

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

AUDIT REPORT
OF
BEECH GROVE CITY SCHOOLS
MARION COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED

01/25/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janice Whitman	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Rex Sager	07-01-04 to 06-30-07
President of the School Board	Beth Prindle Melody Stevens	07-01-04 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE BEECH GROVE CITY SCHOOLS, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beech Grove City Schools (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the 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 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 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 and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 12, 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 the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 12, 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 BEECH GROVE CITY SCHOOLS, MARION COUNTY, INDIANA

We have audited the financial statements of the Beech Grove City Schools (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated December 12, 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.

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.

STATE BOARD OF ACCOUNTS

December 12, 2006

BEECH GROVE CITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,162,690
Restricted assets:	
Cash and investments	<u>904,896</u>
Total assets	<u>\$ 5,067,586</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 904,896
Unrestricted	<u>4,162,690</u>
Total net assets	<u>\$ 5,067,586</u>

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,731,678
Restricted assets:	
Cash and investments	<u>1,183,168</u>
Total assets	<u>\$ 4,914,846</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,183,168
Unrestricted	<u>3,731,678</u>
Total net assets	<u>\$ 4,914,846</u>

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

BEECH GROVE CITY SCHOOLS
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	\$ 7,493,915	\$ -	\$ 127,941	\$ (7,365,974)
Support services	9,296,630	709,431	413,796	(8,173,403)
Community services	266,084	-	-	(266,084)
Nonprogrammed charges	901,500	-	-	(901,500)
Debt service	5,909,437	-	-	(5,909,437)
Total governmental activities	\$ 23,867,566	\$ 709,431	\$ 541,737	(22,616,398)
General receipts:				
Property taxes				8,441,767
Other local sources				1,046,507
State aid				9,621,942
Grants and contributions not restricted				389,729
Bonds and loans				3,304,922
Sale of property, adjustments, and refunds				8,887
Investment earnings				97,669
Total general receipts				22,911,423
Change in cash and investments				295,025
Net assets - beginning				4,772,561
Net assets - ending				\$ 5,067,586

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 7,125,154	\$ -	\$ 81,803	\$ (7,043,351)
Support services	9,564,584	671,366	477,012	(8,416,206)
Community services	269,953	-	-	(269,953)
Nonprogrammed charges	875,241	-	-	(875,241)
Debt service	6,619,717	-	-	(6,619,717)
Total governmental activities	\$ 24,454,649	\$ 671,366	\$ 558,815	(23,224,468)
General receipts:				
Property taxes				8,551,435
Other local sources				887,226
State aid				10,408,460
Grants and contributions not restricted				427,510
Bonds and loans				2,561,956
Sale of property, adjustments, and refunds				10,867
Investment earnings				224,274
Total general receipts				23,071,728
Change in cash and investments				(152,740)
Net assets - beginning				5,067,586
Net assets - ending				\$ 4,914,846

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,631,063	\$ 634,998	\$ 3,112,922	\$ 1,615,326	\$ 185,347	\$ 1,115,718	\$ 10,295,374
State sources	9,732,385	-	-	-	-	286,356	10,018,741
Federal sources	-	-	-	-	-	534,667	534,667
Bonds and loans	2,179,651	292,741	-	699,967	132,563	-	3,304,922
Sale of property, adjustments and refunds	687	-	-	-	-	8,200	8,887
Intergovernmental transfers	753,144	-	-	-	-	20,000	773,144
Total receipts	16,296,930	927,739	3,112,922	2,315,293	317,910	1,964,941	24,935,735
Disbursements:							
Current:							
Instruction	7,302,738	-	-	-	-	191,177	7,493,915
Support services	5,441,154	658,126	-	1,858,718	214,760	1,123,872	9,296,630
Community services	266,084	-	-	-	-	-	266,084
Nonprogrammed charges	821,201	-	-	-	-	853,443	1,674,644
Debt services	1,495,777	284,076	3,520,969	479,738	128,877	-	5,909,437
Total disbursements	15,326,954	942,202	3,520,969	2,338,456	343,637	2,168,492	24,640,710
Excess (deficiency) of total receipts over total disbursements	969,976	(14,463)	(408,047)	(23,163)	(25,727)	(203,551)	295,025
Cash and investments - beginning	1,578,518	215,725	1,151,991	559,206	26,049	1,241,072	4,772,561
Cash and investments - ending	<u>\$ 2,548,494</u>	<u>\$ 201,262</u>	<u>\$ 743,944</u>	<u>\$ 536,043</u>	<u>\$ 322</u>	<u>\$ 1,037,521</u>	<u>\$ 5,067,586</u>

