

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

EXAMINATION REPORT
OF

CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION
HENRY COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
02/19/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	4-5
Statement of Cash Activities	6-7
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	8-9
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	10-11
Statement of Cash and Investments – Fiduciary Funds.....	12-13
Notes to Financial Information.....	14-16
Required Supplementary Information:	
Schedule of Funding Progress	17
Supplementary Information:	
Schedule of Capital Assets.....	18
Schedule of Long-Term Debt.....	19
Examination Results and Comments:	
Bank Account Reconciliations	20
Indebtedness – Knightstown High School	20
Compensation – Nonemployees.....	20
Deposits.....	20
Textbook Rental Fund	21
Ordinances and Resolutions.....	21
Official Bond	21
Exit Conference.....	22

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy K. Barnes	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Hal J. Jester Dr. David McGwire	07-01-04 to 06-30-06 07-01-06 to 06-30-07
President of the School Board	Ron Westerfeld Michael L. Fruth	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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of Charles A. Beard Memorial School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

Our examination 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 examination procedures applied by us in the examination of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 17, 2007

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,289,424
Restricted assets:	
Cash and investments	<u>807,025</u>
Total assets	<u>\$ 3,096,449</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 807,025
Unrestricted	<u>2,289,424</u>
Total net assets	<u>\$ 3,096,449</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,300,256
Restricted assets:	
Cash and investments	<u>902,535</u>
Total assets	<u>\$ 2,202,791</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 902,535
Unrestricted	<u>1,300,256</u>
Total net assets	<u>\$ 2,202,791</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Disbursement) Receipts
					Total
Governmental activities:					
Instruction	\$ 3,826,930	\$ -	\$ 69,189	\$ -	\$ (3,757,741)
Support services	5,977,557	380,244	144,286	-	(5,453,027)
Community services	119,604	-	-	-	(119,604)
Nonprogrammed charges	847,048	-	-	-	(847,048)
Debt service	5,491,271	-	-	-	(5,491,271)
Total governmental activities	\$ 16,262,410	\$ 380,244	\$ 213,475	\$ -	(15,668,691)
General receipts:					
Property taxes					7,991,939
Other local sources					1,101,590
State aid					6,183,193
Grants and contributions not restricted					351,730
Bonds and loans					2,869,479
Sale of property, adjustments, and refunds					66,819
Investment earnings					<u>17,763</u>
Total general receipts					<u>18,582,513</u>
Change in cash and investments					2,913,822
Net assets - beginning					<u>182,627</u>
Net assets - ending					<u>\$ 3,096,449</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Disbursement) Receipts
					Total
Governmental activities:					
Instruction	\$ 3,984,351	\$ -	\$ 54,684	\$ -	\$ (3,929,667)
Support services	6,302,368	358,393	184,868	-	(5,759,107)
Community services	125,129	-	-	-	(125,129)
Nonprogrammed charges	981,017	-	-	-	(981,017)
Debt service	2,073,630	-	-	-	(2,073,630)
Total governmental activities	\$ 13,466,495	\$ 358,393	\$ 239,552	\$ -	(12,868,550)
General receipts:					
Property taxes					4,601,439
Other local sources					768,080
State aid					6,265,306
Grants and contributions not restricted					249,427
Sale of property, adjustments, and refunds					63,873
Investment earnings					26,767
Total general receipts					11,974,892
					(893,658)
Change in cash and investments					
Net assets - beginning					3,096,449
Net assets - ending					\$ 2,202,791

