

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

CENTER GROVE COMMUNITY SCHOOL CORPORATION

JOHNSON COUNTY, INDIANA

July 1, 2003 to June 30, 2005



FILED

7/21/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert Channell	07-01-03 to 06-30-06
Superintendent of Schools	Candace Milhon-Baer	07-01-03 to 06-30-06
President of the School Board	Jerry Davis Mark Dietel	01-01-03 to 12-31-05 01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CENTER GROVE COMMUNITY
SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Center Grove Community School Corporation (School Corporation), as of and for the years ended June 30, 2004 and 2005, which collectively comprise the Center Grove Community School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 30, 2006, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

The School Corporation has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

March 30, 2006



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

TO: THE OFFICIALS OF THE CENTER GROVE COMMUNITY
SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

We have audited the financial statements of the Center Grove Community School Corporation (School Corporation), as of and for the years ended June 30, 2004 and 2005, and have issued our report thereon dated March 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the School Corporation. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter dated on June 5, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

March 30, 2006

STATE BOARD OF ACCOUNTS

CENTER GROVE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 10,376,894
Restricted assets:	
Cash and investments	<u>3,259,085</u>
Total assets	<u>\$ 13,635,979</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 3,259,085
Unrestricted	<u>10,376,894</u>
Total net assets	<u>\$ 13,635,979</u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 18,898,772
Restricted assets:	
Cash and investments	<u>4,413,705</u>
Total assets	<u>\$ 23,312,477</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 4,413,705
Unrestricted	<u>18,898,772</u>
Total net assets	<u>\$ 23,312,477</u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 20,102,387	\$ -	\$ 237,193	\$ (19,865,194)
Support services	34,741,654	2,543,618	325,096	(31,872,940)
Community services	821,553	-	-	(821,553)
Nonprogrammed charges	1,996,347	-	-	(1,996,347)
Debt service	17,044,000	-	-	(17,044,000)
Total governmental activities	<u>\$ 74,705,941</u>	<u>\$ 2,543,618</u>	<u>\$ 562,289</u>	<u>(71,600,034)</u>
General receipts:				
Property taxes				37,661,898
Other local sources				8,381,606
State aid				21,914,476
Grants and contributions not restricted				413,758
Bonds and loans				8,258,284
Sale of property, adjustments, and refunds				2,148,451
Investment earnings				122,295
Intergovernmental transfers				<u>1,064,831</u>
				Total general receipts and intergovernmental transfers <u>79,965,599</u>
				Change in cash and investments 8,365,565
				Net assets - beginning <u>5,270,414</u>
				Net assets - ending <u><u>\$ 13,635,979</u></u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 20,632,278	\$ -	\$ 282,958	\$ (20,349,320)
Support services	33,174,894	2,623,246	386,953	(30,164,695)
Community services	747,770	-	-	(747,770)
Nonprogrammed charges	1,140,039	-	-	(1,140,039)
Debt service	17,667,087	-	-	(17,667,087)
Total governmental activities	<u>\$ 73,362,068</u>	<u>\$ 2,623,246</u>	<u>\$ 669,911</u>	<u>(70,068,911)</u>
General receipts:				
Property taxes				29,868,396
Other local sources				5,830,927
State aid				21,055,163
Grants and contributions not restricted				540,072
Bonds and loans				4,641,022
Sale of property, adjustments, and refunds				17,388,629
Investment earnings				313,347
Intergovernmental transfers				<u>107,853</u>
				Total general receipts and intergovernmental transfers <u>79,745,409</u>
				Change in cash and investments 9,676,498
