

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

UNION-NORTH UNITED SCHOOL CORPORATION
ST. JOSEPH COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
08/22/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Valerie Gillespie	07-01-15 to 01-29-16
	(Vacant)	01-30-16 to 02-10-16
	Brenda Beehler	02-11-16 to 06-23-16
	Elizabeth Mangus	06-24-16 to 12-31-18
Superintendent of Schools	Mitchell D. Mawhorter	07-01-15 to 06-30-19
President of the School Board	Dan Zeiger	01-01-15 to 12-31-15
	Ken Moore	01-01-16 to 12-31-16
	Karman Eash	01-01-17 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE UNION-NORTH UNITED SCHOOL CORPORATION, ST. JOSEPH COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Union-North United School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2015 to June 30, 2017.

Opinion on Regulatory Basis of Accounting

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, 2015 to June 30, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

July 25, 2018



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

TO: THE OFFICIALS OF THE UNION-NORTH UNITED SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

We have audited, 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, the financial statement of the Union-North United School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated July 25, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002.

Union-North United School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 25, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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-NORTH UNITED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 169,820	\$ 7,127,122	\$ 6,764,550	\$ 1,032	\$ 533,424	\$ 7,340,528	\$ 6,810,808	\$ 886	\$ 1,064,030
Debt Service	326,496	1,252,834	1,104,740	-	474,590	1,252,143	1,107,320	-	619,413
Capital Projects	247,684	721,684	635,738	16,690	350,320	684,378	671,401	3,649	366,946
School Transportation	82,140	859,266	699,468	-	241,938	860,844	759,166	-	343,616
School Bus Replacement	47,103	90,868	45,508	1,600	94,063	82,712	44,439	-	132,336
Rainy Day	41,167	9,182	-	-	50,349	-	-	-	50,349
Post-Retirement/Severance Future Benefits	28,569	-	-	-	28,569	-	-	-	28,569
Series 2010A Const. Acct. H.S.	1,816	-	1,816	-	-	-	-	-	-
G.O. Bond - Series 2013	202,559	-	162,226	-	40,333	-	40,333	-	-
First Mortgage Bond Series '14	1,130,930	18,916	1,040,262	1,762	111,346	-	141,806	44,217	13,757
First Mortgage Bond Series '16	-	-	44,003	1,999,867	1,955,864	1,030,420	2,231,407	-	754,877
School Lunch	256,128	562,894	603,305	-	215,717	553,563	641,736	-	127,544
Textbook Rental	(42,905)	92,212	83,261	-	(33,954)	101,433	174,328	-	(106,849)
Levy Excess	264	-	-	-	264	-	-	-	264
Educational License Plates	38	56	-	-	94	75	-	-	169
Lilly Endowment Grant	-	-	-	-	-	30,000	11,924	-	18,076
2014 One School At A Time Grant	-	-	-	-	-	100	100	-	-
Miscellaneous Programs	-	-	-	-	-	2,000	-	-	2,000
Formative Assessment	-	-	-	-	-	11,291	11,291	-	-
2014/2015 Gifted and Talented	7,059	-	7,059	-	-	-	-	-	-
2015/2016 Gifted and Talented	-	30,426	28,754	-	1,672	-	1,672	-	-
2016/2017 Gifted and Talented	-	-	-	-	-	30,009	25,317	-	4,692
Medicaid Reimbursement	207,203	62,230	13,816	-	255,617	61,827	219,832	-	97,612
School Technology	1,451	-	1,451	-	-	-	-	-	-
Technology Grants	203	4,404	1,283	-	3,324	4,148	-	-	7,472
Career and Technical Performance Grant	-	-	-	-	-	4,069	-	-	4,069
Performance Based Awards 14/15	853	-	-	(853)	-	-	-	-	-
Performance Based Awards 15/16	-	22,769	-	-	22,769	-	-	-	22,769
Excess PTRC Distributions	3,298	-	-	-	3,298	-	-	-	3,298
Project Lead the Way	-	53,450	45,118	-	8,332	-	4,283	-	4,049
2013 Cargill Grant-Jazz	213	-	-	-	213	-	106	-	107
Lowe's Toolbox for Education-M	38	-	38	-	-	-	-	-	-
Target Grant	-	700	-	-	700	-	700	-	-
15/16 Title I Grant	-	109,012	136,462	-	(27,450)	104,432	76,982	-	-
14/15 Title I Grant	(44,166)	89,074	51,606	-	(6,698)	-	(6,698)	-	-
13/14 Title I Grant	-	-	125	-	(125)	-	(125)	-	-
16/17 Title I Grant	-	-	-	-	-	135,743	151,262	-	(15,519)
Part B 619 Grant 17/18	-	1,071	1,071	-	-	-	-	-	-
Part B TA Grant 13/14	(1,729)	1,729	-	-	-	-	-	-	-
Part B 611 Grant 14/15	(39,916)	66,759	45,476	-	(18,633)	-	(18,633)	-	-
Part B 611 Grant 15/16	-	203,783	195,067	-	8,716	44,193	52,909	-	-
Part B 619 Grant 15/16	-	6,426	6,426	-	-	-	-	-	-
Part B 611 Grant 16/17	-	-	-	-	-	213,991	251,367	-	(37,376)
Medicaid Reimbursement - Federal	12,200	5,411	735	-	16,876	52,794	1,229	-	68,441
Title II, Part A 2017	(5,030)	1,767	348	-	(3,611)	(2,795)	(3,611)	-	(2,795)
Title II, Part A 2016	-	-	-	-	-	16,770	16,770	-	-
Title II, Part A 2015	-	26,860	48,186	-	(21,326)	5,616	(15,710)	-	-
Title III - NESP	-	-	-	-	-	1,000	-	-	1,000
Prepaid Food Elementary	1,559	76,801	74,539	-	3,821	86,463	66,328	-	23,956
Prepaid Food Jr.-Sr. High School	2,946	119,761	120,873	-	1,834	133,695	103,314	-	32,215
Payroll Deductions	13,172	1,812,121	1,861,744	-	(36,451)	1,787,002	1,784,639	-	(34,088)
Student Technology Insurance	10,186	53,305	56,794	-	6,697	54,011	56,811	-	3,897
Totals	\$ 2,661,349	\$ 13,482,893	\$ 13,881,848	\$ 2,020,098	\$ 4,282,492	\$ 14,682,455	\$ 15,414,803	\$ 48,752	\$ 3,598,896

