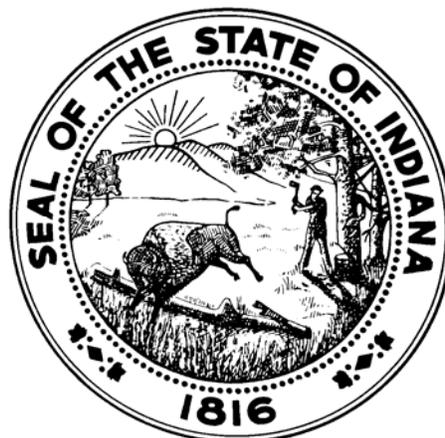


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION
JACKSON COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
03/05/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christy Jackson	07-01-04 to 06-30-07
Superintendent of Schools	Roger L. Bane	07-01-04 to 06-30-07
President of the School Board	Jack L. Montgomery	07-01-04 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 BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brownstown Central Community School Corporation (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 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, 2005 and 2006, 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 January 29, 2007, 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's 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.

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

January 29, 2007



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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 BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

We have audited the financial statements of the Brownstown Central Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 29, 2007. 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

January 29, 2007

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 414,004
Restricted assets:	
Cash and investments	<u>-</u>
Total assets	<u>\$ 414,004</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ -
Unrestricted	<u>414,004</u>
Total net assets	<u>\$ 414,004</u>

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,652,894
Restricted assets:	
Cash and investments	<u>106,265</u>
Total assets	<u>\$ 1,759,159</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 106,265
Unrestricted	<u>1,652,894</u>
Total net assets	<u>\$ 1,759,159</u>

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

BROWNSTOWN CENTRAL 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	\$ 6,107,797	\$ -	\$ 76,333	\$ (6,031,464)
Support services	8,129,691	461,751	173,068	(7,494,872)
Community services	45,112	-	-	(45,112)
Nonprogrammed charges	362,495	-	-	(362,495)
Debt service	4,468,746	-	-	(4,468,746)
Total governmental activities	\$ 19,113,841	\$ 461,751	\$ 249,401	(18,402,689)
General receipts:				
Property taxes				6,222,732
Other local sources				1,584,882
State aid				6,896,393
Grants and contributions not restricted				510,097
Bonds and loans				1,052,000
Investment earnings				11,914
Intergovernmental transfers				974,223
Total general receipts and intergovernmental transfers				17,252,241
Change in cash and investments				(1,150,448)
Net assets - beginning				1,564,452
Net assets - ending				\$ 414,004

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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	\$ 6,029,569	\$ -	\$ 62,218	\$ (5,967,351)
Support services	7,209,973	474,727	210,648	(6,524,598)
Community services	107,109	-	-	(107,109)
Nonprogrammed charges	1,239,486	-	-	(1,239,486)
Debt service	1,469,898	-	-	(1,469,898)
Total governmental activities	\$ 16,056,035	\$ 474,727	\$ 272,866	(15,308,442)
General receipts:				
Property taxes				6,346,353
Other local sources				1,717,086
State aid				7,243,731
Grants and contributions not restricted				422,772
Investment earnings				10,734
Intergovernmental transfers				912,921
				16,653,597
				16,653,597
				1,345,155
				414,004
				\$ 1,759,159