				Net assets - beginning <u>13,635,979</u>
				Net assets - ending <u><u>\$ 23,312,477</u></u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
Receipts:								
Local sources	\$ 19,987,653	\$ 2,378,619	\$ 13,407,950	\$ 8,088,123	\$ 1,135,071	\$ 7,563	\$ 3,704,357	\$ 48,709,336
Intermediate sources	80	-	-	-	-	-	-	80
State sources	21,955,728	47,024	126,024	3,706	-	-	149,725	22,282,207
Federal sources	-	-	-	-	-	-	608,315	608,315
Bonds and loans	3,099,662	555,736	-	-	-	4,602,886	-	8,258,284
Sale of property, adjustments and refunds	60	3,607	-	28,034	-	-	2,116,752	2,148,453
Intergovernmental transfers	-	47,024	-	-	-	-	1,017,807	1,064,831
Total receipts	45,043,183	3,032,010	13,533,974	8,119,863	1,135,071	4,610,449	7,596,956	83,071,506
Disbursements:								
Current:								
Instruction	19,767,863	-	-	-	-	-	334,525	20,102,388
Support services	15,306,418	1,814,430	-	6,720,246	182,070	4,620,223	6,098,266	34,741,653
Community services	680,589	-	-	-	-	-	140,964	821,553
Nonprogrammed charges	931,516	-	47,024	997,164	-	-	20,643	1,996,347
Debt services	5,133,988	678,382	10,233,136	-	467,991	-	530,503	17,044,000
Total disbursements	41,820,374	2,492,812	10,280,160	7,717,410	650,061	4,620,223	7,124,901	74,705,941
Excess (deficiency) of total receipts over (under) total disbursements	3,222,809	539,198	3,253,814	402,453	485,010	(9,774)	472,055	8,365,565
Cash and investments - beginning	1,632,046	222,621	25,044	1,546,369	25,587	-	1,818,747	5,270,414
Cash and investments - ending	<u>\$ 4,854,855</u>	<u>\$ 761,819</u>	<u>\$ 3,278,858</u>	<u>\$ 1,948,822</u>	<u>\$ 510,597</u>	<u>\$ (9,774)</u>	<u>\$ 2,290,802</u>	<u>\$ 13,635,979</u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
Receipts:								
Local sources	\$ 16,149,106	\$ 1,768,917	\$ 9,767,093	\$ 6,414,826	\$ 568,537	\$ 73,483	\$ 3,893,874	\$ 38,635,836
Intermediate sources	80	-	-	-	-	-	-	80
State sources	21,313,965	-	-	-	-	-	240,843	21,554,808
Federal sources	-	-	-	-	-	-	710,338	710,338
Bonds and loans	4,080,012	561,010	-	-	-	-	-	4,641,022
Sale of property, adjustments and refunds	4,392	3,099	-	305,731	-	15,260,823	1,814,584	17,388,629
Intergovernmental transfers	-	94,049	-	-	-	-	13,804	107,853
Total receipts	<u>41,547,555</u>	<u>2,427,075</u>	<u>9,767,093</u>	<u>6,720,557</u>	<u>568,537</u>	<u>15,334,306</u>	<u>6,673,443</u>	<u>83,038,566</u>
Disbursements:								
Current:								
Instruction	20,289,480	-	-	-	-	-	342,798	20,632,278
Support services	15,684,508	2,151,770	-	6,917,820	825,994	2,809,307	4,785,495	33,174,894
Community services	745,039	-	-	-	-	-	2,731	747,770
Nonprogrammed charges	1,013,776	-	94,049	-	-	-	32,214	1,140,039
Debt services	3,099,662	540,282	8,513,234	-	-	4,458,965	1,054,944	17,667,087
Total disbursements	<u>40,832,465</u>	<u>2,692,052</u>	<u>8,607,283</u>	<u>6,917,820</u>	<u>825,994</u>	<u>7,268,272</u>	<u>6,218,182</u>	<u>73,362,068</u>
Excess (deficiency) of total receipts over (under) total disbursements	715,090	(264,977)	1,159,810	(197,263)	(257,457)	8,066,034	455,261	9,676,498
Cash and investments - beginning	4,854,855	761,819	3,278,858	1,948,822	510,597	(9,774)	2,290,802	13,635,979
Cash and investments - ending	<u>\$ 5,569,945</u>	<u>\$ 496,842</u>	<u>\$ 4,438,668</u>	<u>\$ 1,751,559</u>	<u>\$ 253,140</u>	<u>\$ 8,056,260</u>	<u>\$ 2,746,063</u>	<u>\$ 23,312,477</u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 AND CHANGES IN CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2004

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 11,912	\$ 4,000
Bonds and loans	8,400,000	-
Sale of property, adjustments and refunds	-	1,000
Total additions	8,411,912	5,000
Deductions:		
Support services	7,107,026	1,742
Community services	-	1,000
Total deductions	7,107,026	2,742
Excess of total additions over total deductions	1,304,886	2,258
Cash and investments - beginning	-	253
Cash and investments - ending	\$ 1,304,886	\$ 2,511