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

UNION-NORTH UNITED 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, the following: 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

UNION-NORTH UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

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:

Proceeds of long-term debt. Amounts received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

UNION-NORTH UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers in. Amounts 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. Amounts 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 amounts 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 amounts accounted for in a 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

UNION-NORTH UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: 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 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 a cost-sharing 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
One North Capitol, 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.

UNION-NORTH UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' 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.

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
One North Capitol, 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.

C. Additional Pension Plans

The School Corporation contributes up to \$525/year, matching funds through 6 different annuity vendors for full-time employees. Teachers are also contributed 1 percent to VEBA. The Superintendent of Schools, the Jr/Sr. High School Principal, the Elementary Principal, the Jr/Sr. High School Assistant Principal, the Elementary Assistant Principal, the Director of Operations, the Athletic Director, the Technology Director, and the Corporation Treasurer receive 2 percent of their salary contributed to an annuity instead of the \$525/year contribution.

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of corrections of funds due to expending from an incorrect fund.

UNION-NORTH UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. At June 30, 2016, the Textbook Rental and Payroll Deductions funds had cash deficits of \$33,954 and \$36,451, respectively. At June 30, 2017, the Textbook Rental and Payroll Deductions funds had cash deficits of \$106,849 and \$34,088, respectively. These cash deficits are the result of disbursements in excess of receipts to the funds. Other deficit balances are in various reimbursable grant funds for which the reimbursements of the expenditures were not received by June 30, 2016 or 2017.

Note 9. Holding Corporation

The School Corporation has entered into capital leases with the Union-North United 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. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2016 and 2017, totaled \$910,750 and \$899,000, respectively.

Note 10. Subsequent Events

In July 2017, the School Corporation issued a General Obligation Bond for \$990,000 for the purpose of replacing windows at the Elementary School, updating the cameras and security system, repairing the roof at the Elementary School, securing outer doors at the Jr./Sr. High School, and technology updates and roofing for the School Corporation office.

Note 11. Other Postemployment Benefits

The School Corporation provides medical insurance benefits to eligible retirees as follows: the School Corporation will contribute, on behalf of any support staff personnel who otherwise qualified for retirement, the amount of medical insurance premium being paid by the School Board at the time of the employee's retirement. This contribution shall continue until such time as the individual is eligible to receive Medicare benefits. The amount of the premium contributed by the School Board shall be fixed at the time of retirement and shall not be subject to any future increases or decrease. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

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

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

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits	Series 2010A Const. Acct. H.S.	G.O. Bond - Series 2013
Cash and investments - beginning	\$ 169,820	\$ 326,496	\$ 247,684	\$ 82,140	\$ 47,103	\$ 41,167	\$ 28,569	\$ 1,816	\$ 202,559
Receipts:									
Local sources	121,760	1,252,834	718,055	859,266	78,768	9,182	-	-	-
Intermediate sources	5	-	3,629	-	-	-	-	-	-
State sources	7,005,357	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	12,100	-	-	-	-
Total receipts	7,127,122	1,252,834	721,684	859,266	90,868	9,182	-	-	-
Disbursements:									
Instruction	4,328,101	-	-	-	-	-	-	-	-
Support services	2,261,942	-	590,986	699,468	45,508	-	-	-	-
Noninstructional services	174,157	-	-	-	-	-	-	-	-
Facilities acquisition and construction	350	-	44,752	-	-	-	-	1,816	162,226
Debt service	-	1,104,740	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	6,764,550	1,104,740	635,738	699,468	45,508	-	-	1,816	162,226
Excess (deficiency) of receipts over disbursements	362,572	148,094	85,946	159,798	45,360	9,182	-	(1,816)	(162,226)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	179	-	16,690	-	1,600	-	-	-	-
Transfers in	853	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,032	-	16,690	-	1,600	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	363,604	148,094	102,636	159,798	46,960	9,182	-	(1,816)	(162,226)
Cash and investments - ending	\$ 533,424	\$ 474,590	\$ 350,320	\$ 241,938	\$ 94,063	\$ 50,349	\$ 28,569	\$ -	\$ 40,333

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2016

	First Mortgage Bond Series '14	First Mortgage Bond Series '16	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Lilly Endowment Grant	2014 One School At A Time Grant	Miscellaneous Programs
Cash and investments - beginning	\$ 1,130,930	\$ -	\$ 256,128	\$ (42,905)	\$ 264	\$ 38	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	210,684	45,158	-	-	-	-	-
Intermediate sources	-	-	77	-	-	56	-	-	-
State sources	-	-	4,736	46,707	-	-	-	-	-
Federal sources	-	-	347,047	-	-	-	-	-	-
Other receipts	18,916	-	350	347	-	-	-	-	-
Total receipts	18,916	-	562,894	92,212	-	56	-	-	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	408	83,261	-	-	-	-	-
Noninstructional services	-	-	602,897	-	-	-	-	-	-
Facilities acquisition and construction	1,040,262	44,003	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,040,262	44,003	603,305	83,261	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(1,021,346)	(44,003)	(40,411)	8,951	-	56	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	1,762	1,999,867	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,762	1,999,867	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,019,584)	1,955,864	(40,411)	8,951	-	56	-	-	-
Cash and investments - ending	\$ 111,346	\$ 1,955,864	\$ 215,717	\$ (33,954)	\$ 264	\$ 94	\$ -	\$ -	\$ -