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

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

	General	Transportation Operating	Local Rainy Day	School Lunch	Title I	Debt Service	Retirement/ Severance Bond Debt	Capital Projects	School Bus Replacement	Other	Totals
Receipts:											
Local sources	\$ 3,471,049	\$ 736,084	\$ -	\$ 339,933	\$ -	\$ 1,941,164	\$ 212,905	\$ 826,403	\$ 224,430	\$ 132,524	\$ 7,884,492
Intermediate sources	426	-	-	-	-	-	-	-	-	356	782
State sources	6,959,213	-	-	10,706	-	-	-	-	-	84,655	7,054,574
Federal sources	-	-	-	165,595	258,457	-	-	-	-	177,265	601,317
Bonds and loans	-	-	-	-	-	430,000	138,000	374,000	110,000	-	1,052,000
Intergovernmental transfers	227,490	67,462	75,000	-	33,550	-	-	-	-	26,096	429,598
Total receipts	10,658,178	803,546	75,000	516,234	292,007	2,371,164	350,905	1,200,403	334,430	420,896	17,022,763
Disbursements:											
Current:											
Instruction	5,750,668	-	-	-	176,052	-	-	-	-	181,077	6,107,797
Support services	3,771,744	784,113	-	539,526	39,315	788,686	187,498	593,146	167,972	297,344	7,169,344
Community services	44,493	-	-	-	619	-	-	-	-	-	45,112
Nonprogrammed charges	178,212	13,600	-	-	1,275	67,462	-	75,000	-	26,946	362,495
Debt services	1,830,128	400,000	-	-	-	1,660,750	93,868	374,000	110,000	-	4,468,746
Total disbursements	11,575,245	1,197,713	-	539,526	217,261	2,516,898	281,366	1,042,146	277,972	505,367	18,153,494
Excess (deficiency) of total receipts over (under) total disbursements	(917,067)	(394,167)	75,000	(23,292)	74,746	(145,734)	69,539	158,257	56,458	(84,471)	(1,130,731)
Cash and investments - beginning	648,386	343,730	-	59,843	-	9,306	187	94,712	79,788	223,920	1,459,872
Cash and investments - ending	<u>\$ (268,681)</u>	<u>\$ (50,437)</u>	<u>\$ 75,000</u>	<u>\$ 36,551</u>	<u>\$ 74,746</u>	<u>\$ (136,428)</u>	<u>\$ 69,726</u>	<u>\$ 252,969</u>	<u>\$ 136,246</u>	<u>\$ 139,449</u>	<u>\$ 329,141</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$(1,130,731)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	(19,717)
Change in cash and investments of governmental activities	<u>\$ (1,150,448)</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Local Rainy Day	School Lunch	Title I	Debt Service	Retirement/ Severance Bond Debt	Capital Projects	School Bus Replacement	Other	Totals
Receipts:											
Local sources	\$ 3,557,211	\$ 878,696	\$ -	\$ 356,387	\$ -	\$ 1,534,801	\$ 239,513	\$ 1,063,811	\$ 228,320	\$ 131,590	\$ 7,990,329
Intermediate sources	324	-	-	-	-	-	-	-	-	600	924
State sources	7,292,430	-	-	10,225	-	-	-	-	-	70,043	7,372,698
Federal sources	-	-	-	218,647	-	-	-	-	-	348,023	566,670
Intergovernmental transfers	241	-	250,000	-	-	-	31,081	-	-	142,416	423,738
Total receipts	10,850,206	878,696	250,000	585,259	-	1,534,801	270,594	1,063,811	228,320	692,672	16,354,359
Disbursements:											
Current:											
Instruction	5,713,861	-	-	-	5,967	-	-	-	-	309,741	6,029,569
Support services	3,605,726	670,601	-	594,961	103	-	-	621,080	286,889	304,835	6,084,195
Community services	104,523	-	-	-	586	-	-	-	-	2,000	107,109
Nonprogrammed charges	656,738	57,108	-	-	68,090	25,502	152,528	256,266	1,623	21,631	1,239,486
Debt services	15,500	-	-	-	-	1,269,000	185,398	-	-	-	1,469,898
Total disbursements	10,096,348	727,709	-	594,961	74,746	1,294,502	337,926	877,346	288,512	638,207	14,930,257
Excess (deficiency) of total receipts over (under) total disbursements	753,858	150,987	250,000	(9,702)	(74,746)	240,299	(67,332)	186,465	(60,192)	54,465	1,424,102
Cash and investments - beginning	(268,681)	(50,437)	75,000	36,551	74,746	(136,428)	69,726	252,969	136,246	139,449	329,141
Cash and investments - ending	<u>\$ 485,177</u>	<u>\$ 100,550</u>	<u>\$ 325,000</u>	<u>\$ 26,849</u>	<u>\$ -</u>	<u>\$ 103,871</u>	<u>\$ 2,394</u>	<u>\$ 439,434</u>	<u>\$ 76,054</u>	<u>\$ 193,914</u>	<u>\$ 1,753,243</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 1,424,102
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	(78,947)
Change in cash and investments of governmental activities.	<u>\$ 1,345,155</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2005

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 396,005
Transfers	<u>544,625</u>
Total receipts	<u>940,630</u>
Disbursements:	
Support services	<u>960,347</u>
Changes in cash and investments	(19,717)
Cash and investments - beginning	<u>104,580</u>
Cash and investments - ending	<u><u>\$ 84,863</u></u>

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2006

	Internal Service Fund
Receipts:	
Local sources	\$ 557,648
Transfers	489,183
Total receipts	1,046,831
Disbursements:	
Support services	1,125,778
Changes in cash and investments	(78,947)
Cash and investments - beginning	84,863
Cash and investments - ending	\$ 5,916

