

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, 2006 to June 30, 2008



FILED

06/24/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christy Jackson Patsy A. Hess	07-01-06 to 12-31-07 01-01-08 to 06-30-09
Superintendent of Schools	Roger L. Bane	07-01-06 to 06-30-10
President of the School Board	Jack L. Montgomery	07-01-06 to 06-30-09



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, 2007 and 2008, 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, 2007 and 2008, 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 June 2, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

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.

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 Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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

June 2, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS 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 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, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated June 2, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the School Board, 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

June 2, 2009

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 7,169,666	\$ -	\$ 60,692	\$ (7,108,974)
Support services	4,674,034	431,454	250,055	(3,992,525)
Community services	99,376	-	-	(99,376)
Nonprogrammed charges	1,180,741	-	-	(1,180,741)
Debt service	1,455,083	-	-	(1,455,083)
Total governmental activities	<u>\$ 14,578,900</u>	<u>\$ 431,454</u>	<u>\$ 310,747</u>	<u>(13,836,699)</u>
General receipts:				
Property taxes				3,597,772
Other local sources				1,031,878
State aid				7,381,134
Grants and contributions not restricted to specific programs				498,424
Sale of property, adjustments, and refunds				494,583
Investment earnings				10,876
Total general receipts				<u>13,014,667</u>
Change in net assets				(822,032)
Net assets - beginning				<u>1,759,159</u>
Net assets - ending				<u>\$ 937,127</u>
Assets				
Cash and investments				\$ 884,689
Restricted assets:				
Cash and investments				<u>52,438</u>
Total assets				<u>\$ 937,127</u>
Net Assets				
Restricted for:				
Other purposes				\$ 52,438
Unrestricted				<u>884,689</u>
Total net assets				<u>\$ 937,127</u>

The notes to the financial statements are an integral part of this statement.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,504,950	\$ -	\$ 98,065	\$ (7,406,885)
Support services	5,211,661	429,376	358,848	(4,423,437)
Community services	106,594	-	-	(106,594)
Nonprogrammed charges	1,521,943	-	-	(1,521,943)
Debt service	1,457,007	-	-	(1,457,007)
	<u>\$ 15,802,155</u>	<u>\$ 429,376</u>	<u>\$ 456,913</u>	<u>(14,915,866)</u>
General receipts:				
Property taxes				6,322,619
Other local sources				1,390,249
State aid				7,117,356
Grants and contributions not restricted to specific programs				451,525
Sale of property, adjustments, and refunds				511,258
Investment earnings				12,403
Total general receipts				<u>15,805,410</u>
Change in net assets				889,544
Net assets - beginning				<u>937,127</u>
Net assets - ending				<u>\$ 1,826,671</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 1,826,671</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 1,826,671</u>