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Formative Assessment	2014/2015 Gifted and Talented	2015/2016 Gifted and Talented	2016/2017 Gifted and Talented	Medicaid Reimbursement	School Technology	Technology Grants	Career and Technical Performance Grant	Performance Based Awards 14/15
Cash and investments - beginning	\$ -	\$ 7,059	\$ -	\$ -	\$ 207,203	\$ 1,451	\$ 203	\$ -	\$ 853
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	30,426	-	62,230	-	4,404	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	30,426	-	62,230	-	4,404	-	-
Disbursements:									
Instruction	-	7,059	23,648	-	13,816	-	-	-	-
Support services	-	-	5,106	-	-	1,451	1,283	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	7,059	28,754	-	13,816	1,451	1,283	-	-
Excess (deficiency) of receipts over disbursements	-	(7,059)	1,672	-	48,414	(1,451)	3,121	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(853)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(853)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(7,059)	1,672	-	48,414	(1,451)	3,121	-	(853)
Cash and investments - ending	\$ -	\$ -	\$ 1,672	\$ -	\$ 255,617	\$ -	\$ 3,324	\$ -	\$ -

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Performance Based Awards 15/16	Excess PTRC Distributions	Project Lead the Way	2013 Cargill Grant- Jazz	Lowe's Toolbox for Edication-M	Target Grant	15/16 Title I Grant	14/15 Title I Grant	13/14 Title I Grant
Cash and investments - beginning	\$ -	\$ 3,298	\$ -	\$ 213	\$ 38	\$ -	\$ -	\$ (44,166)	\$ -
Receipts:									
Local sources	-	-	53,450	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	22,769	-	-	-	-	-	109,012	89,074	-
Other receipts	-	-	-	-	-	700	-	-	-
Total receipts	22,769	-	53,450	-	-	700	109,012	89,074	-
Disbursements:									
Instruction	-	-	-	-	-	-	123,105	50,915	125
Support services	-	-	39,146	-	38	-	13,357	691	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	5,972	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	45,118	-	38	-	136,462	51,606	125
Excess (deficiency) of receipts over disbursements	22,769	-	8,332	-	(38)	700	(27,450)	37,468	(125)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,769	-	8,332	-	(38)	700	(27,450)	37,468	(125)
Cash and investments - ending	\$ 22,769	\$ 3,298	\$ 8,332	\$ 213	\$ -	\$ 700	\$ (27,450)	\$ (6,698)	\$ (125)

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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 For the Year Ended June 30, 2016

	16/17 Title I Grant	Part B 619 Grant 17/18	Part B TA Grant 13/14	Part B 611 Grant 14/15	Part B 611 Grant 15/16	Part B 619 Grant 15/16	Part B 611 Grant 16/17	Medicaid Reimbursement - Federal	Title II, Part A 2017
Cash and investments - beginning	\$ -	\$ -	\$ (1,729)	\$ (39,916)	\$ -	\$ -	\$ -	\$ 12,200	\$ (5,030)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	1,071	1,729	66,759	203,783	6,426	-	5,411	1,767
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	1,071	1,729	66,759	203,783	6,426	-	5,411	1,767
Disbursements:									
Instruction	-	1,071	-	45,476	195,067	-	-	-	348
Support services	-	-	-	-	-	6,426	-	735	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,071	-	45,476	195,067	6,426	-	735	348
Excess (deficiency) of receipts over disbursements	-	-	1,729	21,283	8,716	-	-	4,676	1,419
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1,729	21,283	8,716	-	-	4,676	1,419
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (18,633)	\$ 8,716	\$ -	\$ -	\$ 16,876	\$ (3,611)

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Title II, Part A 2016	Title II, Part A 2015	Title III - NESP	Prepaid Food Elementary	Prepaid Food Jr.- Sr. High School	Payroll Deductions	Student Technology Insurance	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 1,559	\$ 2,946	\$ 13,172	\$ 10,186	\$ 2,661,349
Receipts:								
Local sources	-	-	-	-	-	-	-	3,349,157
Intermediate sources	-	-	-	-	-	-	-	3,767
State sources	-	-	-	-	-	-	-	7,153,860
Federal sources	-	26,860	-	-	-	-	-	881,708
Other receipts	-	-	-	76,801	119,761	1,812,121	53,305	2,094,401
Total receipts	-	26,860	-	76,801	119,761	1,812,121	53,305	13,482,893
Disbursements:								
Instruction	-	48,186	-	-	-	-	-	4,836,917
Support services	-	-	-	-	-	-	-	3,749,806
Noninstructional services	-	-	-	-	-	-	-	777,054
Facilities acquisition and construction	-	-	-	-	-	-	-	1,299,381
Debt service	-	-	-	-	-	-	-	1,104,740
Nonprogrammed charges	-	-	-	74,539	120,873	1,861,744	56,794	2,113,950
Total disbursements	-	48,186	-	74,539	120,873	1,861,744	56,794	13,881,848
Excess (deficiency) of receipts over disbursements	-	(21,326)	-	2,262	(1,112)	(49,623)	(3,489)	(398,955)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	2,001,629
Sale of capital assets	-	-	-	-	-	-	-	18,469
Transfers in	-	-	-	-	-	-	-	853
Transfers out	-	-	-	-	-	-	-	(853)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,020,098
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(21,326)	-	2,262	(1,112)	(49,623)	(3,489)	1,621,143
Cash and investments - ending	\$ -	\$ (21,326)	\$ -	\$ 3,821	\$ 1,834	\$ (36,451)	\$ 6,697	\$ 4,282,492

