>	<u>(11,532)</u>	<u>(227)</u>
Other financing sources (uses):									
Transfers in	-	(18,000)	-	-	(200,000)	-	218,000	-	-
Transfers out	-	(4,262)	-	-	(4,743)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(22,262)</u>	<u>-</u>	<u>-</u>	<u>(204,743)</u>	<u>-</u>	<u>218,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(44,995)</u>	<u>(8,023)</u>	<u>(4,139)</u>	<u>(68,040)</u>	<u>(136,863)</u>	<u>13,731</u>	<u>218,000</u>	<u>(11,532)</u>	<u>(227)</u>
Cash and investments - ending	<u>\$ 1,295,399</u>	<u>\$ 242,927</u>	<u>\$ 86,107</u>	<u>\$ 158,442</u>	<u>\$ 434,655</u>	<u>\$ 194,831</u>	<u>\$ 570,000</u>	<u>\$ 231,705</u>	<u>\$ 21,176</u>

UNION SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Textbook Rental	Levy Excess	GRIC Wellness Grant	Educational License Plates	School Library Printed Material	Lowes Toolbox Grant	High Ability Grant 2010-2011	High Ability Grant 2011-2012	Scholarships and Awards
Cash and investments - beginning	\$ 33,994	\$ -	\$ 2,228	\$ 713	\$ 67	\$ 791	\$ 1,461	\$ -	\$ 839
Receipts:									
Local sources	17,405	419	-	-	-	-	-	80	-
Intermediate sources	-	-	-	150	-	-	-	-	-
State sources	18,509	-	4,400	-	-	-	-	25,492	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	4,374
Total receipts	<u>35,914</u>	<u>419</u>	<u>4,400</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,572</u>	<u>4,374</u>
Disbursements:									
Current:									
Instruction	47,464	-	-	-	67	-	1,461	24,184	3,755
Support services	17,990	-	4,876	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total disbursements	<u>65,454</u>	<u>-</u>	<u>4,876</u>	<u>-</u>	<u>67</u>	<u>-</u>	<u>1,461</u>	<u>24,184</u>	<u>3,755</u>
Excess (deficiency) of receipts over disbursements	<u>(29,540)</u>	<u>419</u>	<u>(476)</u>	<u>150</u>	<u>(67)</u>	<u>-</u>	<u>(1,461)</u>	<u>1,388</u>	<u>619</u>
Other financing sources (uses):									
Transfers in	4,262	4,743	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>4,262</u>	<u>4,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(25,278)</u>	<u>5,162</u>	<u>(476)</u>	<u>150</u>	<u>(67)</u>	<u>-</u>	<u>(1,461)</u>	<u>1,388</u>	<u>619</u>
Cash and investments - ending	<u>\$ 8,716</u>	<u>\$ 5,162</u>	<u>\$ 1,752</u>	<u>\$ 863</u>	<u>\$ -</u>	<u>\$ 791</u>	<u>\$ -</u>	<u>\$ 1,388</u>	<u>\$ 1,458</u>

UNION SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	School Technology	Title I 2010-2011	Title I 2011-2012	Library Grant	Improving Teaching Quality No Child Left Title II, Part A	Rural Schools and Low Income Program Pass Through State	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 223	\$ 3,434	\$ -	\$ 1,400	\$ (1,801)	\$ -	\$ -	\$ (5,426)	\$ 3,315,253
Receipts:									
Local sources	-	-	-	-	-	-	28	-	1,450,900
Intermediate sources	-	-	-	-	-	-	-	-	150
State sources	4,110	-	-	-	-	27,064	-	-	3,091,690
Federal sources	-	10,429	127,000	-	34,702	-	59,234	-	353,066
Other	-	-	-	-	-	-	-	862,972	867,346
Total receipts	<u>4,110</u>	<u>10,429</u>	<u>127,000</u>	<u>-</u>	<u>34,702</u>	<u>27,064</u>	<u>59,262</u>	<u>862,972</u>	<u>5,763,152</u>
Disbursements:									
Current:									
Instruction	-	13,863	116,365	1,400	31,684	-	52,968	-	2,392,632
Support services	3,759	-	-	-	-	27,064	1,237	-	1,758,040
Noninstructional services	-	-	-	-	-	-	-	-	282,972
Facilities acquisition and construction	-	-	-	-	-	-	-	-	12,091
Debt services	-	-	-	-	-	-	-	-	502,269
Other	-	-	-	-	-	-	-	865,132	865,132
Total disbursements	<u>3,759</u>	<u>13,863</u>	<u>116,365</u>	<u>1,400</u>	<u>31,684</u>	<u>27,064</u>	<u>54,205</u>	<u>865,132</u>	<u>5,813,136</u>
Excess (deficiency) of receipts over disbursements	<u>351</u>	<u>(3,434)</u>	<u>10,635</u>	<u>(1,400)</u>	<u>3,018</u>	<u>-</u>	<u>5,057</u>	<u>(2,160)</u>	<u>(49,984)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	9,005
Transfers out	-	-	-	-	-	-	-	-	(9,005)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>351</u>	<u>(3,434)</u>	<u>10,635</u>	<u>(1,400)</u>	<u>3,018</u>	<u>-</u>	<u>5,057</u>	<u>(2,160)</u>	<u>(49,984)</u>
Cash and investments - ending	<u>\$ 574</u>	<u>\$ -</u>	<u>\$ 10,635</u>	<u>\$ -</u>	<u>\$ 1,217</u>	<u>\$ -</u>	<u>\$ 5,057</u>	<u>\$ (7,586)</u>	<u>\$ 3,265,269</u>