The notes to the financial statements are an integral part of this statement.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Local Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,136,106	\$ 524,485	\$ -	\$ 736,544	\$ 897,045	\$ 137,311	\$ 639,369	\$ 5,070,860
Intermediate sources	426	-	-	-	-	-	694	1,120
State sources	7,425,986	-	-	-	-	-	154,901	7,580,887
Federal sources	-	-	-	-	-	-	609,418	609,418
Sale of property, adjustments and refunds	20,475	9,682	-	-	-	-	-	30,157
Total receipts	9,582,993	534,167	-	736,544	897,045	137,311	1,404,382	13,292,442
Disbursements:								
Current:								
Instruction	6,830,038	-	-	-	-	-	339,628	7,169,666
Support services	2,167,833	674,100	-	-	769,823	164,707	897,571	4,674,034
Community services	99,314	-	-	-	-	-	62	99,376
Nonprogrammed charges	271,598	-	-	-	-	-	635	272,233
Debt services	-	-	-	1,268,500	-	-	186,583	1,455,083
Total disbursements	9,368,783	674,100	-	1,268,500	769,823	164,707	1,424,479	13,670,392
Excess (deficiency) of receipts over disbursements	214,210	(139,933)	-	(531,956)	127,222	(27,396)	(20,097)	(377,950)
Other financing sources (uses):								
Transfers in	50,418	62,694	450,000	11,852	6,266	1,623	12,393	595,246
Transfers out	(434,922)	(46,083)	-	(56,575)	(450,000)	-	(98,270)	(1,085,850)
Total other financing sources (uses)	(384,504)	16,611	450,000	(44,723)	(443,734)	1,623	(85,877)	(490,604)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(170,294)	(123,322)	450,000	(576,679)	(316,512)	(25,773)	(105,974)	(868,554)
Cash and investments - beginning	485,177	100,550	325,000	103,871	439,434	76,054	223,157	1,753,243
Cash and investments - ending	<u>\$ 314,883</u>	<u>\$ (22,772)</u>	<u>\$ 775,000</u>	<u>\$ (472,808)</u>	<u>\$ 122,922</u>	<u>\$ 50,281</u>	<u>\$ 117,183</u>	<u>884,689</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								<u>52,438</u>
Net assets of governmental activities								<u>\$ 937,127</u>
Cash and Investment Assets - Ending								
Cash and investments	<u>\$ 314,883</u>	<u>\$ (22,772)</u>	<u>\$ 775,000</u>	<u>\$ (472,808)</u>	<u>\$ 122,922</u>	<u>\$ 50,281</u>	<u>\$ 117,183</u>	<u>\$ 884,689</u>
Cash and Investment Fund Balance - Ending								
Unrestricted	<u>\$ 314,883</u>	<u>\$ (22,772)</u>	<u>\$ 775,000</u>	<u>\$ (472,808)</u>	<u>\$ 122,922</u>	<u>\$ 50,281</u>	<u>\$ 117,183</u>	<u>\$ 884,689</u>

The notes to the financial statements are an integral part of this statement.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Local Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 3,212,474	\$ 840,622	\$ -	\$ 1,801,500	\$ 1,364,229	\$ 232,595	\$ 702,859	\$ 8,154,279
Intermediate sources	219	-	-	-	-	-	150	369
State sources	7,180,402	-	-	-	-	-	131,761	7,312,163
Federal sources	-	-	-	-	-	-	713,631	713,631
Sale of property, adjustments and refunds	7,154	-	-	-	-	-	810	7,964
Total receipts	10,400,249	840,622	-	1,801,500	1,364,229	232,595	1,549,211	16,188,406
Disbursements:								
Current:								
Instruction	7,147,804	-	-	-	-	-	357,146	7,504,950
Support services	2,382,282	767,245	-	-	946,111	202,500	913,523	5,211,661
Community services	106,594	-	-	-	-	-	-	106,594
Nonprogrammed charges	228,426	-	101,437	-	-	-	-	329,863
Debt services	-	-	-	1,270,250	-	-	186,757	1,457,007
Total disbursements	9,865,106	767,245	101,437	1,270,250	946,111	202,500	1,457,426	14,610,075
Excess (deficiency) of receipts over disbursements	535,143	73,377	(101,437)	531,250	418,118	30,095	91,785	1,578,331
Other financing sources (uses):								
Transfers in	-	56,575	170,000	-	-	-	43,464	270,039
Transfers out	(519,455)	(62,607)	-	(88,135)	(170,000)	-	(25,341)	(865,538)
Total other financing sources (uses)	(519,455)	(6,032)	170,000	(88,135)	(170,000)	-	18,123	(595,499)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,688	67,345	68,563	443,115	248,118	30,095	109,908	982,832
Cash and investments - beginning	314,883	(22,772)	775,000	(472,808)	122,922	50,281	117,183	884,689
Cash and investments - ending	\$ 330,571	\$ 44,573	\$ 843,563	\$ (29,693)	\$ 371,040	\$ 80,376	\$ 227,091	1,867,521
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								(40,850)
Net assets of governmental activities								\$ 1,826,671
Cash and Investment Assets - Ending								
Cash and investments	\$ 330,571	\$ 44,573	\$ 843,563	\$ (29,693)	\$ 371,040	\$ 80,376	\$ 227,091	\$ 1,867,521
Cash and Investment Fund Balance - Ending								
Unrestricted	\$ 330,571	\$ 44,573	\$ 843,563	\$ (29,693)	\$ 371,040	\$ 80,376	\$ 227,091	\$ 1,867,521