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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	\$ -	\$ 1,785
Transfers	331,800	2,200
	<u>331,800</u>	<u>3,985</u>
Total additions	<u>331,800</u>	<u>3,985</u>
Deductions:		
Instruction	-	600
Support services	1,187,204	1,000
Nonprogrammed charges	227,490	4,371
Debt services	138,000	-
	<u>1,552,694</u>	<u>5,971</u>
Total deductions	<u>1,552,694</u>	<u>5,971</u>
Deficiency of total additions under total deductions	(1,220,894)	(1,986)
Cash and investments - beginning	<u>1,101,194</u>	<u>74,136</u>
Cash and investments - ending	<u>\$ (119,700)</u>	<u>\$ 72,150</u>

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 16,945
Transfers	<u>125,337</u>	<u>-</u>
Total additions	<u>125,337</u>	<u>16,945</u>
Deductions:		
Instruction	-	525
Support services	-	3,492
Nonprogrammed charges	<u>5,637</u>	<u>-</u>
Total deductions	<u>5,637</u>	<u>4,017</u>
Excess of total additions over total deductions	119,700	12,928
Cash and investments - beginning	<u>(119,700)</u>	<u>72,150</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 85,078</u>

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	<u>\$ (119,700)</u>	<u>\$ 72,150</u>
 <u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ (119,700)</u>	<u>\$ 72,150</u>

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

BROWNSTOWN CENTRAL COMMUNITY 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>85,078</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>85,078</u>

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

BROWNSTOWN CENTRAL 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Brownstown Central Community School Corporation

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 6 other School Corporations in a joint venture to operate the Orange, Lawrence, Jackson, Martin, and Green Counties Co-op, which was created to provide instruction for exceptional children. The School Corporation is obligated by contract to annually remit funds sufficient to cover its proportionate share of expenses to supplement the Co-op. Complete financial statements for the Co-op can be obtained from the joint venture's administrative office at 460 "W" Street, P.O. Box 729, Bedford, IN 47421-0729.

The School Corporation is a participant with 5 other School Corporations in a joint venture to operate the North Lawrence Vocational-Technical Center, which was created to provide instruction for vocational education. The School Corporation is obligated by contract to remit annually funds sufficient to cover its proportionate share of expenses to supplement the North Lawrence Vocational-Technical Center. Complete financial statements for the North Lawrence Vocational-Technical Center can be obtained from the joint venture's administrative office at 460 "W" Street, P.O. Box 729, Bedford, IN 47421-0729.

The School Corporation is a participant with 27 other Schools and School Corporations in a joint venture to operate Wilson Education Center which was created to provide educational planning and assistance in meeting specific education needs of participating schools. The School Corporation is obligated by contract to remit annually an amount, which shall be on a cost per student based on the current K-12 Average Daily Membership, to supplement the Wilson Education Center. Complete financial statements for the Wilson Education Center can be obtained from the joint venture's administrative office at 1201 Grace Avenue, Charlestown, IN 47111.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business type activities to report at this time.

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.

The rainy day fund is to account for transfers on unused and unencumbered funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

The retirement/severance bond debt fund accounts for the repayment of debt from the purchase of pension bonds.

The school lunch fund is used to account for receipts and disbursements for the food service program.

The Title I fund accounts for federal grants and distributions for the program.

Additionally, the School Corporation reports the following fund types:

The internal service fund is used to account for self-insurance claims which are handled by a third party administrator.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 of 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 individuals in the form of scholarships.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

(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.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 200 days. For certified employees hired prior to June 30, 2001, accumulated sick leave is paid through cash payments.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon employment classification and the number of years of service. Vacation leave does not accumulate from year to year.

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 and carry the remaining unused days over as sick leave. Certified employees also have the option to be paid the prevailing licensed substitute pay for each unused personal day.

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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

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 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 Cash and Investments and the Statement of Cash Activities, 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 Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

III. Detailed Notes on All Funds

A. 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. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

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

Transfer From	Transfer To	2004	2005
General Fund	Nonmajor governmental	\$ -	\$ 19,856
General Fund	Internal Service	477,838	430,019
Debt Service	General Fund	-	-
Debt Service	Nonmajor governmental	125,000	25,502
School Bus Replacement	Nonmajor governmental	-	1,623
Transportation Operating	Debt Service	67,462	-
Transportation Operating	Nonmajor governmental	102,000	6,119
Transportation Operating	Internal Service	42,354	50,989
Capital Project Fund	Local Rainy Day	75,000	250,000
Capital Project Fund	Nonmajor governmental	-	6,266
Nonmajor governmental	General Fund	227,490	241
Nonmajor governmental	Nonmajor governmental	35,696	13,211
Nonmajor governmental	Title I	33,550	-
Nonmajor governmental	Retirement/Severance Bond Debt	-	31,081
Nonmajor governmental	Internal Service	3,083	8,175
Nonmajor governmental	All others	2,200	-