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits	Series 2010A Const. Acct. H.S.	G.O. Bond - Series 2013
Cash and investments - beginning	\$ 533,424	\$ 474,590	\$ 350,320	\$ 241,938	\$ 94,063	\$ 50,349	\$ 28,569	\$ -	\$ 40,333
Receipts:									
Local sources	82,070	1,252,143	684,378	860,844	82,712	-	-	-	-
Intermediate sources	8	-	-	-	-	-	-	-	-
State sources	7,258,450	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>7,340,528</u>	<u>1,252,143</u>	<u>684,378</u>	<u>860,844</u>	<u>82,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Instruction	4,310,839	-	-	-	-	-	-	-	-
Support services	2,353,065	-	587,066	759,166	44,439	-	-	-	-
Noninstructional services	145,538	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,366	-	84,335	-	-	-	-	-	40,333
Debt service	-	1,107,320	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>6,810,808</u>	<u>1,107,320</u>	<u>671,401</u>	<u>759,166</u>	<u>44,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,333</u>
Excess (deficiency) of receipts over disbursements	<u>529,720</u>	<u>144,823</u>	<u>12,977</u>	<u>101,678</u>	<u>38,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,333)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	886	-	3,649	-	-	-	-	-	-
Total other financing sources (uses)	<u>886</u>	<u>-</u>	<u>3,649</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>530,606</u>	<u>144,823</u>	<u>16,626</u>	<u>101,678</u>	<u>38,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,333)</u>
Cash and investments - ending	<u>\$ 1,064,030</u>	<u>\$ 619,413</u>	<u>\$ 366,946</u>	<u>\$ 343,616</u>	<u>\$ 132,336</u>	<u>\$ 50,349</u>	<u>\$ 28,569</u>	<u>\$ -</u>	<u>\$ -</u>

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	First Mortgage Bond Series '14	First Mortgage Bond Series '16	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Lilly Endowment Grant	2014 One School At A Time Grant	Miscellaneous Programs
Cash and investments - beginning	\$ 111,346	\$ 1,955,864	\$ 215,717	\$ (33,954)	\$ 264	\$ 94	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	1,030,420	188,090	55,054	-	-	30,000	100	2,000
Intermediate sources	-	-	58	-	-	75	-	-	-
State sources	-	-	4,286	46,279	-	-	-	-	-
Federal sources	-	-	360,779	-	-	-	-	-	-
Other receipts	-	-	350	100	-	-	-	-	-
Total receipts	-	1,030,420	553,563	101,433	-	75	30,000	100	2,000
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	495	174,328	-	-	11,924	100	-
Noninstructional services	-	-	641,241	-	-	-	-	-	-
Facilities acquisition and construction	141,806	1,206,407	-	-	-	-	-	-	-
Debt service	-	1,025,000	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	141,806	2,231,407	641,736	174,328	-	-	11,924	100	-
Excess (deficiency) of receipts over disbursements	(141,806)	(1,200,987)	(88,173)	(72,895)	-	75	18,076	-	2,000
Other financing sources (uses):									
Proceeds of long-term debt	44,217	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	44,217	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(97,589)	(1,200,987)	(88,173)	(72,895)	-	75	18,076	-	2,000
Cash and investments - ending	\$ 13,757	\$ 754,877	\$ 127,544	\$ (106,849)	\$ 264	\$ 169	\$ 18,076	\$ -	\$ 2,000

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 For the Year Ended June 30, 2017

	Formative Assessment	2014/2015 Gifted and Talented	2015/2016 Gifted and Talented	2016/2017 Gifted and Talented	Medicaid Reimbursement	School Technology	Technology Grants	Career and Technical Performance Grant	Performance Based Awards 14/15
Cash and investments - beginning	\$ -	\$ -	\$ 1,672	\$ -	\$ 255,617	\$ -	\$ 3,324	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	11,291	-	-	30,009	61,827	-	4,148	1,404	-
Federal sources	-	-	-	-	-	-	-	2,665	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	11,291	-	-	30,009	61,827	-	4,148	4,069	-
Disbursements:									
Instruction	3,600	-	1,672	22,005	219,832	-	-	-	-
Support services	7,691	-	-	3,312	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,291	-	1,672	25,317	219,832	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	(1,672)	4,692	(158,005)	-	4,148	4,069	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,672)	4,692	(158,005)	-	4,148	4,069	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 4,692	\$ 97,612	\$ -	\$ 7,472	\$ 4,069	\$ -

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Performance Based Awards 15/16	Excess PTRC Distributions	Project Lead the Way	2013 Cargill Grant- Jazz	Lowe's Toolbox for Edication-M	Target Grant	15/16 Title I Grant	14/15 Title I Grant	13/14 Title I Grant
Cash and investments - beginning	\$ 22,769	\$ 3,298	\$ 8,332	\$ 213	\$ -	\$ 700	\$ (27,450)	\$ (6,698)	\$ (125)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	104,432	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	104,432	-	-
Disbursements:									
Instruction	-	-	-	106	-	700	75,772	(6,564)	(125)
Support services	-	-	4,283	-	-	-	1,210	(134)	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	4,283	106	-	700	76,982	(6,698)	(125)
Excess (deficiency) of receipts over disbursements	-	-	(4,283)	(106)	-	(700)	27,450	6,698	125
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(4,283)	(106)	-	(700)	27,450	6,698	125
Cash and investments - ending	\$ 22,769	\$ 3,298	\$ 4,049	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ -

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	16/17 Title I Grant	Part B 619 Grant 17/18	Part B TA Grant 13/14	Part B 611 Grant 14/15	Part B 611 Grant 15/16	Part B 619 Grant 15/16	Part B 611 Grant 16/17	Medicaid Reimbursement - Federal	Title II, Part A 2017
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (18,633)	\$ 8,716	\$ -	\$ -	\$ 16,876	\$ (3,611)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	135,743	-	-	-	44,193	-	213,991	52,794	(2,795)
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	135,743	-	-	-	44,193	-	213,991	52,794	(2,795)
Disbursements:									
Instruction	144,785	-	-	(18,633)	52,909	-	251,367	-	(3,611)
Support services	6,477	-	-	-	-	-	-	1,229	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	151,262	-	-	(18,633)	52,909	-	251,367	1,229	(3,611)
Excess (deficiency) of receipts over disbursements	(15,519)	-	-	18,633	(8,716)	-	(37,376)	51,565	816
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,519)	-	-	18,633	(8,716)	-	(37,376)	51,565	816
Cash and investments - ending	\$ (15,519)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (37,376)	\$ 68,441	\$ (2,795)

UNION-NORTH UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Title II, Part A 2016	Title II, Part A 2015	Title III - NESP	Prepaid Food Elementary	Prepaid Food Jr. - Sr. High School	Payroll Deductions	Student Technology Insurance	Totals
Cash and investments - beginning	\$ -	\$ (21,326)	\$ -	\$ 3,821	\$ 1,834	\$ (36,451)	\$ 6,697	\$ 4,282,492
Receipts:								
Local sources	-	-	-	-	-	-	-	4,267,811
Intermediate sources	-	-	-	-	-	-	-	141
State sources	-	-	-	-	-	-	-	7,417,694
Federal sources	16,770	5,616	1,000	-	-	-	-	935,188
Other receipts	-	-	-	86,463	133,695	1,787,002	54,011	2,061,621
Total receipts	16,770	5,616	1,000	86,463	133,695	1,787,002	54,011	14,682,455
Disbursements:								
Instruction	16,770	(15,710)	-	-	-	-	-	5,055,714
Support services	-	-	-	-	-	-	-	3,954,651
Noninstructional services	-	-	-	-	-	-	-	786,779
Facilities acquisition and construction	-	-	-	-	-	-	-	1,474,247
Debt service	-	-	-	-	-	-	-	2,132,320
Nonprogrammed charges	-	-	-	66,328	103,314	1,784,639	56,811	2,011,092
Total disbursements	16,770	(15,710)	-	66,328	103,314	1,784,639	56,811	15,414,803
Excess (deficiency) of receipts over disbursements	-	21,326	1,000	20,135	30,381	2,363	(2,800)	(732,348)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	44,217
Sale of capital assets	-	-	-	-	-	-	-	4,535
Total other financing sources (uses)	-	-	-	-	-	-	-	48,752
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	21,326	1,000	20,135	30,381	2,363	(2,800)	(683,596)
Cash and investments - ending	\$ -	\$ -	\$ 1,000	\$ 23,956	\$ 32,215	\$ (34,088)	\$ 3,897	\$ 3,598,896

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 339,674</u>	<u>\$ -</u>

UNION-NORTH UNITED SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Adams-Remco	MFP/Copier Equipment	\$ 11,062	07/01/2014	06/30/2018
Apple Education/Wells Fargo	Apple iPads Mini-iPads	65,640	07/01/2014	06/30/2018
Union-North United Building Corporation	Bond 2010B	408,528	10/12/2010	01/15/2023
Union-North United Building Corporation	Bond 2012	166,531	08/30/2012	01/15/2024
Union-North United Building Corporation	Bond 2014	161,000	10/22/2014	01/15/2025
Union-North United Building Corporation	Bond 2016	<u>196,500</u>	06/29/2016	01/15/2029
Total of annual lease payments		<u>\$ 1,009,261</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2013 Bond- LaVille Elementary & Jr/Sr High School Needs	<u>\$ 870,000</u>	<u>\$ 49,150</u>

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UNION-NORTH UNITED SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2017

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>Ending Balance</u>
Governmental activities:	
Land	\$ 10
Infrastructure	10
Buildings	41,844,500
Improvements other than buildings	519,300
Machinery, equipment, and vehicles	430,490
Books and other	<u>887,162</u>
Total capital assets	<u>\$ 43,681,472</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE UNION-NORTH UNITED SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Union-North United School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2015 to June 30, 2017. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2017-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2015 to June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004 and 2017-006. Our opinion on the major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003, 2017-004, 2017-005, and 2017-006, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 25, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Department of Agriculture							
Child Nutrition Cluster							
Child Nutrition Cluster	Indiana Department of Education	10.553	FY 2016, FY 2017	\$ -	\$ 66,283	\$ -	\$ 73,876
School Breakfast Program							
National School Lunch Program		10.555	FY 2016, FY 2017	-	275,185	-	281,778
School Lunch			FY 2016, FY 2017	-	35,614	-	40,102
Commodities							
Total - National School Lunch Program				-	310,799	-	321,880
Summer Food Service Program For Children		10.559	FY 2016, FY 2017	-	5,580	-	5,126
Total - Child Nutrition Cluster				-	382,662	-	400,882
Total - Department of Agriculture				-	382,662	-	400,882
Department of Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14215-107-PN01	-	66,759	-	-
			14216-107-PN01	-	203,783	-	44,193
			14217-107-PN01	-	-	-	213,991
			TA	-	1,729	-	-
Total - Special Education_Grants to States				-	272,271	-	258,184
Special Education_Preschool Grants	Indiana Department of Education	84.173	45716-107-PN01	-	6,426	-	-
			45717-107-PN01	-	1,071	-	-
Total - Special Education_Preschool Grants				-	7,497	-	-
Total - Special Education Cluster (IDEA)				-	279,768	-	258,184