The notes to the financial statements are an integral part of this statement.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Miscellaneous	\$ 464,426
Operating disbursements:	
Insurance claims and expense	<u>908,508</u>
Deficiency of operating receipts over operating disbursements	(444,082)
Transfers in	<u>490,604</u>
Change in net assets	46,522
Cash and investment fund balance - beginning	<u>5,916</u>
Cash and investment fund balance - ending	<u>\$ 52,438</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ <u>52,438</u>
Total cash and investment assets - ending	<u>\$ 52,438</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ <u>52,438</u>
Total cash and investment fund balance - ending	<u>\$ 52,438</u>

The notes to the financial statements are an integral part of this statement.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 503,293
Operating disbursements:	
Insurance claims and expense	637,485
Other	554,595
Total operating disbursements	1,192,080
Deficiency of operating receipts over operating disbursements	(688,787)
Transfers in	595,499
Change in net assets	(93,288)
Cash and investment fund balance - beginning	52,438
Cash and investment fund balance - ending	\$ (40,850)
<u>Cash and Investment Assets - Ending</u>	
Cash and Investments	\$ (40,850)
Total cash and investment assets - ending	\$ (40,850)
<u>Cash and Investment Fund Balance - Ending</u>	
Unrestricted	\$ (40,850)
Total cash and investment fund balance - ending	\$ (40,850)

The notes to the financial statements are an integral part of this statement.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 15,685
Investment earnings:	
Interest	2,558
Total additions	18,243
Deductions:	
Administrative and general	15,018
Excess of total additions over total deductions	3,225
Cash and investment fund balance - beginning	85,078
Cash and investment fund balance - ending	\$ 88,303
Net assets:	
Cash and investments	\$ 88,303
Total net assets - cash and investment basis held in trust	\$ 88,303

The notes to the financial statements are an integral part of this statement.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 15,597
Investment earnings:	
Interest	3,270
Total additions	18,867
Deductions:	
Administrative and general	7,335
Excess of total additions over total deductions	11,532
Cash and investment fund balance - beginning	88,303
Cash and investment fund balance - ending	\$ 99,835
Net assets:	
Cash and investments	\$ 99,835
Total net assets - cash and investment basis held in trust	\$ 99,835

The notes to the financial statements are an integral part of this statement.

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 six 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, Indiana, 47421-0729.

The School Corporation is a participant with twenty-seven 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, Indiana, 47111.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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.

BROWNSTOWN CENTRAL 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, 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 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 transportation operating fund accounts for financial resources for the transportation of school children to and from school.

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

The local rainy day fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The School Corporation reports the following major proprietary funds:

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.

The private-purpose trust funds report trust arrangements 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.

BROWNSTOWN CENTRAL 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.

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. 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.

4. 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.

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

5. 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 result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Transportation Operating	\$ 22,772	\$ -
Debt Service	472,808	29,693
Internal Service Fund	-	40,850
Retirement/Severance Bond Debt	61,448	48,549

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

Cash and investment deficits arose primarily from disbursements exceeding receipts because the property tax settlements were not completed before June 30, 2007 or June 30, 2008, for the property tax funds and underestimate of current requirements for the self-insurance fund; these deficits are to be repaid from future receipts.

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. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$1,926,506. 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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General Fund	Internal Service Fund	\$ 434,922	\$ 519,455
Capital Projects	Local Rainy Day Fund	450,000	170,000
Debt Service	Transportation Operating	56,575	56,575
	Other governmental funds	-	31,560
Transportation Operating	Internal Service Fund	46,083	62,607
Other governmental funds	General Fund	50,418	-
	Debt Service	11,852	-
	Capital Projects	6,266	-
	Transportation Operating	6,119	-
	School Bus Replacement	1,623	-
	Other governmental funds	12,393	11,904
	Internal Service Fund	<u>9,599</u>	<u>13,437</u>
Totals		<u>\$ 1,085,850</u>	<u>\$ 865,538</u>

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

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. The School Corporation discontinued their self insurance plan as of December 31, 2007.

B. Holding Corporations

The School Corporation has entered into capital leases with the Brownstown Community School Corporation and the Brownstown District School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years ended June 30, 2007 and 2008, totaled \$1,268,500 and 1,270,250, respectively.

