

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

AUDIT REPORT

OF

BROWNSBURG COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

04/18/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marvin T. Ward	07-01-04 to 06-30-07
Superintendent of Schools	Kathleen E. Corbin	07-01-04 to 06-30-07
President of the School Board	Richard Sutton Kimberly Armstrong	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 BROWNSBURG COMMUNITY
SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brownsburg 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 February 8, 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 Schedules of Capital Assets and Long-Term Debt as listed in the table of contents, are not required parts of the basic financial statements but are 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

February 8, 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 BROWNSBURG COMMUNITY
SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

We have audited the financial statements of the Brownsburg Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated February 8, 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

February 8, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 13,313,266
Restricted assets:	
Cash and investments	<u>8,284,150</u>
Total assets	<u>\$ 21,597,416</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 8,284,150
Unrestricted	<u>13,313,266</u>
Total net assets	<u>\$ 21,597,416</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 10,918,921
Restricted assets:	
Cash and investments	<u>5,784,804</u>
Total assets	<u>\$ 16,703,725</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 5,784,804
Unrestricted	<u>10,918,921</u>
Total net assets	<u>\$ 16,703,725</u>

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

BROWNSBURG 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	\$ 19,273,358	\$ -	\$ 266,634	\$ (19,006,724)
Support services	29,947,821	2,727,524	389,944	(26,830,353)
Community services	117,511	-	-	(117,511)
Nonprogrammed charges	546,411	-	-	(546,411)
Debt service	31,983,151	-	-	(31,983,151)
Total governmental activities	<u>\$ 81,868,252</u>	<u>\$ 2,727,524</u>	<u>\$ 656,578</u>	<u>(78,484,150)</u>
General receipts:				
Property taxes				44,141,842
Other local sources				7,386,176
State aid				21,292,589
Grants and contributions not restricted				1,265,425
Bonds and loans				6,950,847
Sale of property, adjustments, and refunds				543,064
Investment earnings				358,145
Intergovernmental transfers				<u>139,560</u>
				Total general receipts and intergovernmental transfers <u>82,077,648</u>
				Change in cash and investments 3,593,498
				Net assets - beginning <u>18,003,918</u>
				Net assets - ending <u><u>\$ 21,597,416</u></u>

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

BROWNSBURG 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	\$ 20,333,963	\$ -	\$ 194,823	\$ (20,139,140)
Support services	32,490,058	3,061,625	552,407	(28,876,026)
Community services	144,651	-	-	(144,651)
Nonprogrammed charges	435,363	-	-	(435,363)
Debt service	<u>23,517,503</u>	<u>-</u>	<u>-</u>	<u>(23,517,503)</u>
Total governmental activities	<u>\$ 76,921,538</u>	<u>\$ 3,061,625</u>	<u>\$ 747,230</u>	<u>(73,112,683)</u>
General receipts:				
Property taxes				34,376,448
Other local sources				6,226,997
State aid				22,795,902
Grants and contributions not restricted				1,393,836
Bonds and loans				1,721,274
Sale of property, adjustments, and refunds				1,051,592
Investment earnings				596,322
Intergovernmental transfers				<u>56,621</u>
				Total general receipts and intergovernmental transfers <u>68,218,992</u>
				Change in cash and investments (4,893,691)
				Net assets - beginning <u>21,597,416</u>
				Net assets - ending <u>\$ 16,703,725</u>