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

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

	Pension Trust Funds	Private-Purpose Trust Funds
Additions: Local sources	\$ 24,865	\$ -
Deductions: Support services	<u>174,139</u>	<u>2,422</u>
Deficiency of total additions under total deductions	(149,274)	(2,422)
Cash and investments - beginning	<u>1,304,886</u>	<u>2,511</u>
Cash and investments - ending	<u><u>\$ 1,155,612</u></u>	<u><u>\$ 89</u></u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2004

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ 1,304,886</u>	<u>\$ 2,511</u>	<u>\$ 463,338</u>
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 1,304,886</u>	<u>\$ 2,511</u>	

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Cash and investments	\$ 1,155,612	\$ 89	\$ 491,147
 <u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 1,155,612	\$ 89	

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Joint Venture

The School Corporation is a participant with Beech Grove City Schools, Greenwood Community School Corporation, Clark-Pleasant Community School Corporation, Edinburgh Community School Corporation, Metropolitan School District of Franklin Township, Franklin Community School Corporation, Metropolitan School District of Perry Township, and Nineveh-Hensley-Jackson United School Corporation in a joint venture to operate Central Nine Career Center which was created to provide vocational educational services. Central Nine Career Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Central Nine Career Center can be obtained from the joint venture's administrative office at P.O. Box 710, Greenwood, Indiana, 46142-0710.

The School Corporation is a participant with Greenwood Community School Corporation, Clark-Pleasant Community School Corporation, Edinburgh Community School Corporation, Franklin Community School Corporation, and Nineveh-Hensley-Jackson United School Corporation in a joint venture to operate Special Services – Johnson County Schools which was created to provide a comprehensive program of special education for handicapped children in Johnson County. Special Services – Johnson County School's continued existence depends on continued funding by the School Corporation. Complete financial statements for Special Services – Johnson County Schools can be obtained from the joint venture's administrative office at 500 Earlywood Drive, Franklin, Indiana, 46131.

B. Government-Wide and Fund Financial Statements

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

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

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

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

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

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

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

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

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

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

The construction fund is used to account for disbursements for capital outlay from receipts derived from the holding corporation.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit individuals.

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

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

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

School Corporation certified employees earn sick leave at the rate of 8 to 12 days per year depending on the classification of the employee. Unused sick leave may be accumulated to a maximum of 200 days. Upon retirement, certified employees may receive payment of 55% of accumulated sick leave at the individual's daily rate plus \$375 per year of service with the School Corporation. This benefit will not be less than \$5,250 or more than \$32,500.

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

School Corporation noncertified employees earn sick leave at the rate of 5 to 7 days per year depending on the classification of the employee. Part-time employees earn 1 sick day for each 2 months of scheduled work. Unused sick leave may be accumulated to a maximum of 75 days. Upon retirement, noncertified employees receive \$40 for each unused sick day accumulated plus \$80 per year of service with the School Corporation. This benefit will not exceed \$4,200.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 21 days per year based upon the number of years of service. A maximum of 5 days may be carried over to the next year. Accumulated vacation leave is not paid to employees upon termination.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 5 days. Any unused personal leave in excess of 5 days is added to accumulated sick leave. Accumulated personal leave is not paid to employees upon termination.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

On or before September 10, the fiscal officer of the School Corporation submits to the School Board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from the Indiana Department of Local Government Finance.

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

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2003 and 2004, disbursements exceeded budgeted appropriations in the following funds, by the amounts below:

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2003	2004
Rainy Day	\$ <u>91,755</u>	\$ <u>741,591</u>

C. Cash and Investment Balance Deficits

At June 30, 2004 and 2005, the following funds reported deficits in cash and investments:

Fund	2004	2005
Retirement Severance Bond Debt Service Fund	\$ 19,772	\$ 24,962
Retirement/Severance Bond Fund	-	44,388
Construction Fund	9,774	-

Cash and investment deficits arose primarily from disbursements or expenses exceeding receipts or revenues due to the underestimate of current requirements. These deficits are to be repaid from future revenues.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Capital Assets

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.