C. Postemployment Benefits

During the current year, the School Corporation offered to all employees who retire from the School Corporation health, life insurance, and severance pay for unused sick days on or after attaining age fifty-five with at least twenty years of service. Currently, nineteen employees 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, 2008, disbursements of \$64,609 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

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

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 89,072
Interest on net pension obligation	(5,318)
Adjustment to annual required contribution	6,061
Annual pension cost	89,815
Contributions made	89,032
Increase in net pension obligation	783
Net pension obligation, beginning of year	(73,358)
Net pension obligation, end of year	\$ (72,575)

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

	PERF
Contribution rates:	
School Corporation	7.5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
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	06-30-06	\$ 81,212	96%	\$ (90,180)
	06-30-07	100,483	83%	(73,358)
	06-30-08	89,815	99%	(72,575)

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.

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

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

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

Funding Policy and Annual Pension Costs

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

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, 2007, and 2008, were \$171,222, \$192,787, and \$217,910, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

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 Assets AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,179,763	\$ 1,453,285	\$ (273,522)	81%	\$ 1,230,407	(22%)
07-01-07	1,242,541	1,410,093	(167,552)	88%	1,167,891	(14%)
07-01-08	1,337,188	1,495,918	(158,730)	89%	1,169,860	(14%)

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Ed Preschool	School Lunch Fund	Textbook Rental Fund	Levy Excess Fund	Education License Plates	Alternative Ed Grant	Early Intervention
Receipts:							
Local sources	\$ 6,433	\$ 384,630	\$ 127,313	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	694	-	-
State sources	44,793	10,593	-	-	-	-	1,500
Federal sources	6,512	260,892	-	-	-	-	-
Total receipts	57,738	656,115	127,313	-	694	-	1,500
Disbursements:							
Current:							
Instruction	63,874	-	-	-	-	-	-
Support services	-	639,305	125,923	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	63,874	639,305	125,923	-	-	-	-
Excess (deficiency) of receipts over disbursements	(6,136)	16,810	1,390	-	694	-	1,500
Other financing sources (uses):							
Transfers in	79	-	-	-	-	-	-
Transfers out	-	-	-	(47,544)	-	-	-
Total other financing sources (uses)	79	-	-	(47,544)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,057)	16,810	1,390	(47,544)	694	-	1,500
Cash and investments - beginning	29,439	26,849	3	47,544	1,350	1,708	-
Cash and investments - ending	\$ 23,382	\$ 43,659	\$ 1,393	\$ -	\$ 2,044	\$ 1,708	\$ 1,500
Cash and Investment Assets - Ending							
Cash and investments	\$ 23,382	\$ 43,659	\$ 1,393	\$ -	\$ 2,044	\$ 1,708	\$ 1,500
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 23,382	\$ 43,659	\$ 1,393	\$ -	\$ 2,044	\$ 1,708	\$ 1,500

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Gifted/Talented 03-04	Gifted/Talented 02-03	Non-English Speaking Prog	School Technology	Technology Planning Grant	Community Based Family Resource
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	13,343	-	39	-	80,175	-
Federal sources	-	-	-	-	-	-
Total receipts	13,343	-	39	-	80,175	-
Disbursements:						
Current:						
Instruction	13,343	638	-	-	-	-
Support services	-	-	-	-	41,850	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	13,343	638	-	-	41,850	-
Excess (deficiency) of receipts over disbursements	-	(638)	39	-	38,325	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(864)	-	-	(1,718)
Total other financing sources (uses)	-	-	(864)	-	-	(1,718)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(638)	(825)	-	38,325	(1,718)
Cash and investments - beginning	-	638	864	4,804	-	1,718
Cash and investments - ending	\$ -	\$ -	\$ 39	\$ 4,804	\$ 38,325	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 39	\$ 4,804	\$ 38,325	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 39	\$ 4,804	\$ 38,325	\$ -

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Safe Schools Grant	Children's Trust Fund	Jackson Co. Tobacco Mini Grant	Economic Education Grant	Respect Grant	ECIA Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	2,000	-	-
Federal sources	-	-	-	-	-	19,500
Total receipts	-	-	-	2,000	-	19,500
Disbursements:						
Current:						
Instruction	-	-	-	1,687	-	45,652
Support services	-	-	-	-	-	111
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	-	1,687	-	45,763
Excess (deficiency) of receipts over disbursements	-	-	-	313	-	(26,263)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(378)	(917)	(5,737)	-	(2,624)	(13,266)
Total other financing sources (uses)	(378)	(917)	(5,737)	-	(2,624)	(13,266)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(378)	(917)	(5,737)	313	(2,624)	(39,529)
Cash and investments - beginning	378	917	5,737	-	2,624	39,529
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 313	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ 313	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ -	\$ 313	\$ -	\$ -