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 16,330,088	\$ 3,449,204	\$ 22,691,441	\$ 6,253,157	\$ 2,617,778	\$ 3,164,123	\$ 54,505,791
Intermediate sources	105,494	-	-	-	-	2,400	107,894
State sources	21,536,842	-	-	-	-	453,770	21,990,612
Federal sources	-	-	-	-	-	1,223,981	1,223,981
Bonds and loans	5,819,606	831,891	-	-	299,350	-	6,950,847
Sale of property, adjustments and refunds	275,768	66,304	-	38,174	45,679	117,139	543,064
Intergovernmental transfers	-	126,091	-	-	-	13,469	139,560
Total receipts	44,067,798	4,473,490	22,691,441	6,291,331	2,962,807	4,974,882	85,461,749
Disbursements:							
Current:							
Instruction	18,240,136	-	-	-	-	1,033,221	19,273,357
Support services	14,963,187	2,478,122	-	5,356,471	1,405,499	5,744,542	29,947,821
Community services	113,717	-	-	-	-	3,794	117,511
Nonprogrammed charges	406,851	-	-	126,091	-	13,469	546,411
Debt services	7,584,904	920,054	22,714,925	-	763,268	-	31,983,151
Total disbursements	41,308,795	3,398,176	22,714,925	5,482,562	2,168,767	6,795,026	81,868,251
Excess (deficiency) of total receipts over (under) total disbursements	2,759,003	1,075,314	(23,484)	808,769	794,040	(1,820,144)	3,593,498
Cash and investments - beginning	1,671,816	236,553	8,056,838	2,970,255	26,198	5,042,258	18,003,918
Cash and investments - ending	<u>\$ 4,430,819</u>	<u>\$ 1,311,867</u>	<u>\$ 8,033,354</u>	<u>\$ 3,779,024</u>	<u>\$ 820,238</u>	<u>\$ 3,222,114</u>	<u>\$ 21,597,416</u>

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

BROWNSBURG COMMUNITY 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	Other	Totals
Receipts:							
Local sources	\$ 15,062,813	\$ 2,898,521	\$ 15,954,790	\$ 5,144,831	\$ 1,510,242	\$ 3,687,602	\$ 44,258,799
Intermediate sources	190	-	-	-	-	2,400	2,590
State sources	22,967,618	-	-	-	-	534,669	23,502,287
Federal sources	-	-	-	-	-	1,434,683	1,434,683
Bonds and loans	1,471,274	250,000	-	-	-	-	1,721,274
Sale of property, adjustments and refunds	641,175	158,333	22	73,300	-	178,763	1,051,593
Intergovernmental transfers	40,116	-	-	-	-	16,505	56,621
Total receipts	<u>40,183,186</u>	<u>3,306,854</u>	<u>15,954,812</u>	<u>5,218,131</u>	<u>1,510,242</u>	<u>5,854,622</u>	<u>72,027,847</u>
Disbursements:							
Current:							
Instruction	19,232,987	-	-	-	-	1,100,976	20,333,963
Support services	16,211,689	2,845,008	-	6,449,457	919,799	6,064,105	32,490,058
Community services	139,777	-	-	-	-	4,874	144,651
Nonprogrammed charges	386,274	-	-	-	-	49,089	435,363
Debt services	3,482,174	815,449	18,203,362	-	299,350	717,168	23,517,503
Total disbursements	<u>39,452,901</u>	<u>3,660,457</u>	<u>18,203,362</u>	<u>6,449,457</u>	<u>1,219,149</u>	<u>7,936,212</u>	<u>76,921,538</u>
Excess (deficiency) of total receipts over (under) total disbursements	730,285	(353,603)	(2,248,550)	(1,231,326)	291,093	(2,081,590)	(4,893,691)
Cash and investments - beginning	4,430,819	1,311,867	8,033,354	3,779,024	820,238	3,222,114	21,597,416
Cash and investments - ending	<u>\$ 5,161,104</u>	<u>\$ 958,264</u>	<u>\$ 5,784,804</u>	<u>\$ 2,547,698</u>	<u>\$ 1,111,331</u>	<u>\$ 1,140,524</u>	<u>\$ 16,703,725</u>

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

BROWNSBURG 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	\$ -	\$ 13,026
Sale of property, adjustments and refunds	-	4
	<u>-</u>	<u>13,030</u>
Total additions		
	<u>-</u>	<u>13,030</u>
Deductions:		
Instruction	-	15,337
Support services	174,979	91,420
Community services	-	54
Nonprogrammed charges	-	2,325
	<u>-</u>	<u>2,325</u>
Total deductions		
	<u>174,979</u>	<u>109,136</u>
Deficiency of total additions under total deductions		
	(174,979)	(96,106)
Cash and investments - beginning		
	<u>871,963</u>	<u>338,034</u>
Cash and investments - ending		
	<u>\$ 696,984</u>	<u>\$ 241,928</u>

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

BROWNSBURG 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	\$ -	\$ 32,472
Deductions:		
Instruction	-	16,765
Support services	122,896	57,321
Community services	-	915
Nonprogrammed charges	-	1,850
Total deductions	<u>122,896</u>	<u>76,851</u>
Deficiency of total additions under total deductions	(122,896)	(44,379)
Cash and investments - beginning	<u>696,984</u>	<u>241,928</u>
Cash and investments - ending	<u>\$ 574,088</u>	<u>\$ 197,549</u>

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

BROWNSBURG 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>	<u>Agency Funds</u>
Cash and investments	\$ 696,984	\$ 241,928	\$ 102,831
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 696,984	\$ 241,928	

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

BROWNSBURG COMMUNITY SCHOOL CORPORATION
 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	\$ 574,088	\$ 197,549	\$ 105,449
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 574,088	\$ 197,549	

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

BROWNSBURG 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.