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,481,732	\$ 651,881	\$ 3,231,938	\$ 1,741,786	\$ 207,848	\$ 1,019,117	\$ 10,334,302
State sources	10,442,333	-	-	-	-	404,512	10,846,845
Federal sources	-	-	-	-	-	547,939	547,939
Bonds and loans	1,279,313	289,728	-	846,554	146,361	-	2,561,956
Sale of property, adjustments and refunds	-	-	-	-	-	10,867	10,867
Intergovernmental transfers	-	-	-	-	-	433,323	433,323
Total receipts	15,203,378	941,609	3,231,938	2,588,340	354,209	2,415,758	24,735,232
Disbursements:							
Current:							
Instruction	6,771,227	-	-	-	-	353,927	7,125,154
Support services	5,739,422	626,107	-	1,593,659	212,802	1,392,594	9,564,584
Community services	269,953	-	-	-	-	-	269,953
Nonprogrammed charges	797,481	-	416,536	6,410	-	88,137	1,308,564
Debt services	2,458,421	293,035	2,546,592	851,130	139,462	331,077	6,619,717
Total disbursements	16,036,504	919,142	2,963,128	2,451,199	352,264	2,165,735	24,887,972
Excess (deficiency) of total receipts over total disbursements	(833,126)	22,467	268,810	137,141	1,945	250,023	(152,740)
Cash and investments - beginning	2,548,494	201,262	743,944	536,043	322	1,037,521	5,067,586
Cash and investments - ending	<u>\$ 1,715,368</u>	<u>\$ 223,729</u>	<u>\$ 1,012,754</u>	<u>\$ 673,184</u>	<u>\$ 2,267</u>	<u>\$ 1,287,544</u>	<u>\$ 4,914,846</u>

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ 2,366,025</u>	<u>\$ 100</u>	<u>\$ 99,114</u>
 <u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 2,366,025</u>	<u>\$ 100</u>	

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 1,927,661	\$ 310	\$ 113,044
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 1,927,661</u>	<u>\$ 310</u>	

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 3,700
Bonds and loans	<u>5,419,179</u>	<u>-</u>
Total additions	<u>5,419,179</u>	<u>3,700</u>
Deductions:		
Support service	3,053,154	-
Nonprogrammed charges	<u>-</u>	<u>3,600</u>
Total deductions	<u>3,053,154</u>	<u>3,600</u>
Excess of total additions over total deductions	2,366,025	100
Cash and investments - beginning	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,366,025</u>	<u>\$ 100</u>

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

BEECH GROVE CITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 4,210
Deductions:		
Support services	438,364	-
Nonprogrammed charges	-	4,000
Total deductions	438,364	4,000
Excess (deficiency) of total additions over total deductions	(438,364)	210
Cash and investments - beginning	2,366,025	100
Cash and investments - ending	\$ 1,927,661	\$ 310

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

BEECH GROVE CITY SCHOOLS
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.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Ventures

The School Corporation is a participant with Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Edinburg Community School Corporation, Franklin Community School Corporation, Franklin Township Community School Corporation, Greenwood 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 (Center) which was created to provide for the vocational education needs of their students. The Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Center can be obtained at 1999 U.S. 31 South, Greenwood, IN, 46143.

The School Corporation is a participant with MSD Perry Township, MSD Decatur Township and Franklin Township Community School Corporation in a joint venture to operate the Relating Individualism to Special Education (RISE) Learning Center which was created to provide special education for handicapped children. The School Corporation is obligated to remit funding based upon participation levels annually to supplement the RISE Learning Center. Complete financial statements for RISE Learning Center can be obtained from MSD Perry Township at 6548 Orinoco Ave, Indianapolis, IN, 46227.