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I	Title I Juvenile Home	Title V, Part A	Title 6 1991-1996	Title V, Part A 2004-05	Title 6 2001-2002
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	<u>235,132</u>	<u>9,866</u>	<u>-</u>	<u>-</u>	<u>2,934</u>	<u>-</u>
Total receipts	<u>235,132</u>	<u>9,866</u>	<u>-</u>	<u>-</u>	<u>2,934</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	196,074	8,422	-	-	-	-
Support services	5,095	-	122	-	2,934	-
Community services	62	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>201,231</u>	<u>8,422</u>	<u>122</u>	<u>-</u>	<u>2,934</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>33,901</u>	<u>1,444</u>	<u>(122)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	10,566	-	-	-	-	-
Transfers out	<u>(6,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>3,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>37,567</u>	<u>1,444</u>	<u>(122)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - beginning	<u>-</u>	<u>(1,444)</u>	<u>122</u>	<u>2,843</u>	<u>-</u>	<u>1,617</u>
Cash and investments - ending	<u>\$ 37,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,843</u>	<u>\$ -</u>	<u>\$ 1,617</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 37,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,843</u>	<u>\$ -</u>	<u>\$ 1,617</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 37,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,843</u>	<u>\$ -</u>	<u>\$ 1,617</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Tutorial Assistance	Serve America	Project Peace 2000-2001	Drug Free Grant 2004-05	Title IV, Part A D.F. 2002-03	Medical Reimbursement Federal
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	8,727	-	-
Total receipts	-	-	-	8,727	-	-
Disbursements:						
Current:						
Instruction	-	-	-	7,598	1,143	-
Support services	-	-	-	-	5,525	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	-	7,598	6,668	-
Excess (deficiency) of receipts over disbursements	-	-	-	1,129	(6,668)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(7,328)	(61)	(576)	-	-	(10,357)
Total other financing sources (uses)	(7,328)	(61)	(576)	-	-	(10,357)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,328)	(61)	(576)	1,129	(6,668)	(10,357)
Cash and investments - beginning	7,328	61	576	-	6,668	10,357
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 1,129	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ 1,129	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ -	\$ 1,129	\$ -	\$ -

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title II 2002-2003	Title II Part D	Fund 6,800	Retirement/ Severance Bond Debt	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 120,993	\$ -	\$ 639,369
Intermediate sources	-	-	-	-	-	694
State sources	-	-	2,458	-	-	154,901
Federal sources	65,855	-	-	-	-	609,418
Total receipts	65,855	-	2,458	120,993	-	1,404,382
Disbursements:						
Current:						
Instruction	1,197	-	-	-	-	339,628
Support services	71,707	4,999	-	-	-	897,571
Community services	-	-	-	-	-	62
Nonprogrammed charges	635	-	-	-	-	635
Debt services	-	-	-	186,583	-	186,583
Total disbursements	73,539	4,999	-	186,583	-	1,424,479
Excess (deficiency) of receipts over disbursements	(7,684)	(4,999)	2,458	(65,590)	-	(20,097)
Other financing sources (uses):						
Transfers in	-	-	-	1,748	-	12,393
Transfers out	-	-	-	-	-	(98,270)
Total other financing sources (uses)	-	-	-	1,748	-	(85,877)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,684)	(4,999)	2,458	(63,842)	-	(105,974)
Cash and investments - beginning	18,158	9,439	-	2,394	936	223,157
Cash and investments - ending	\$ 10,474	\$ 4,440	\$ 2,458	\$ (61,448)	\$ 936	\$ 117,183
Cash and Investment Assets - Ending						
Cash and investments	\$ 10,474	\$ 4,440	\$ 2,458	\$ (61,448)	\$ 936	\$ 117,183
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 10,474	\$ 4,440	\$ 2,458	\$ (61,448)	\$ 936	\$ 117,183