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) are as follows:

	Capitalization Threshold
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Machinery and equipment	3,000

Capital asset activity for the years ended June 30, 2004 and 2005, follows:

Fiscal Year 2003-2004	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,316,764	\$ 6,042,452	\$ -	\$ 9,359,216
Buildings	85,365,787	1,233,262	-	86,599,049
Improvements other than buildings	6,604,329	251,521	-	6,855,850
Machinery and equipment	16,513,591	1,327,417	493,810	17,347,198
Total governmental activities, capital assets not being depreciated	\$ 111,800,471	\$ 8,854,652	\$ 493,810	\$ 120,161,313
<u>Fiscal Year 2004-2005</u>				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,359,216	\$ 1,579,214	\$ 7,580,936	\$ 3,357,494
Construction in progress	-	4,288,723	-	4,288,723
Buildings	86,599,049	27,855,409	2,418,014	112,036,444
Improvements other than buildings	6,855,850	5,143,561	-	11,999,411
Machinery and equipment	17,347,198	7,212,898	780,962	23,779,134
Total governmental activities, capital assets not being depreciated	\$ 120,161,313	\$ 46,079,805	\$ 10,779,912	\$ 155,461,206

C. Construction Commitments

Construction work in progress is composed of the following:

	2005	
Project	Expended to June 30,	Committed
Governmental funds:		
Combined Renovation Project	\$ 4,288,723	\$ 15,415,375

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Interfund Transfers

Interfund transfers for the fiscal years ended June 30, 2004 and 2005, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004</u>	<u>2005</u>
Debt Service	Transportation Operating	\$ 47,024	\$ 94,049
Capital Projects	Nonmajor governmental	997,164	-
Nonmajor governmental	Nonmajor governmental	<u>20,643</u>	<u>13,804</u>
Totals		<u>\$ 1,064,831</u>	<u>\$ 107,853</u>

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

E. Leases

Capital Leases

The School Corporation has entered into various capital leases for school facilities. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2005, follows:

	<u>Governmental Activities</u>
2006	\$ 8,654,125
2007	8,503,150
2008	9,077,663
2009	9,657,075
2010	9,175,500
2011-2015	41,670,500
2016-2020	28,370,000
2021-2025	28,368,000
2026	<u>8,285,000</u>
Total minimum lease payments	151,761,013
Less amount representing interest	<u>51,621,013</u>
Present value of net minimum lease payments	<u>\$ 100,140,000</u>

The assets acquired through capital leases still in effect are as follows:

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Governmental Activities
Buildings	\$ 87,930,000

F. Short-Term Liabilities

Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections depositing the proceeds in the appropriate fund.

Short-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

<u>Fiscal Year 2003-2004</u>	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Tax anticipation warrants	\$ 9,066,936	\$ -	\$ 9,066,936	\$ -
<u>Fiscal Year 2004-2005</u>				
Tax anticipation warrants	\$ -	\$ 8,296,420	\$ 3,655,398	\$ 4,641,022

G. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities or to finance retirement/severance liabilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the School Corporation. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Pension Bonds	1.6% to 5.2%	\$ 7,330,000
Land Purchase	1.5% to 2.0%	4,600,000
Total		\$ 11,930,000

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual debt service requirements to maturity for general obligation bonds, for the years ended June 30, are as follows:

	Governmental Activities	
	Principal	Interest
2006	\$ 800,000	\$ 310,375
2007	2,955,000	372,642
2008	2,745,000	307,904
2009	810,000	249,002
2010	840,000	215,433
2011-2014	3,780,000	387,070
Totals	\$ 11,930,000	\$ 1,842,426

2. Certificates of Participation

The School Corporation issues certificates of participation to provide funds for energy conservation measures.

Certificates of participation are direct obligations and pledge the use of the first funds received in the School Corporation's capital projects fund each year for making scheduled payments. Certificates of participation currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Energy Conservation Measures	4.1% to 5.9%	\$ 2,250,000

Annual debt service requirements to maturity for certificates of participation, for the years ended June 30, are as follows:

	Governmental Activities	
	Principal	Interest
2006	\$ 305,000	\$ 102,965
2007	315,000	89,701
2008	335,000	75,417
2009	345,000	59,847
2010	365,000	42,910
2011	585,000	29,500
Totals	\$ 2,250,000	\$ 400,340

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Notes and Loans Payable

The School Corporation has entered into various common school loans. Annual debt service requirements to maturity for the loans, are as follows:

	Governmental Activities	
	Principal	Interest
2005-2006	\$ 227,500	\$ 73,875
2006-2007	172,500	55,500
2007-2008	135,000	47,438
2008-2009	97,500	40,688
2009-2010	60,000	36,750
2010-2015	300,000	138,750
2015-2020	300,000	63,750
2020-2021	90,000	4,500
Totals	\$ 1,382,500	\$ 461,250

4. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
<u>Fiscal Year 2003-2004</u>					
Governmental activities:					
Bonds payable:					
General obligation	\$ -	\$ 13,000,000	\$ 345,000	\$ 12,655,000	\$ 725,000
Certificate of participation	2,680,000	-	140,000	2,540,000	290,000
Capital leases	72,535,000	34,935,000	4,290,000	103,180,000	4,750,000
Notes and loans payable	1,802,500	-	210,000	1,592,500	210,000
Total governmental activities long-term liabilities	\$ 77,017,500	\$ 47,935,000	\$ 4,985,000	\$ 119,967,500	\$ 5,975,000
<u>Fiscal Year 2004-2005</u>					
Governmental activities:					
Bonds payable:					
General obligation	\$ 12,655,000	\$ -	\$ 725,000	\$ 11,930,000	\$ 800,000
Certificate of participation	2,540,000	-	290,000	2,250,000	305,000
Capital leases	103,180,000	37,340,000	40,380,000	100,140,000	5,205,000
Notes and loans payable	1,592,500	-	210,000	1,382,500	227,500
Total governmental activities long-term liabilities	\$ 119,967,500	\$ 37,340,000	\$ 41,605,000	\$ 115,702,500	\$ 6,537,500

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

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

B. Holding Corporations

The School Corporation has entered into capital leases with Center Grove Central Elementary School Building Corporation, Center Grove High School Improvement Building Corporation, Center Grove Middle School Holding Corporation and Center Grove 2000 Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation.

The school facilities under the lease are included in the capital assets note of the School Corporation and the corresponding lease obligation has been included in the governmental activities column of the lease note. Lease payments for the years ended June 30, 2004, and June 30, 2005, totaled \$6,998,317 and \$8,110,208, respectively.

On April 1, 2005, capital leases were reduced by \$35,630,000 and subsequently increased by \$37,340,000. The Center Grove 2000 School Building Corporation issued First Mortgage Refunding Bonds, Series 2005. The purpose of the bonds was to defease the 2001 issue and fund additional construction costs. The School Corporation pays lease rental payments to the Building Corporation for the use of the buildings in which the bonds were obtained to construct or improve the buildings.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance, dental insurance, life insurance, vision insurance and cancer insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 52 with at least 15 years of service. Currently, 45 retirees meet these eligibility requirements. The School Corporation and retirees provide 59% and 41%, respectively, of these post-employment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2005, disbursements of \$313,869 were recognized for postemployment benefits.

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 202,309
Interest on net pension obligation	(23,976)
Adjustment to annual required contribution	27,323
Annual pension cost	205,656
Contributions made	270,412
Decrease in net pension obligation	(64,756)
Net pension obligation, beginning of year	(330,708)
Net pension obligation, end of year	\$ (395,464)

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	4.25%
Plan members	3%
Actuarial valuation date	07-01-03
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-02	\$ 159,441	171%	\$ (381,311)
	06-30-03	292,702	83%	(330,708)
	06-30-04	205,656	131%	(395,464)

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

Teachers' Retirement Fund

Plan Description

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$584,732, \$509,173, and \$574,574, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

CENTER GROVE COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-02	\$ 5,929,219	\$ 5,957,473	\$ (28,254)	100%	\$ 5,177,494	(1%)
07-01-03	5,941,216	5,215,024	726,192	114%	5,245,839	14%
07-01-04	6,001,948	5,410,787	591,161	111%	5,194,975	11%

CENTER GROVE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Local Rainy Day	2003	\$ 91,755
Local Rainy Day	2004	741,591

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

Indiana Code 36-1-8-5.1 states in part: "(c) The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

EDUCATIONAL DONATION - (Applies to Center Grove Elementary, Sugar Grove Elementary, Maple Grove Elementary, Middle School Central, Middle School North and Center Grove High School)

Donations and/or grants were accepted and receipted into an extra-curricular fund, from outside organizations, to be used for the purchase of supplies and equipment.

All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 6)

INTERNAL CONTROLS - TEXTBOOK RENTAL FEES – (Applies to Center Grove Middle School North and Center Grove Middle School Central)

We found, during a review of the Schools' procedures for handling textbook rental fees, that there were generally insufficient details available to trace individual duplicate receipts to the deposit of those fees. There also was insufficient information to determine that the monies received were deposited in the same form in which they were received (i.e., cash, check, money order . . .).