UNION-NORTH UNITED SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2016 and 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			FY 15-16	-	89,074	-	-
			FY 16-17	-	109,012	-	104,432
			FY 17-18	-	-	-	135,743
Total - Title I Grants to Local Educational Agencies				-	198,086	-	240,175
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
			FY 15-16	-	26,860	-	5,616
			FY 16-17	-	1,767	-	13,975
Total - Supporting Effective Instruction State Grants				-	28,627	-	19,591
Total - Department of Education				-	506,481	-	517,950
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program INMAC	Indiana Office of Medicaid Policy and Planning	93.778	FY 2016, FY 2017	-	59,255	-	32,642
Total - Medicaid Cluster				-	59,255	-	32,642
Total - Department of Health and Human Services				-	59,255	-	32,642
Total federal awards expended				\$ -	\$ 948,398	\$ -	\$ 951,474

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

UNION-NORTH UNITED SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

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

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. One employee prepared the grant information for the federal awards without a system of oversight or review to detect and correct the errors before submission.

Context

Due to the lack of controls, the following errors occurred and were not detected or corrected:

1. Although the School Corporation had no subrecipients, amounts passed through to subrecipients of \$1,131,827 and \$884,077 for the fiscal years ended June 30, 2016 and 2017, respectively, were reported in error.
2. The School Breakfast Program expenditures were understated by \$66,283 and \$73,876 for the fiscal years ended June 30, 2016 and 2017, respectively.
3. The National School Lunch Program expenditures were overstated by \$66,283 and \$73,876 for the fiscal years ended June 30, 2016 and 2017, respectively.
4. The National School Lunch Program commodities were omitted, which understated program expenditures by \$35,614 and \$40,102 for the fiscal years ended June 30, 2016 and 2017, respectively.
5. The Summer Food Service Program for Children expenditures were understated by \$454 for the fiscal year ended June 30, 2016.
6. The Child Nutrition Cluster expenditures included state matching funds of \$4,736 and \$4,286 for the fiscal years ended June 30, 2016 and 2017, respectively.
7. The Special Education Cluster (IDEA) expenditures were understated by \$69,559 and \$44,193 for the fiscal years ended June 30, 2016 and 2017, respectively.
8. The Title I Grants to Local Educational Agencies expenditures were understated by \$92,702 and \$104,432 for the fiscal years ended June 30, 2016 and 2017, respectively.
9. The Supporting Effective Instruction State Grants expenditures were understated by \$6,930 and \$2,821 for the fiscal years ended June 30, 2016 and 2017, respectively.
10. The State High Ability Gifted and Talented Grant expenditures of \$30,426 were erroneously classified as federal expenditures for the fiscal year ended June 30, 2016.
11. The Medical Assistance Program grant expenditures were omitted in the amounts of \$59,255 and \$32,642 for the fiscal years ended June 30, 2016 and 2017, respectively.

Audit adjustments were proposed, approved by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

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

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that federal expenditures will be properly reported on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit regarding cash and investments, receipts, vendor and payroll disbursements, and financial close and reporting. The prior audit finding number was 2015-001.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of adequate segregation of duties, as the School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

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

Context

Cash and Investments

Adequate controls had not been designed or implemented to ensure that reconciliations of the record balances to the depository balances were completed or that they were accurate.

1. The bank reconciliations for the period of July 2016 to June 2017 were not completed as of June 11, 2018.
2. An outstanding transaction list that included checks of \$2,728,014 as of June 30, 2017, also included \$2,636,397 in checks that had cleared the bank.
3. An outstanding transaction list that included deposits of \$5,022,648 as of June 30, 2017, also included \$4,987,108 in deposits that had cleared the bank.

Receipts

The School Corporation had not designed or implemented proper segregation of duties related to receipts. School Corporation employees' issued, recorded, and deposited collections without evidence of segregation of duties. One employee also recorded receipts without evidence of oversight or review to ensure the accuracy and classification of the receipts to the proper fund and account.

Vendor and Payroll Disbursements

The School Corporation had not designed or implemented proper segregation of duties related to disbursements. The Treasurer generated, recorded, issued, and signed the accounts payable vouchers and manual checks without evidence of an oversight or review to ensure the accuracy and classification of the disbursements to the proper fund and accounts.

The School Corporation used a payroll service to process payroll during the audit period. Employees entered their time into the payroll company's online portal without oversight or approval by a supervisor or department head. There was also no evidence of oversight or review to ensure the accuracy of the payroll disbursements to the proper fund and account.

Prepaid Food School Funds Receipts and Disbursements

Meal sales charged to students' prepaid account balances were recorded in the clearing accounts - Prepaid Food Elementary and Prepaid Food Jr-Sr. High School funds as negative receipts instead of disbursements from those funds.