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

CHARLES A. BEARD MEMORIAL 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	\$ 3,554,354	\$ 742,890	\$ 3,702,388	\$ 915,144	\$ 184,980	\$ 2,477	\$ 388,938	\$ 9,491,171
Intermediate sources	215	-	-	-	-	-	150	365
State sources	6,239,657	-	-	-	-	-	198,469	6,438,126
Federal sources	-	-	-	-	-	-	310,272	310,272
Bonds and loans	1,171,475	236,665	1,139,122	322,217	-	-	-	2,869,479
Sale of property, adjustments and refunds	64,858	1,624	-	-	-	-	337	66,819
Intergovernmental transfers	-	-	-	-	-	-	83	83
Total receipts	11,030,559	981,179	4,841,510	1,237,361	184,980	2,477	898,249	19,176,315
Disbursements:								
Current:								
Instruction	3,683,365	-	-	-	-	-	143,565	3,826,930
Support services	4,056,058	585,347	-	633,953	-	43,179	659,020	5,977,557
Community services	119,604	-	-	-	-	-	-	119,604
Nonprogrammed charges	774,508	-	-	-	-	-	72,623	847,131
Debt services	1,171,475	236,665	3,753,139	329,992	-	-	-	5,491,271
Total disbursements	9,805,010	822,012	3,753,139	963,945	-	43,179	875,208	16,262,493
Excess (deficiency) of total receipts over (under) total disbursements	1,225,549	159,167	1,088,371	273,416	184,980	(40,702)	23,041	2,913,822
Cash and investments - beginning	(460,800)	(116,018)	(281,346)	473,489	129,979	274,290	163,033	182,627
Cash and investments - ending	<u>\$ 764,749</u>	<u>\$ 43,149</u>	<u>\$ 807,025</u>	<u>\$ 746,905</u>	<u>\$ 314,959</u>	<u>\$ 233,588</u>	<u>\$ 186,074</u>	<u>\$ 3,096,449</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
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	Construction Fund	Other	Totals
Receipts:								
Local sources	\$ 2,164,832	\$ 472,155	\$ 2,174,000	\$ 497,047	\$ 77,569	\$ 4,061	\$ 364,528	\$ 5,754,192
Intermediate sources	430	-	-	-	-	-	56	486
State sources	6,307,266	-	-	-	-	-	135,487	6,442,753
Federal sources	-	-	-	-	-	-	311,533	311,533
Bonds and loans	-	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	59,814	4,059	-	-	-	-	-	63,873
Intergovernmental transfers	-	-	-	-	-	-	13,000	13,000
Total receipts	8,532,342	476,214	2,174,000	497,047	77,569	4,061	824,604	12,585,837
Disbursements:								
Current:								
Instruction	3,791,910	-	-	-	-	-	192,441	3,984,351
Support services	4,248,880	569,136	11,945	609,984	138,114	1,108	723,201	6,302,368
Community services	125,129	-	-	-	-	-	-	125,129
Nonprogrammed charges	905,224	-	-	-	-	-	88,793	994,017
Debt services	-	-	2,066,545	7,085	-	-	-	2,073,630
Total disbursements	9,071,143	569,136	2,078,490	617,069	138,114	1,108	1,004,435	13,479,495
Excess (deficiency) of total receipts over (under) total disbursements	(538,801)	(92,922)	95,510	(120,022)	(60,545)	2,953	(179,831)	(893,658)
Cash and investments - beginning	764,749	43,149	807,025	746,905	314,959	233,588	186,074	3,096,449
Cash and investments - ending	<u>\$ 225,948</u>	<u>\$ (49,773)</u>	<u>\$ 902,535</u>	<u>\$ 626,883</u>	<u>\$ 254,414</u>	<u>\$ 236,541</u>	<u>\$ 6,243</u>	<u>\$ 2,202,791</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2005

	Private-Purpose Trust Funds
Additions: Local sources	\$ 1,000
Deductions: Instruction	<u> 500</u>
Excess of total additions over total deductions	500
Cash and investments - beginning	<u> 8,530</u>
Cash and investments - ending	<u><u> 9,030</u></u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 700
Deductions:	
Support services	700
Excess of total additions over total deductions	-
Cash and investments - beginning	9,030
Cash and investments - ending	\$ 9,030

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>9,030</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>9,030</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>9,030</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>9,030</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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.

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and 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.

Note 5. Deposits and Investments

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

State 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.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

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 this 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's 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 members' 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.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(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:

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

Funding Policy and Annual Pension Cost

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

CHARLES A. BEARD MEMORIAL 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 AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,067,912	\$ 814,884	\$ 253,028	131%	\$ 910,926	28%
07-01-04	1,081,782	895,431	186,351	121%	1,076,696	17%
07-01-05	1,115,769	1,082,921	32,848	103%	1,263,726	3%

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 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.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 443,700
Infrastructure	-
Buildings	25,866,839
Improvements other than buildings	1,892,064
Machinery and equipment	3,869,999
 Total governmental activities, capital assets not being depreciated	 <u>\$ 32,072,602</u>

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Knightstown High School	\$ 7,950,000	\$ 225,000
Notes and loans payable	13,723,370	767,598
Total governmental activities long-term debt	<u>\$ 21,673,370</u>	<u>\$ 992,598</u>

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Bank reconciliations were inaccurate. A similar comment appeared in the prior report.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INDEBTEDNESS - KNIGHTSTOWN HIGH SCHOOL

The High School had outstanding bills for textbooks at June 30, 2006.

A governmental unit may not incur indebtedness unless specifically allowed by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

COMPENSATION - NONEMPLOYEES

Payments were made to Patricia Smith, former employee of the School Corporation, for service provided after her resignation from the School Corporation. An hourly rate was calculated based on Ms. Smith's income when she was employed by the School Corporation, however, no contract was provided for examination.

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

DEPOSITS

The make up of some deposits did not agree with the cash and checks as indicated on the receipts.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL FUND

The School Corporation reimbursed each of the schools for the purchase of textbooks. A similar comment appeared in the prior report.

Indiana Code 20-41-2-5(a) states in part: "A governing body in operating a textbook rental program pursuant to IC 20-5-2-2(11) may use either of the following accounting methods:

- (1) The governing body may supervise and control the program through the school corporation account, establishing a textbook rental fund.
- (2) If textbooks have not been purchased and no financial commitments or guarantees for the purchases have been made by the school corporation, the governing body may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1."

ORDINANCES AND RESOLUTIONS

The School Corporation did not follow the salary resolution when paying a temporary custodian.

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

OFFICIAL BOND

No official bonds were filed in the Office of the County Recorder for the current examination period.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2007, with Dr. David McGwire, Superintendent of Schools; Michael L. Fruth, President of the School Board; and Judy K. Barnes, Treasurer. The officials concurred with our findings.