Official receipts were not being issued at the time of the transaction.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CENTER GROVE COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

HONORS DIPLOMAS - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates the number of honors diplomas reported on Form Number 30A, were incorrect for the school year ending June 30, 2004.

The difference between the count reported and the verified figures are shown below:

School Year	Count as Reported on Form Number 30A	Actual Figures	Difference
2003-2004	174	171	3

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN FUND BALANCES

The following funds were overdrawn:

Fund Name	School Year 03-04	School Year 04-05
Retirement Severance Bond		
Debt Service Fund	\$ 19,772	\$ 24,962
MSN Construction Fund	2,353	-
Construction Fund 2004	9,774	-
Center Grove CSC - A/R	1,268	1,064
Tech Prep Grant FY 99	-	8,686
Drug Free Schools FY05	-	1,496
Payroll Deductions - other	-	269

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

TICKET SALES (Applies to Middle School North, Middle School Central and High School)

Ticket stubs were not retained for audit.

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 2)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE CENTER GROVE COMMUNITY
SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Center Grove Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2005. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2005.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

March 30, 2006

CENTER GROVE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-04	Total Federal Awards Expended 06-30-05
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
School Year 2003-2004		Agreement 41-4205	\$ 8,803	\$ -
School Year 2004-2005		Agreement 41-4205	-	9,920
Total for program			<u>8,803</u>	<u>9,920</u>
National School Lunch Program				
School Year 2003-2004	10.555		287,290	-
School Year 2004-2005		Agreement 41-4205	-	316,838
Total for program			<u>287,290</u>	<u>316,838</u>
Total for federal grantor agency			<u>296,093</u>	<u>326,758</u>
U.S. DEPARTMENT OF LABOR				
Pass-Through Indiana Department of Workforce Development				
Employment and Training Administration Pilots, Demonstrations, and Research Projects				
Careers Majors Grant	17.261	CMA-2-113	-	241
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title 1 Grants to Local Educational Agencies				
Fiscal Year 2003	84.010		58,949	-
Fiscal Year 2004		Project 04-4205	164,516	42,556
Fiscal Year 2005		Project 05-4205	-	185,897
Total for program			<u>223,465</u>	<u>228,454</u>
Vocational Educational - Basic Grants to States				
High Schools That Work	84.048	03-1303-4205	3,886	114
High Schools That Work		04-1303-4205	-	2,500
Total for program			<u>3,886</u>	<u>2,614</u>
Safe and Drug Free Schools and Communities - State Grants				
Fiscal Year 2001	84.186		4,490	-
Fiscal Year 2002		Project 02-023	3,358	-
Fiscal Year 2003		Project 03-032	11,910	6,005
Fiscal Year 2005		Project 04-000	-	13,948
Total for program			<u>19,758</u>	<u>19,953</u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Eisenhower Professional Development State Grants Fiscal Year 2001	84.281	Project 01-256	<u>18,051</u>	<u>-</u>
Innovative Education Program Strategies Fiscal Year 2002	84.298	Project 02-097	23,318	-
Fiscal Year 2002		Project 02-168	7,851	27,244
Fiscal Year 2003		Project 03-185	3,402	19,245
Fiscal Year 2004		Project 04-000	<u>-</u>	<u>6,808</u>
Total for program			<u>34,571</u>	<u>53,297</u>
Enhancing Education Through Technology SY 2002-2003	84.318		4,053	774
SY 2003-2004			<u>-</u>	<u>4,834</u>
Total for program			<u>4,053</u>	<u>5,608</u>
Improving Teacher Quality State Grants Fiscal Year 2002	84.367	Project 02-198	84,663	-
Fiscal Year 2003		Project 03-237	<u>17,555</u>	<u>102,156</u>
Total for program			<u>102,218</u>	<u>102,156</u>
Total for federal grantor agency			<u>406,002</u>	<u>412,082</u>
Total federal awards expended			<u>\$ 702,095</u>	<u>\$ 739,081</u>

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

CENTER GROVE COMMUNITY SCHOOL CORPORATION
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Center Grove Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2004 and 2005. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2004	2005
Child Nutrition Cluster	<u>\$ 33,589</u>	<u>\$ 74,509</u>

CENTER GROVE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CENTER GROVE COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CENTER GROVE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2006, with Robert Channell, Treasurer; Julie Koschnick, Assistant Superintendent of Finance; and Mark Dietel, President of the School Board. The officials concurred with our audit findings.