Financial Reporting

The lack of effective controls affected the preparation of the financial statement. Beginning cash and investment balances, receipts, disbursements, and ending cash and investment balances of several funds were not included in the financial statement for the years ended June 30, 2016 and 2017, as follows:

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

Fund	For the Year Ended July 30, 2016			
	Cash and Investments	Receipts	Disbursements	Cash and Investments
Prepaid Food Elementary	\$ 1,559	\$ 76,801	\$ 74,539	\$ 3,821
Prepaid Food Jr-Sr. High School	2,946	119,761	120,873	1,834
Payroll Deductions	13,172	1,812,121	1,861,744	(36,451)
Student Technology Insurance	10,186	53,305	56,794	6,697
Totals	\$ 27,863	\$ 2,061,988	\$ 2,113,950	\$ (24,099)

Fund	For the Year Ended July 30, 2017			
	Cash and Investments	Receipts	Disbursements	Cash and Investments
Prepaid Food Elementary	\$ 3,821	\$ 86,463	\$ 66,328	\$ 23,956
Prepaid Food Jr-Sr. High School	1,834	133,695	103,314	32,215
Payroll Deductions	(36,451)	1,787,002	1,784,639	(34,088)
Student Technology Insurance	6,697	54,011	56,811	3,897
Totals	\$ (24,099)	\$ 2,061,171	\$ 2,011,092	\$ 25,980

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records. . . .

The necessary account titles are shown in the clearing account section of the master chart of accounts on the following pages. . . .

8400 Prepaid Food

8410 Receipts - Prepaid Meals Received

8420 Disbursements - Transfers to Appropriate Receipt Accounts in the School Lunch Fund
(1611-1623)

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

Cause

Management of the School Corporation had not established a proper system of internal controls that segregated key functions.

Effect

The failure to establish and properly implement controls enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to cash and investments, receipts, disbursements, and financial reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

Activities Allowed or Unallowed

The School Corporation had not designed or implemented adequate policies or procedures to ensure that disbursements were for allowable activities. A review or approval process was not evident prior or subsequent to payroll and vendor disbursements.

Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate policies or procedures to ensure that disbursements were for allowable costs. There were no controls to ensure that employees paid from the grant maintained timesheets or that those timesheets were approved by the appropriate level of management. Furthermore, a review or approval process was not evident prior or subsequent to payroll and vendor disbursements.

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation did not have documented controls in place to ensure that three months average expenditures were calculated for comparison to monthly cash balances or to ensure that the comparisons were performed.

Eligibility

The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by school personnel. The School Corporation did not have a proper system of oversight or review documented to ensure that the federal income guidelines entered into the software program were accurate. Furthermore, there was not a proper system of oversight or review to ensure that the students' family information entered into the food service software was accurate.

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

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the Annual Financial Report, the Monthly Sponsor Claims (claims for reimbursement), and the School Food Authority (SFA) Verification Collection Report. The reports were completed by one individual without a proper system of oversight or review to ensure the accuracy of the reports before submission.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the verifications of free and reduced price applications. School personnel performed the verifications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the paid lunch equity calculations. The Food Service Director completed the calculations without a documented oversight or review process.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance with the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-004

Subject: Child Nutrition Cluster - Equipment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the equipment requirements.

The School Corporation did not have adequate policies and procedures to ensure that the proper equipment records were maintained in accordance with 2 CFR 200.313. The School Corporation did not comply with the equipment requirements.

A complete list of equipment acquired with federal awards was not maintained. Although an inventory was performed, the inventory was not reviewed for errors or omissions. Therefore, the equipment inventory was incomplete. The inventory omitted an oven, pass-through food warmers, a milk cooler, ice cream freezer, reach-in cooler, merchandizer, and table top food warmers observed at the high school. In addition, equipment was not properly removed from the inventory when disposed of. Four convection ovens that were replaced during the audit period were still included on the inventory.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.32(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

2 CFR 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the equipment requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the equipment requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,

Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the procurement and suspension and debarment requirements.

The School Corporation did not have effective internal controls in place to ensure that the purchasing methods used complied with 2 CFR 200.320. The School Corporation also did not have effective internal controls in place to ensure that the suspension and debarment requirements of 2 CFR 180.300 were met.

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

The School Corporation used a service center to solicit, evaluate, and award bids for bread, milk, and other products. However, the School Corporation did not have procedures in place to ensure that the food service department used only vendors awarded by the service center or that they used proper purchasing procedures when purchases were made from vendors not awarded by the service center.

The School Corporation used a third-party purchasing service during the 2016-2017 school year that was not approved by the service center. The School Corporation participated with 14 member school corporations in 2013 to hire a third-party to procure supplies, material, and equipment at competitive prices on behalf of various school corporations through a cooperative arrangement. The School Corporation did not have a current signed contract or a current renewal of the original contract from 2013.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

The School Corporation also failed to verify that vendors used apart from the service center were not suspended or debarred from participation in federal programs. The School Corporation did not search the Excluded Parties List Systems through the System of Award Manager Center, obtain a certification from the entity, or ensure that a clause or condition was added to the contract.

Context

The lack of effective controls was a systemic issue throughout the audit period. The noncompliance was a systemic issue throughout the audit period for vendors not awarded by the service center.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . ."

- (b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement and suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the procurement and suspension and debarment requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-006

Subject: School Breakfast Program, National School Lunch Program - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the program income requirements.

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the food service program reports were reconciled to program income receipted into the School Lunch fund. Two months of sales totaling \$48,851 were not recorded in the School Lunch fund.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was limited to two months of the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the program income requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the program income requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001

Fiscal year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Beth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Status of Audit Finding: Due to the timing of this audit period, Union-North was unable to put into effect all of the new procedures.