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Transfer From	Transfer To	2004	2005
All others	Nonmajor governmental	2,200	-
All others	Internal Service	13,375	-
Title I	Nonmajor governmental	-	68,090
Title I	Internal Service	7,975	-
Retirement/Severance Bond Debt	Nonmajor governmental	<u>93,000</u>	<u>127,084</u>
Totals		<u>\$ 1,308,223</u>	<u>\$ 1,038,258</u>

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

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

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$60,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that account for employee payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

B. Holding Corporations

The School Corporation has entered into a capital lease with Brownstown Community School Corporation and the Brownstown District School Building Corporation (the lessors). The lessors were organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2005 and 2006, totaled \$1,268,500 and \$1,269,000, respectively.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 20 years of service. Currently, 20 retirees meet these eligibility requirements. The School Corporation provides \$3,250 annually for health insurance and pays 100% of life insurance benefits for eligible retirees. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$63,600 were recognized for postemployment benefits.

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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 65,283
Interest on net pension obligation	(5,749)
Adjustment to annual required contribution	6,551
Annual pension cost	66,085
Contributions made	80,314
Decrease in net pension obligation	(14,229)
Net pension obligation, beginning of year	(79,291)
Net pension obligation, end of year	\$ (93,520)
Contribution rates:	
School Corporation	6.25%
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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 82,142	92%	\$ (63,818)
	06-30-04	65,552	124%	(79,291)
	06-30-05	66,085	123%	(93,520)

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Plan members are required to contribute 3% of their salary and 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 \$171,222, \$157,258, and \$132,175, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

BROWNSTOWN CENTRAL 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,071,905	\$ 1,170,288	\$ (98,383)	92%	\$ 1,156,214	(9%)
07-01-04	1,108,600	1,149,099	(40,499)	96%	1,224,513	(3%)
07-01-05	1,172,182	1,390,219	(218,037)	84%	1,184,257	(18%)

BROWNSTOWN CENTRAL COMMUNITY 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:	
Buildings	\$ 20,086,627
Improvements other than buildings	207,709
Machinery and equipment	<u>1,787,662</u>
Total Capital assets not being depreciated	<u>\$ 22,081,998</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Capital leases:		
Brownstown Community School Building Corporation	\$ 720,000	\$ 475,000
Brownstown District School Building Corporation	9,190,000	320,000
Bonds payable:		
General obligation bonds:		
Pension bonds - Retirement and Severance payments	<u>1,165,000</u>	<u>135,000</u>
Total long-term debt	<u>\$ 11,075,000</u>	<u>\$ 930,000</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Record balances were not fully reconciled to depository balances during the audit period. Monthly reconciliations performed consisted of verifying source documents (receipts and checks) to deposits and checks clearing depositories each month for each of the School Corporation's bank accounts. The School Corporation had undetected errors at June 30, 2006, which resulted in the bank accounts showing \$11,402 more in available funds than what has been posted to the funds ledger.

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

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)

INTERNAL CONTROLS

The detail of payroll withholdings at June 30, 2006, is not being reconciled and there are numerous accounts with large negative balances as of June 30, 2006.

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)

COLLECTION OF AMOUNT DUE

The School Corporation has outstanding transfer tuition amounts of \$13,831 which were due as of June 30, 2006. These amounts pertain to the school years ending June 30, 2004, 2005, and 2006, but currently no procedures are in place to pursue payment.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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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 46204-2769

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 BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Brownstown Central 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, 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1 and 2006-2.