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

Joint Venture

The School Corporation is a participant with the Metropolitan School District of Wayne Township, the Avon Community School Corporation, the Danville Community School Corporation, the Eagle-Union School Corporation, the Monroe-Gregg School District, the Mooresville Consolidated School Corporation, the Plainfield Community School Corporation, the School Town of Speedway, and the Metropolitan School District of Pike Township in a joint venture to operate West Central Joint Services which was created to provide instruction for handicapped children. West Central Joint Services continued existence depends on continued funding by the School Corporations. Complete financial statements for the West Central Joint Services can be obtained from the Metropolitan School District of Wayne Township, 1220 South High School Road, Indianapolis, IN 46241.

The School Corporation is a participant with the Metropolitan School District of Wayne Township, the Avon Community School Corporation, the Danville Community School Corporation, the Metropolitan School District of Decatur Township, the North West Hendricks School Corporation, the Mill Creek Community School Corporation, the Monroe-Gregg School District, the Mooresville Consolidated School, the Plainfield Community School Corporation, the School Town of Speedway, and the Metropolitan School District of Pike Township in a joint venture to operate Area Vocation Education which was created to provide vocational education instruction. Area Vocation Education continued existence depends on continued funding by the School Corporations. Complete financial statements for Area Vocation Education can be obtained from the Metropolitan School District of Wayne Township, 1220 South High School Road, Indianapolis, IN 46241.

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. 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.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
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 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 individuals.

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

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.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
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.

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

Employees earn sick leave at the rate of 5½ days to 16 days per year based on the number of months employed for that year and whether the employee is certified or noncertified. Unused sick leave may be accumulated to a maximum of 185 days. Accumulated sick leave in excess of 185 days is paid to employees through cash payments yearly.

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 the employees accumulated sick leave days. Vacation leave does not accumulate from year to year, but up to ½ of the unused vacation from the previous year that has not been used by August 31 of the current year will be converted to the employee's accumulated sick leave. At time of termination, any unused accrued vacation leave will be paid through cash payments.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year based on whether the employee is a full or part time employee. Personal leave does not accumulate from year to year, but unused personal leave will be carried over as vacation leave.

2. 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.

3. 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.

4. 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. 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 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.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. 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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the 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.

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.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Major Fund	Major Fund	\$ 126,091	\$ -
Other governmental	General Fund	-	40,116
Other governmental	Other governmental	<u>13,469</u>	<u>16,505</u>
Totals		<u>\$ 139,560</u>	<u>\$ 56,621</u>

The School Corporation typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

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.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 joined with other governmental entities during 1990, to form the Central Indiana School Employee's Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for six member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of Medical Benefits to Employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for members for up to \$100,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Holding Corporations

The School Corporation has entered into a capital lease with Brownsburg the School Building Corporation No 2, and the Brownsburg 1999 School Building Corporation (the lessor). 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 two year period totaled \$17,937,689.

C. Subsequent Events

The Brownsburg 1999 School Building Corporation entered into an agreement on August 11, 2006, to issue Series 2006 First Mortgage Bonds in the amount of \$4,200,000 to finance an addition to East Middle School. The First Mortgage Bonds will be dated as of delivery with interest payable January 15, 2007, and semi annually thereafter on January 15 and July 15. The final payment on the bond is July 15, 2027.