Beth Mangus
(Signature)
Corp. Treasurer
(Title)
5 / 15 / 15
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-002

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Beth Mangus, Corporation Treasurer (Payroll); Grant Eligibility, Rachel DiGirolamo (Title I Grant Admin); Assessment Security System, Beth Hawn (Jr. High Guidance Counselor)

Contact Phone Number: (574) 784-8141

Status of Audit Finding: Due to the timing of the audit, Union-North was unable to put into effect the new procedures.

Beth Mangus
(Signature)

Corp. Treasurer
(Title)

5/15/15
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



UNION-NORTH UNITED SCHOOL CORPORATION

Office of the Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-003

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer

Contact Phone Number: (574) 784-8141

Status of Audit Finding: Due to the timing of the audit, Union-North was not able to put into effect the new procedures.

Beth Mangus
(Signature)

Corp. Treasurer
(Title)

5/15/18
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



UNION-NORTH UNITED SCHOOL CORPORATION

Office of the Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

~~FINDING 2015-004~~

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Deb Mosson (High School Guidance Counselor; Stacy Wagoner (Corp. Secretary)

Contact Phone Number: (574) 784-8141

Status of Audit Finding: Due to the timing of the audit, Union-North was not able to put into effect the new procedures.

Brian Margul
(Signature)

Corp. Treasurer
(Title)

5/15/14
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



UNION-NORTH UNITED SCHOOL CORPORATION

Office of the Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-005

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer

Contact Phone Number: (574) 784-8141

Status of Audit Finding: Due to the timing of the audit, Union-North was not able to put into effect the new procedures.

Beth Mangus
(Signature)

Corp. Treasurer
(Title)

5/15/14
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-006

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer
Contact Phone Number: (574) 784-8141

Status of Audit Finding: Due to the timing of the audit, Union-North was not able to put into effect the new procedures.

Beth Mangus
(Signature)
Corp. Treasurer
(Title)
5/15/14
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Beth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan: The Union-North United School Corporation will develop detailed internal controls to ensure that federal expenditures are properly reported on the SEFA. In addition, Union-North will also ensure that they will properly review federal grant information and will assign one other person to review, detect and correct errors before submission into the Indiana Gateway for Government Units financial reporting system.

Anticipated Completion Date: May, 2019

Beth Mangus
(Signature)

Corp. Treasurer
(Title)

7/23/18
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Beth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan: The Union-North United School Corporation has prepared a detailed segregation of duties to help improve internal controls of all financial transactions and reporting. All cash and investments; receipts and vendor disbursements; payroll disbursements and financial close and reporting are currently being reviewed by the corporation treasurer and the deputy treasurer prior to submission. Because of the timing of the last audit, Union-North was not able to put these procedures into place for the audit period of July 1, 2015- June 30, 2017.

Anticipated Completion Date: May, 2019

Beth Mangus
(Signature)

Corp. Treasurer
(Title)

7/23/19
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION

Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer & Cindy Hanson, Food Service Director

Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

The Union-North United School Corporation will develop detailed internal control plans for the School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children. These plans include an appropriate segregation of duties to ensure that all disbursements are for allowable activities, that three months average expenditures are calculated for comparison to monthly cash balances and that eligibility determinations are reviewed after the information has been entered into the software by school personnel. In addition, Union-North will ensure that all eligible employees' time sheets are approved by the appropriate level of management. The School Corporation is implementing adequate procedures and detailed internal controls to ensure the accuracy of the Annual Financial Report, the Monthly Sponsor Claims and the SFA Verification Collection Report and the accuracy of the verifications of free and reduced price applications. We are also developing plans and procedures to ensure the accuracy of the paid lunch equity calculations.

Anticipated Completion Date: May 31, 2019

Beth Mangus Cindy Hanson
(Signature)

Corp. Treasurer Food Service Director
(Title)

7/23/18
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Cindy Hanson, Food Service Director
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

The Union-North United School Corporation will develop detailed internal control plans for the School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children. These plans include that the Food Service Director will annually complete a detailed list of equipment acquired with federal awards. The Food Service Director will have a second nutrition employee ensure the accuracy of the report. The Food Service Director will develop a control system to ensure adequate safeguards to prevent loss, damage or theft of property.

Anticipated Completion Date: May 31, 2019

Cindy Hanson
(Signature)

Food Service Director
(Title)

7-23-18
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Cindy Hanson, Food Service Director & Beth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

The Union-North United School Corporation will develop detailed internal control plans for the School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children. The Food Service Director will ensure the purchasing methods are in compliance by obtaining three quotes from vendors and will obtain the appropriate approval from the State before completing the requisition to purchase the items. The Corporation will obtain Board approval before proceeding with the purchase. The Food Service Director will obtain suspension debarment requirements, signed contracts and other appropriate documents related to vendors. A copy of these documents will be kept on file at the Corporation Office as well as with the Food Service Director's records.

Anticipated Completion Date: May 31, 2019

Beth Mangus Cindy Hanson
(Signature)

Corp. Treasurer Food Service Director
(Title)

7/23/19
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Cindy Hanson, Food Service Director & Beth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

The Union-North United School Corporation will develop detailed internal control plans for the School Breakfast Program, National School Lunch Program and Summer Food Service Program for Children. The Food Service Director will print off and send to the Corporation Office, food served reports on a monthly basis. The Deputy Treasurer will transfer the money from the clearing accounts to the appropriate School Lunch account. The Corporation Treasurer verifies that the transfer has occurred and sends a software generated revenue report back to the Food Service Director.

Anticipated Completion Date: May 31, 2019

Beth Mangus Cindy Hanson
(Signature)

Corp. Treasurer Food Service Director
(Title)

7/23/19
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.