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Ed Preschool	School Lunch Fund	Textbook Rental Fund	Education License Plates	Alternative Ed Grant	Early Intervention	Gifted/Talented 02-03
Receipts:							
Local sources	\$ 21,941	\$ 386,290	\$ 94,972	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	150	-	-	-
State sources	38,480	11,051	45,711	-	-	1,500	33,235
Federal sources	-	310,902	-	-	-	-	-
Sale of property, adjustments and refunds	-	810	-	-	-	-	-
Total receipts	60,421	709,053	140,683	150	-	1,500	33,235
Disbursements:							
Current:							
Instruction	49,110	-	-	-	-	-	89
Support services	-	678,744	109,493	-	-	1,500	-
Debt services	-	-	-	-	-	-	-
Total disbursements	49,110	678,744	109,493	-	-	1,500	89
Excess (deficiency) of receipts over disbursements	11,311	30,309	31,190	150	-	-	33,146
Other financing sources (uses):							
Transfers in	-	-	31,560	-	-	-	-
Transfers out	-	(5,867)	-	-	-	-	-
Total other financing sources (uses)	-	(5,867)	31,560	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,311	24,442	62,750	150	-	-	33,146
Cash and investments - beginning	23,382	43,659	1,393	2,044	1,708	1,500	-
Cash and investments - ending	<u>\$ 34,693</u>	<u>\$ 68,101</u>	<u>\$ 64,143</u>	<u>\$ 2,194</u>	<u>\$ 1,708</u>	<u>\$ 1,500</u>	<u>\$ 33,146</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 34,693</u>	<u>\$ 68,101</u>	<u>\$ 64,143</u>	<u>\$ 2,194</u>	<u>\$ 1,708</u>	<u>\$ 1,500</u>	<u>\$ 33,146</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 34,693</u>	<u>\$ 68,101</u>	<u>\$ 64,143</u>	<u>\$ 2,194</u>	<u>\$ 1,708</u>	<u>\$ 1,500</u>	<u>\$ 33,146</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Non-English Speaking Prog	School Technology	Technology Planning Grant	Economic Education Grant	ECIA Title I	Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	1,784	-	-	-	-	-
Federal sources	-	-	-	-	273,921	23,000
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	1,784	-	-	-	273,921	23,000
Disbursements:						
Current:						
Instruction	855	-	-	-	248,863	47,746
Support services	-	-	38,325	-	1,376	-
Debt services	-	-	-	-	-	-
Total disbursements	855	-	38,325	-	250,239	47,746
Excess (deficiency) of receipts over disbursements	929	-	(38,325)	-	23,682	(24,746)
Other financing sources (uses):						
Transfers in	-	-	-	-	11,904	-
Transfers out	-	-	-	-	(6,653)	(12,821)
Total other financing sources (uses)	-	-	-	-	5,251	(12,821)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	929	-	(38,325)	-	28,933	(37,567)
Cash and investments - beginning	39	4,804	38,325	313	-	37,567
Cash and investments - ending	<u>\$ 968</u>	<u>\$ 4,804</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ 28,933</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 968</u>	<u>\$ 4,804</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ 28,933</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 968</u>	<u>\$ 4,804</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ 28,933</u>	<u>\$ -</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I Juvenile Home	Title V, Part A	Title 6 1991-1996	Title 6 2001-2002	Drug Free Grant 2004-05	Title IV, Part A D.F. 2002-03
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	7,544	2,932	-	-	-	6,899
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	7,544	2,932	-	-	-	6,899
Disbursements:						
Current:						
Instruction	7,173	-	-	-	-	549
Support services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	7,173	-	-	-	-	549
Excess (deficiency) of receipts over disbursements	371	2,932	-	-	-	6,350
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	371	2,932	-	-	-	6,350
Cash and investments - beginning	-	-	2,843	1,617	1,129	-
Cash and investments - ending	<u>\$ 371</u>	<u>\$ 2,932</u>	<u>\$ 2,843</u>	<u>\$ 1,617</u>	<u>\$ 1,129</u>	<u>\$ 6,350</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 371</u>	<u>\$ 2,932</u>	<u>\$ 2,843</u>	<u>\$ 1,617</u>	<u>\$ 1,129</u>	<u>\$ 6,350</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 371</u>	<u>\$ 2,932</u>	<u>\$ 2,843</u>	<u>\$ 1,617</u>	<u>\$ 1,129</u>	<u>\$ 6,350</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II 2002-2003	Title II Part D	Fund 6,880	Retirement/ Severance Bond Debt	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 199,656	\$ -	\$ 702,859
Intermediate sources	-	-	-	-	-	150
State sources	-	-	-	-	-	131,761
Federal sources	88,433	-	-	-	-	713,631
Sale of property, adjustments and refunds	-	-	-	-	-	810
Total receipts	88,433	-	-	199,656	-	1,549,211
Disbursements:						
Current:						