The Brownsburg 1999 School Building Corporation entered into an agreement on January 23, 2007, to issue Series 2007 First Mortgage Bonds in the amount of \$17,945,000 to finance the new Reagon Elementary School and related site work. The First Mortgage Bonds will be dated as of delivery with interest payable January 15, 2007, and semi annually thereafter on January 15 and July 15. The final payment on the bond is July 15, 2027.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health 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 15 years of service. Currently, 20 retirees meet these eligibility requirements. The School Corporation provides \$258.34 a month per retiree for these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$62,626 were recognized for postemployment benefits.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. 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.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 361,336
Interest on net pension obligation	(40,672)
Adjustment to annual required contribution	46,348
Annual pension cost	367,012
Contributions made	481,034
Decrease in net pension obligation	(114,022)
Net pension obligation, beginning of year	(560,988)
Net pension obligation, end of year	\$ (675,010)
Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-06
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	\$ 357,280	107%	\$ (464,420)
	06-30-04	321,696	130%	(560,988)
	06-30-05	367,012	150%	(675,010)

BROWNSBURG 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.

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 \$799,120, \$665,800, and \$555,335, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

BROWNSBURG 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	\$ 4,267,967	\$ 4,801,690	\$ (533,723)	89%	\$ 5,374,512	(10%)
07-01-04	4,492,652	5,215,777	(723,125)	86%	5,800,596	(12%)
07-01-05	4,875,612	6,202,203	(1,326,591)	79%	6,454,034	(21%)

BROWNSBURG COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

December 31, 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:	
Land	\$ 7,789,216
Buildings	187,328,663
Improvements other than buildings	5,812,485
Machinery and equipment	13,389,363
Total governmental activities, capital assets not being depreciated	<u>\$ 214,319,727</u>

BROWNSBURG COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 COMBINED DEBT SCHEDULE

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Brownsburg Lease Corp #2	\$ 24,350,000	\$ 2,320,000
First Mortgage Refunding Bond Series 2003	16,315,000	1,865,000
First Mortgage Refunding Bond Series 2005	63,550,000	- *
First Mortgage Refunding Bond Series 2005A	55,890,000	- *
*Amounts due within one year rolled into 2006 Refunding Issue		
Notes and loans payable		
Tax Anticipation Warrants	1,721,274	1,721,274
Common School Loans	525,000	75,000
Bonds payable:		
General obligation bonds:		
2000 School Improvements	2,865,000	510,000
2004 Pension Bonds	5,500,000	110,000
Total Debt	<u>\$ 170,716,274</u>	<u>\$ 6,601,274</u>

BROWNSBURG COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

GRANT FUNDS EXPENDED FOR COSTS NOT ALLOWED

Review of expenditures for the Special Education Grants to States (grant) during the audit period revealed that expenditures were made from the grant that did not relate to the purposes of the grant. Expenditures in the amount of \$30,453.72 were made out of grant funds for athletic coach's salaries and other activities not related to the grant.

Salaries for all teachers and staff paid out of the grant funds during the period July 1, 2004 to June 30, 2006, were examined to determine if the expenditures were for allowable costs. Our audit revealed that a total of \$30,453.72 was expended from grant funds for athletic coaches' salaries and other activities. The expenditures are considered to be questioned costs since the expenditures are not related to the purposes of the grant.

The total amount expended for the grant during the period July 1, 2004 to June 30, 2006, was \$1,343,754. The amount of questioned costs represents approximately 2% of total grant expenditures during the period.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations, Chapter 9)

TEXTBOOK RENTAL RECEIPTS – Applies to Brownsburg High School,
East Middle School, West Middle School

The School Corporation maintains Textbook Rental in the Extra-Curricular Accounts. The controls for receipts generated for textbook rental are insufficient in that:

1. An approved textbook rental receipt was being written by the schools at the time payment was received for the textbook rental. The Extra-Curricular Treasurer then writes a receipt (Form SA-3) for the total of the textbook rental received for that day, but the receipt written by the Extra-Curricular Treasurer does not reference the various textbook rental receipts which make up that receipt. The lack of detail of the textbook rental receipts being receipted in by the SA-3 receipts presents difficulties in some of the schools to trace the textbook rental collections to deposits into the schools' bank accounts and to postings to the schools' textbook rental accounts. Also, cash, checks, money order and credit card payments as shown on the textbook rental receipts could not be verified to total cash, checks, money orders and credit card payments deposited into the bank account.
2. The textbook rental receipts were not printed and signed.

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)

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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 BROWNSBURG COMMUNITY
SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

Compliance

We have audited the compliance of the Brownsburg 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 2006-01.