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

January 29, 2007

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program:	10.553			
FY 2004-2005			29,599	-
FY 2005-2006			-	34,247
Total for program			<u>29,599</u>	<u>34,247</u>
National School Lunch Program:	10.555			
FY 2004-2005			192,816	-
FY 2005-2006			-	209,443
Total for program			<u>192,816</u>	<u>209,443</u>
Total for cluster			<u>222,415</u>	<u>243,690</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education:				
Title I Grants to Local Educational Agencies:	84.010			
FY 2004-2005		05-3695	217,261	6,656
FY 2004-2005, Part D, Subpart 2		05-3695	10,095	1,615
FY 2005-2006		06-3695	-	272,859
FY 2005-2006, Part D, Subpart 2		06-3695	-	7,058
Total for program			<u>227,356</u>	<u>288,188</u>
Safe and Drug Free Schools and Communities - State Grants:	84.186			
FY 2001-2002		02-197	8,636	-
FY 2002-2003		03-272	3,654	5,672
FY 2003-2004		04-234	-	2,493
Total for program			<u>12,290</u>	<u>8,165</u>
State Grants for Innovative Programs:	84.298			
FY 2001-2002		02-167	17,527	-
FY 2002-2003		03-044	20,884	-
FY 2003-2004		04-197	144	22,059
FY 2004-2005		05-134	-	5,838
Total for program			<u>38,555</u>	<u>27,897</u>
Education Technology State Grants:	84.318			
FY 2002-2003		02-3695	7,473	-
FY 2003-2004		03-3695	-	5,920
FY 2004-2005		04-3695	-	950
Total for program			<u>7,473</u>	<u>6,870</u>
Reading Excellence:	84.338			
Reading Excellence Action Demonstration Program		36-3695	29,629	943
Improving Teacher Quality State Grants:	84.367			
FY 2003-2004		03-111	25,186	-
FY 2004-2005		04-222	73,379	2,131
FY 2005-2006		05-073	-	56,052
Total for program			<u>98,565</u>	<u>58,183</u>
Total for federal grantor agency			<u>413,868</u>	<u>390,246</u>
Total federal awards expended			<u>\$ 636,283</u>	<u>\$ 633,936</u>

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

BROWNSTOWN CENTRAL 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 Brownstown Central 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, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 3,043	\$ 3,824
National School Lunch Program	10.555	22,330	21,548

BROWNSTOWN CENTRAL 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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, CASH MANAGEMENT

Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 05-3695, 06-3695
Pass-Through Entity: Indiana Department of Education

The School Corporation maintained cash balances in excess of current needs during the period audited for the Title I Grants to Local Educational Agencies.

34 CFR 80.20(b)(7) states in part: "Cash management procedures for minimizing the time elapsing between the transfer of funds from the U.S. treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used. . . . Grantees must monitor cash draw downs by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to adhere to this requirement could cause the School Corporation to be deemed ineligible to receive federal awards in the future.

We recommended that the School Corporation design and properly monitor procedures that would ensure that federal funds be disbursed in a timely manner

FINDING 2006-2, REPORTING

Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 05-3695, 06-3695
Pass-Through Entity: Indiana Department of Education

Expenditures reported on the Annual Expenditure Reports submitted to the Department of Education could not be traced to supporting documentation. Some of the errors noted were the result of transactions for one grant year posted to the wrong grant year, therefore, the grant activity was posted to the incorrect fund and would not be presented on the proper expenditure report.

34CFR 80.20 states in part: "(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Failure to file reports accurately and timely prevents the Indiana Department of Education from monitoring the program in an effective and efficient manner and could cause the School Corporation to be deemed ineligible to receive federal awards in the future.

We recommended that the School Corporation design and properly monitor procedures to ensure that required reports are accurately and timely remitted.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Brownstown Central Community School Corporation

608 W. Commerce Street • Brownstown, IN 47220 • Telephone 812-358-4271 • Fax 812-358-5303

January 29, 2007

Re: Corrective Action Plan

This information relates to all of the following findings:

Auditee Contact Person: Mr. Roger Bane
Superintendent

Christy Jackson
Treasurer

Phone Number: 812-358-4271

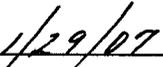
Finding Nos. 2006-1

Expected Completion Date: Corrective action has been taken.
Corrective Action Plan: Roger Bane, Superintendent and Christy Jackson, Treasurer have met with principals and grant directors and Explained procedures for correct cash management. Will meet monthly to review cash balances and insure proper timely cash advances coincide with current projected expenditures.

Finding No. 2006-2
Corrective Action Plan: Corrective action has been taken. A separate fund has been setup for each program year to Account for the revenue and expenditures of the program. Before quarterly and final expenditure reports are submitted The treasurer will review the reports with the Title 1 Director and the Superintendent.



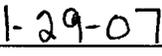
Roger Bane, Superintendent



Date



Christy Jackson, Treasurer



Date

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2007, with Roger L. Bane, Superintendent of Schools; Christy Jackson, Treasurer; Jack L. Montgomery, President of the School Board; and Harry Rochner, Business Manager. The officials concurred with our audit findings.