Instruction	354	-	2,407	-	-	357,146
Support services	79,645	4,440	-	-	-	913,523
Debt services	-	-	-	186,757	-	186,757
Total disbursements	79,999	4,440	2,407	186,757	-	1,457,426
Excess (deficiency) of receipts over disbursements	8,434	(4,440)	(2,407)	12,899	-	91,785
Other financing sources (uses):						
Transfers in	-	-	-	-	-	43,464
Transfers out	-	-	-	-	-	(25,341)
Total other financing sources (uses)	-	-	-	-	-	18,123
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,434	(4,440)	(2,407)	12,899	-	109,908
Cash and investments - beginning	10,474	4,440	2,458	(61,448)	936	117,183
Cash and investments - ending	<u>\$ 18,908</u>	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ (48,549)</u>	<u>\$ 936</u>	<u>\$ 227,091</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 18,908</u>	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ (48,549)</u>	<u>\$ 936</u>	<u>\$ 227,091</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 18,908</u>	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ (48,549)</u>	<u>\$ 936</u>	<u>\$ 227,091</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	Morris K. Fish Fund	Scharbrough Memorial Fund	Shake Scholarship Fund	Brownstown Health Center Scholarship	Hunter Golf Scholarship Fund	125 Reimbursement Refund Fund
Additions:						
Contributions:						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings:						
Interest	9	-	1,058	1,473	18	-
Total additions	9	-	1,058	1,473	18	-
Deductions:						
Administrative and general	124	-	1,000	1,500	818	-
Excess (deficiency) of receipts over disbursements	(115)	-	58	(27)	(800)	-
Cash and investment fund balance - beginning	115	26	33,264	30,590	800	2,622
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 33,322</u>	<u>\$ 30,563</u>	<u>\$ -</u>	<u>\$ 2,622</u>
Net assets:						
Cash and investments	\$ -	\$ 26	\$ 33,322	\$ 30,563	\$ -	\$ 2,622
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 33,322</u>	<u>\$ 30,563</u>	<u>\$ -</u>	<u>\$ 2,622</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Cinergy Grant	Universal Service Fund	Americal Student Middle School	Americal Student Freetown Elem	Totals
Additions:					
Contributions:					
Other	\$ -	\$ 15,685	\$ -	\$ -	\$ 15,685
Investment earnings:					
Interest	-	-	-	-	2,558
Total additions	-	15,685	-	-	18,243
Deductions:					
Administrative and general	606	7,451	930	2,589	15,018
Excess (deficiency) of receipts over disbursements	(606)	8,234	(930)	(2,589)	3,225
Cash and investment fund balance - beginning	606	13,536	930	2,589	85,078
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 21,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,303</u>
Net assets:					
Cash and investments	\$ -	\$ 21,770	\$ -	\$ -	\$ 88,303
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 21,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,303</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Morris K. Fish Fund	Scharbrough Memorial Fund	Shake Scholarship Fund	Brownstown Health Center Scholarship	125 Reimbursement Refund Fund	Universal Service Fund	Totals
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,597	\$ 15,597
Investment earnings:							
Interest	10	-	1,702	1,558	-	-	3,270
Total additions	<u>10</u>	<u>-</u>	<u>1,702</u>	<u>1,558</u>	<u>-</u>	<u>15,597</u>	<u>18,867</u>
Deductions:							
Administrative and general	-	-	1,000	2,000	-	4,335	7,335
Excess (deficiency) of total additions over total deductions	10	-	702	(442)	-	11,262	11,532
Cash and investment fund balance - beginning	-	26	33,322	30,563	2,622	21,770	88,303
Cash and investments - June 30	<u>\$ 10</u>	<u>\$ 26</u>	<u>\$ 34,024</u>	<u>\$ 30,121</u>	<u>\$ 2,622</u>	<u>\$ 33,032</u>	<u>\$ 99,835</u>
Net assets:							
Cash and investments	<u>\$ 10</u>	<u>\$ 26</u>	<u>\$ 34,024</u>	<u>\$ 30,121</u>	<u>\$ 2,622</u>	<u>\$ 33,032</u>	<u>\$ 99,835</u>
Total net assets - cash and investment basis held in trust	<u>\$ 10</u>	<u>\$ 26</u>	<u>\$ 34,024</u>	<u>\$ 30,121</u>	<u>\$ 2,622</u>	<u>\$ 33,032</u>	<u>\$ 99,835</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 20,167,036
Improvements other than buildings	207,709
Machinery and equipment	<u>2,180,153</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 22,554,898</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Brownstown District School Building Corporation	\$ 8,285,000	\$ 1,270,000
Bonds payable:		
General obligation bonds:		
Pension bonds - Retirement and Severance payments	<u>890,000</u>	<u>186,241</u>
Total long-term debt	<u>\$ 9,175,000</u>	<u>\$ 1,456,241</u>