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)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School Corporation's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

February 8, 2007

BROWNSBURG 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 National School Lunch Program	10.555			
		Year 2004-2005	\$ 394,633	\$ -
		Year 2005-2006	-	433,563
			<u>394,633</u>	<u>433,563</u>
Total for federal grantor agency			<u>394,633</u>	<u>433,563</u>
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Pass-Through Indiana Department of Education Grants to States	45.310			
		04-01-01	-	7,500
			<u>-</u>	<u>7,500</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010			
		2004-3305	25,800	-
		2005-3305	129,085	12,847
		2006-3305	-	129,807
			<u>154,885</u>	<u>142,654</u>
Total for program			<u>154,885</u>	<u>142,654</u>
Pass-Through MSD of Wayne Township Special Education Grants to States	84.027			
		Year 2003-2004	58,324	9,255
		Year 2004-2005	540,168	88,443
		Year 2005-2006	-	647,564
			<u>598,492</u>	<u>745,262</u>
Total for program			<u>598,492</u>	<u>745,262</u>
Pass-Through Indiana Department of Education Vocational Education Basic Grants to States	84.048			
		05-1303	-	5,700
			<u>-</u>	<u>5,700</u>
Safe and Drug Free Schools and Communities National Programs	84.184			
		03-157	10,618	-
		05-106	-	12,210
		Year 2005-2006	-	54,315
			<u>10,618</u>	<u>66,525</u>
Total for program			<u>10,618</u>	<u>66,525</u>
Safe and Drug Free Schools and Communities State Grants	84.186			
		04-086	16,528	-
			<u>16,528</u>	<u>-</u>
State Grants for Innovative Programs	84.298			
		04-099	7,247	8,242
		05-146	1,887	334
		03-109	9,666	10,685
			<u>18,800</u>	<u>19,261</u>
Total for program			<u>18,800</u>	<u>19,261</u>
Education Technology State Grants	84.318			
		05-172	906	13,734
		Year 2005-2006	5,787	3,636
			<u>6,693</u>	<u>17,370</u>
Total for program			<u>6,693</u>	<u>17,370</u>
English Language Acquisition Grants	84.365			
		Year 2005-2006	-	6,838
			<u>-</u>	<u>6,838</u>
Improving Teacher Quality State Grants	84.367			
		04-093	29,507	61,532
		03-122	65,280	6,290
			<u>94,787</u>	<u>67,822</u>
Total for program			<u>94,787</u>	<u>67,822</u>
Hurricane Education Recovery	84.938			
		Year 2004-2005	4,441	10,960
			<u>4,441</u>	<u>10,960</u>
Total for federal grantor agency			<u>905,244</u>	<u>1,082,392</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education Learn and Serve America - School and Community Based Programs	94.004			
		Year 2005-2006	-	1,396
			<u>-</u>	<u>1,396</u>
Total federal awards expended			<u>\$ 1,299,877</u>	<u>\$ 1,524,851</u>

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

BROWNSBURG 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 Brownsburg 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	10.555	\$ 77,441	\$ 68,734

BROWNSBURG 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?	no

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?	yes

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
84.027	Child Nutrition Cluster Special Education Grants to States

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.

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

Section III – Federal Award Findings and Questioned Costs

Finding 2006-1, Unallowed Costs Expended From Grant Funds

Federal Agency: U. S. Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number: Unknown
Pass Through Entity: MSD of Wayne Township

Individuals with Disabilities Education Act (IDEA), Part B, Sections 611, as amended, 20 U.S.C. 1411 states, in part: ". . . federal funds may be used for the excess costs of providing special education and related services to children with disabilities."

Examination of expenditures for the program during the audit period revealed that expenditures were made from the grant that did not relate to the purposes of the grant. Expenditures in the amount of \$30,453.72 were made out of grant funds for athletic coaches' salaries and other activities not related to the grant.

Salaries for all teachers and staff paid out of the grant funds during the period July 1, 2004 to June 30, 2006, were examined to determine if the expenditures were for allowable costs. Audit tests revealed that a total of \$30,453.72 was expended from grant funds for athletic coaches' salaries and other activities during the period. The expenditures are not related to the purposes of the grant, and are considered to be questioned costs.

The total amount expended for the grant during the period July 1, 2004 to June 30, 2006, was \$1,343,754. The amount of questioned costs represents approximately 2% of total grant expenditures during the period.

Expenditures of federal funds not related to the purposes of the grant may result in requests of reimbursement from the grantor agency or pass-through entity.