The School Corporation is a participant with several other School Corporations in a joint venture to operate the Central Indiana Educational Services Center (CIESC) which was created to provide certain programs and services for participating school districts. The CIESC's continued existence depends on continued funding by the School Corporations. In order to participate in the CIESC, each school district is billed an amount based on each school district's student population. Complete financial statements for the CIESC can be obtained from their office at 6321 Lapas Trail, Indianapolis, IN, 46268.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

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

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the academic honors students.

The agency fund accounts for assets held by the primary government as an agent for the federal government, state government, and various employee insurance companies.

C. Measurement Focus and Basis of Accounting

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

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in 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 June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Certified School Corporation employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement based on a computation of severance benefits.

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Classified School Corporation employees earn sick leave at the rate of 5 days per year. Unused sick leave may be accumulated to a maximum of 40 days. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Classified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Accumulated vacation leave is not paid to employees.

c. Personal Leave

Certified School Corporation employees earn personal leave at the rate of 2 days per year. Unused personal leave may be accumulated to a maximum of 3 days. Accumulated personal leave is paid to employees through cash payments upon retirement.

Classified School Corporation employees earn personal leave at the rate of 1 day per year. Unused personal leave may be accumulated and converted to sick leave. Accumulated leave is paid to employees through cash payments upon retirement.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

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. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain

BEECH GROVE CITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General 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. Cash and Investment Balance Deficits

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

Fund	Amount
Teacher Fellowship Grant	\$ <u>959</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements and this deficit is to be repaid from future receipts.

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. At June 30, 2006, the bank balances and certificates of deposits 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

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation did not have any 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

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
General fund	Other governmental	\$ 753,144	\$ -
Other governmental	General fund	-	10,377
Capital projects	Nonmajor governmental	-	6,410
Debt service fund	Nonmajor governmental	-	416,536
Nonmajor governmental	Nonmajor governmental	20,000	-
Totals		<u>\$ 773,144</u>	<u>\$ 433,323</u>

The School Corporation typically uses transfers for cash flow purposes in accordance with various statutes.

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; 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.

Medical Benefits to Employees, Retirees, and Dependents

During 1991, the School Corporation joined together with other governmental entities to form the Hoosier School Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for four member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees and dependents. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$10,000,000 per insured event.

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into capital leases with Beech Grove Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$2,098,610.

C. Contingent Liability

The School Corporation is a defendant in a lawsuit, filed February 2004, by a class action lawsuit alleging the School Corporation violated a penal code that imposes liquidated damages on employers who fail to pay employees within ten days of the end of the payroll period. The violation is 10% of wages owed per day that wages remain unpaid, up to double the amount unpaid, plus attorney fees. The case is currently pending in the Indiana Supreme Court. Both the trial court and the Indiana Court of Appeals ruled in favor of the School Corporation. The School Corporation could potentially be held liable for approximately \$1,000,000 plus attorney fees.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

a. 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.

BEECH GROVE CITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 45,157
Interest on net pension obligation	(17,458)
Adjustment to annual required contribution	19,895
Annual pension cost	47,594
Contributions made	64,247
Decrease in net pension obligation	(16,653)
Net pension obligation, beginning of year	(240,803)
Net pension obligation, end of year	\$ (257,456)
Contribution rates:	
School Corporation	4%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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%

*2.75% converted members; 4% nonconverted members

BEECH GROVE CITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06-30-03	\$ 49,250	195%	\$ (205,239)
06-30-04	44,345	180%	(240,803)
06-30-05	47,594	145%	(257,456)

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.

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, 2006, 2005, and 2004, were \$293,008, \$251,483, and \$225,316, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

BEECH GROVE CITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,291,962	\$ 1,007,775	\$ 284,187	128%	\$ 1,324,353	21%
07-01-04	1,321,956	1,109,253	212,703	119%	1,283,273	17%
07-01-05	1,372,519	1,227,479	145,040	112%	1,331,283	11%

BEECH GROVE CITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 68,781,673
Improvements other than buildings	161,070
Machinery and equipment	<u>5,691,244</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 74,633,987</u></u>