UNION SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF RECEIVABLES
June 30, 2012

	<u>Receivables</u>
Total	<u>\$ 13,670</u>

UNION SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2012

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Copier	\$ 32,648	\$ 14,639
Bonds payable:		
General obligation bonds:		
Construction	2,995,000	365,000
Pension	865,000	134,489
Total governmental activities debt	<u>\$ 3,892,648</u>	<u>\$ 514,128</u>

UNION SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2012

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 15,540
Buildings	3,610,877
Improvements other than buildings	16,255
Machinery and equipment	<u>3,128,516</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 6,771,188</u></u>

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

PAYROLL WITHHOLDINGS

Controls for additions and deductions to the payroll deduction funds were insufficient. The Anthem Health Insurance account has a negative balance of \$9,185.38 at June 30, 2012. The negative balance was a result of posting errors, some from the prior Treasurer which involved intentional under-withholding of her portion of health insurance.

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)

NEGATIVE RECEIPTS

Transfers of \$200,000 out of the School Transportation Fund and \$18,000 out of the Debt Service Fund in 2011-2012 were recorded as negative transfers in rather than being recorded as transfers out.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FREE AND REDUCED LUNCH REIMBURSEMENT

A review of the reimbursement requests revealed that of the requests that were examined, five contained errors. Two of the requests reported more meals for reimbursement than were actually served. The other three requests reported fewer meals for reimbursement than were actually served.

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)

COLLECTIVE BARGAINING AGREEMENT

The Collective Bargaining agreement included clauses that discussed the Rubric for teacher evaluation as it relates to pay raises. The contract also extended beyond the biennium ending June 30, 2013. Lastly, the contract discussed the topic of unpaid leave. These items are not permitted to be included in the collective bargaining agreement.

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

Indiana Code 20-29-6-4.5 states:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

SBOA will review school corporations' collective bargaining agreements during the audit process to determine whether the agreements contained prohibited subjects of bargaining. . . . Financial losses related to a corporation's inclusion of prohibited subjects may be the personal obligation of the responsible school official or employee. (The School Administrator and Uniform Compliance Guidelines Volume 198, June 2012)

UNION SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2013, with Fred Herron, Superintendent of Schools; Alan McCormick, President of the School Board; and Brandy Warren, Treasurer. The official responses have been made a part of this report and may be found on pages 27 and 28.

Response to Audit Comments

2-15-2013

Comment #1

The payroll clearing accounts were in disarray when I started at Union in 2009. I have been able to trace everything back and correct for errors in all clearing accounts except for the health insurance fund. I believe this to be a result of a finding in a previous audit involving the prior treasurer. I will be asking the board of trustees to allow me to move money from general fund to cover the negative balance in the clearing account.

Comment #2

These negative receipts were a result of an error in procedure when making a board approved transfer to our rainy day fund.

Comment #3

Corrections have been made to the free and reduced claims since the time of the audit. The errors were human error in transferring totals from one report to another. We will take better measures to proofread claims prior to submitting them in the future.

Brandy Warren

Treasurer/Business Manager

February 12, 2013

State Board of Accounts
bvinson@sboafe.in.gov
rpreston@sboafe.in.gov

To Whom it May Concern:

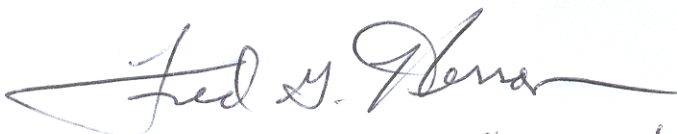
I would like to take this opportunity to defend and clarify a couple of items that were included in our recent Examination Results and Comments per William Prybilla. They were noted under the section of **Collective Bargaining Agreement**.

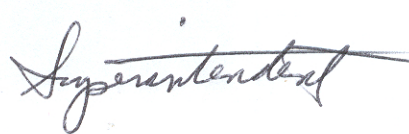
Comments were as follows:

The Collective Bargaining agreement included clauses that discussed the Rubric for teacher evaluation as it relates to pay raises. The contract also extended beyond the biennium ending June 30, 2013. Lastly the contract discussed the topic of unpaid leave. These items are not permitted to be included in the collective bargaining agreement.

I disagree with the finding that said we are not to put a statement or definition of how the Rubric for teacher evaluation as it relates to pay raises in the contract. The explanation and language that is used under Professional Compensation is specific to our Compensation Model that determines whether a teacher would receive a raise or be compensated. To me that would be Salary / Wage related which is permissible under Indiana Code 20-29-6-4. Our reference to using the term Evaluation is only to qualify how it is built in our Compensation Model (NOT) the Evaluation instrument itself. The term Rubric as used under Professional Compensation in our contract clearly spells out the conditions necessary for a teacher to be compensated regarding their salary. There is no place in our contract that explains our process, procedures, or specific tool used for teacher evaluation. (The instrument used). Under Statute, the Evaluation instrument (process), procedures or specific tool is a **discussable with teachers** and is not included in a contract. I believe we have complied with the statutory provisions of the Indiana Code. Further evidence would be noted in Appendix A of our Compensation Model. I will be curious to receive a final report from the IEERB Board as to whether they feel the mention of the Evaluation Rubric as it relates to Salary is a problem in our contract. Our ratified contract was sent to the IEERB board on October 2, 2012. As of this date we have never received word from them as to whether any part of our contract is illegal or questionable.

Regarding language about unpaid leave being in the contract I would argue that it is related to Salary and Wage related fringe benefits which again is permissible under Indiana Code 20-29-6-4.


Fred W. Hanna
Union Sch. Corp. 1


Superintendent