We recommended the School Corporation institute procedures to ensure federal funds are expended only for activities related to the purposes of the grant.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

BROWNSBURG COMMUNITY SCHOOL CORPORATION

BOARD OF SCHOOL TRUSTEES

KIM ARMSTRONG
DAVID AYERS
KIM R. LUCAS
JIM MURPHY
RICHARD SUTTON

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MARVIN T. WARD, M.A., RSBO
BUSINESS MANAGER
JOHN VOIGT
DIRECTOR OF FACILITIES

February 12, 2007

Finding 2006 – 1: Unallowed Costs Expended From Grant Funds

Contact Person: Kathleen E. Corbin
Title of Contact Person: Superintendent of Schools
Contact Number: (317) 852 – 5726
Anticipated Completion Date: March 2007

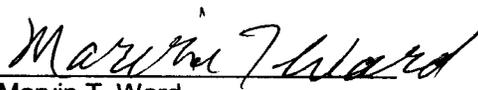
Corrective Action Plan

The School Corporation will identify staff paid for ECA activities from the grant titled "Special Education Grants to States" during the 2006 – 2007 budget period. We will request a budget amendment to reduce salary expenses for this identified amount and increase benefit expenses paid from the Grant Fund for those originally planned to be supported by the General Fund.

Furthermore, we will establish separate distribution accounts and verify that payment for staff salaries are posted to the Grant Fund, while stipends for ECA activities are made from the General Fund. In the future, the School Corporation will budget for all special education staff benefit costs to ensure the proper use of allocated federal funding.

Sincerely,


Kathleen E. Corbin
Superintendent of Schools


Marvin T. Ward
Business Manager / Treasurer



BROWNSBURG COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2007, with Kathleen E. Corbin, Superintendent of Schools; Marvin T. Ward, Treasurer; Sarah A. Shade, Deputy Treasurer; and Kirk Farmer, Assistant Business Manager. The official response has been made a part of this report and may be found on pages 41 and 42.

BROWNSBURG COMMUNITY SCHOOL CORPORATION

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JOHN VOIGT
DIRECTOR OF FACILITIES

March 26, 2007

Indiana State Board of Accounts
302 W. Washington St., Room E 418
Indianapolis, IN 46204

RE: Official Response to Audit Results and Comments

To Whom It May Concern:

Please allow this letter serve as the official response of the Brownsburg Community School Corporation to comments stated in the audit report for the period of July 1, 2004 to June 30, 2006.

Federal Finding 2006 – 1

Unallowed Costs Expended From Grant Funds

The federal finding indicates “tests revealed that a total of \$30,453.72 was expended from grant funds for athletic coach’s salaries and other activities during the audit period.” First and most importantly, we have made appropriate adjustments and changed procedures to resolve this issue before the exit conference date. In addition, the Board of our pass through agency, West Central Joint Services, has reviewed the finding and corrections made, and voted unanimously not to require the repayment of federal funds expended.

However, the comment fails to document the school corporation could have expended up to \$272,190.92 for medical and other benefit related expenses which were paid from the General Fund but allowable under the grant. This clearly offsets any “expenditures that do not appear to be related to the purpose of the grant.”



Extra Curricular Accounts

Textbook Rental Receipts

The citing indicates “the lack of detail of the textbook rental receipts being receipted in by the SA-3 receipts makes it almost impossible in some of the schools to trace the textbook rental collections to deposits into the schools' bank accounts and to postings to the schools' textbook rental accounts.” However, the middle schools did perform a monthly reconciliation of TBR-2 receipts to those issued through the extra curricular accounting software to verify all collections were deposited. In addition, an internal review completed by management before the auditors reviewed our ECA textbook rental funds in the East and West Middle Schools indicated the total amounts deposited could be traced from the TBR – 2 receipts to the accounting software and bank deposits. However, the cash and check composition for each day's collections could not always be verified.

Your citing also indicates “the textbook rental receipts were not printed and signed by the High School.” Instead of printing an official receipt, the extra curricular treasurer would document payments by posting the amount and date paid to the official statement. We have since changed internal procedures and corrected both issues before the exit conference date.

If there are any questions regarding the above response, please do not hesitate to contact us at (317) 852-5726. Thank you for the opportunity to respond.

Respectfully submitted,



Kathleen E. Corbin
Superintendent of Schools



Marvin T. Ward
Business Manager / Treasurer