BEECH GROVE CITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

The School Corporation has entered into the following long-term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
Series 1996 - High School	\$ 13,625,000	\$ 1,246,106
Series 1997/98 Refinance Middle School/South Grove Intermediate	8,495,000	756,000
Series 2001 - Hornet Park	10,724,616	365,000
Notes and loans payable		
Common School Loans:		
Common School Loan A1022	153,498	45,282
Common School Loan A1062	153,498	45,282
Common School Loan A1115	219,767	23,738
Amtrak 1999	105,225	40,497
Amtrak 2000	197,283	59,198
RISE Interlocal	118,643	49,456
Bonds payable:		
General obligation bonds:		
Kindergarten Center, Bonds 2006	510,000	102,860
Pension, Bonds 2004	5,460,000	339,586
Total governmental activities long-term debt	<u>\$ 39,762,530</u>	<u>\$ 3,073,005</u>

BEECH GROVE CITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE

The Teacher Fellowship Fund was overdrawn at June 30, 2006.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

STUDENT FEES

The School Corporation, at the time of charging and collecting textbook rental fees, requires other fees to be paid including, but not limited to, classroom supplies and activities for kindergarten to 8th grade and general instructional supplies for kindergarten to 8th grade. The School Corporation Officials could not provide documentation to verify students received consumable goods or services equal to the fee charged.

The Constitution of the State of Indiana, Article 8, Section 1 states: "Knowledge and learning, generally diffused throughout a community, being essential to the preservation of a free government; it shall be the duty of the General Assembly to encourage, by all suitable means, moral, intellectual, scientific, and agricultural improvement; and to provide, by law, for a general and uniform system of Common Schools, wherein tuition shall be without charge, and equally open to all."

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ECA PURCHASE OF EQUIPMENT (Applies to Beech Grove Middle School)

A disbursement of \$6,804.67 was made from the extra-curricular funds on October 4, 2005, for equipment. A review of the School Board minutes did not reveal authorization for the purchase. A similar comment appeared in prior Report B25118.

Indiana Code 26-5-4 states in part: "In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf . . . acquire personal property or an interest in personal property as the governing body considers necessary for school purposes . . ." Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

BOOKSTORE INTERNAL CONTROLS (Applies to Beech Grove High School and Beech Grove Middle School)

Controls for receipts generated by the Bookstore were insufficient. No records were maintained to account for the number of items sold or cash collected. A similar comment appeared in prior Reports B20832 and B25118.

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 Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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 BEECH GROVE CITY SCHOOLS, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Beech Grove City Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

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

December 12, 2006

BEECH GROVE CITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Total Federal Awards Expended 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 75,036	\$ -
FY2004			-	82,426
FY2005			-	-
National School Lunch Program	10.555		328,709	-
FY2004			-	361,503
FY2005			-	-
Total for Cluster			<u>403,745</u>	<u>443,929</u>
Total for Federal Grantor Agency			<u>403,745</u>	<u>443,929</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010			
		04-5380	34,518	-
		05-5380	-	111,625
		06-5380	-	27,871
Total for Program			<u>34,518</u>	<u>139,496</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		03-101	6,460	-
		04-023	-	9,750
Total for Program			<u>6,460</u>	<u>9,750</u>
State Grants for Innovative Programs	84.298	04-130	<u>16,757</u>	-
Education Technology State Grants	84.318			
FY2004			10,883	-
FY2005			-	18,119
Total for Program			<u>10,883</u>	<u>18,119</u>
Improving Teacher Quality State Grants	84.367			
FY2004			67,323	-
FY2005			-	99,294
Total for Program			<u>67,323</u>	<u>99,294</u>
Total for Federal Grantor Agency			<u>135,941</u>	<u>266,659</u>
Total Federal Awards Expended			<u>\$ 539,686</u>	<u>\$ 710,588</u>

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

BEECH GROVE CITY SCHOOLS
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 Beech Grove City Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
School Breakfast Program	10.553	\$ 7,974	\$ 9,161
National School Lunch Program	10.555	34,931	40,193

BEECH GROVE CITY SCHOOLS
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:

<u>CFDA</u>	<u>Number</u> <u>Name of Federal Program or Cluster</u>
-------------	---

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.

BEECH GROVE CITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

BEECH GROVE CITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2006, with Janice Whitman, Treasurer; Dr. Rex Sager, Superintendent of Schools; and Ross Sloat, Assistant Superintendent. The officials concurred with our audit findings.