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$8,069.84 were paid to the Internal Revenue Service on September 28, 2007, for failure to timely remit payroll employment taxes for the quarter ending June 30, 2007.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS

The detail of the individual payroll withholdings are not being reconciled to the payroll withholding control balance. At June 30, 2008 there were numerous withholding accounts with negative balances.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. 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 2008-1 and 2008-2.

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

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)

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the School Board, 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

June 2, 2009

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 40,442	\$ -
FY 2006-2007			-	47,380
FY 2007-2008			-	-
Total for program			40,442	47,380
National School Lunch Program				
FY 2006-2007	10.555		231,812	-
FY 2007-2008			-	265,454
Total for program			231,812	265,454
Total for cluster			272,254	312,834
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
FY 2005-2006	84.010	06-3695	48,463	-
FY 2005-2006, Part D, Subpart 2		06-3695	347	-
FY 2006-2007		07-3695	208,131	48,663
FY 2006-2007, Part D, Subpart 2		07-3695	8,075	-
FY 2007-2008		08-3695	-	256,893
FY 2007-2008, Part D, Subpart 2		08-3695	-	8,250
Total for program			265,016	313,806
Safe and Drug Free Schools and Communities - State Grants				
FY 2003-2004	84.186	04-234	6,667	-
FY 2004-2005		05117	7,598	-
FY 2005-2006		3695-06	-	549
Total for program			14,265	549
State Grants for Innovative Programs				
FY 2004-2005	84.298	05-134	121	-
FY 2005-2006		06-134	2,934	-
Total for program			3,055	-
Education Technology State Grants				
FY 2004-2005	84.318	04-3695	4,930	-
FY 2005-2006		05-3695	69	4,432
Total for program			4,999	4,432
Pass-Through Wilson Education Center				
English Language Acquisition Grants	84.365		-	2,407
FY 2007-2008			-	-
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants				
FY 2005-2006	84.367	05-073	31,803	-
FY 2006-2007		06-3695	41,736	46,697
FY 2007-2008		07-3695	-	33,302
Total for program			73,539	79,999
Total for federal grantor agency			360,874	401,193
Total federal awards expended			\$ 633,128	\$ 714,027

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, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 4,361	\$ 2,066
National School Lunch Program	10.555	25,431	33,061

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
Significant deficiencies 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
Significant deficiencies 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 2008-1, REPORTING

Federal Program: Title I Grants to Local Educational Agencies
 CFDA Number: 84.010
 Federal Award Numbers: 03-3695, 04-3695, 05-3695, 06-3695
 Pass-Through Entity: Indiana Department of Education

The financial reports submitted to the Indiana Department of Education for the 06-3695 program contained numerous errors and did not agree with the School Corporation's financial ledgers. The financial reports for the 07-3695 and 08-3695 program years were filed accurately. While testing the reporting requirements for the 06-3695 program, it was noted that in the beginning of the year 2006-2007, \$48,463 was expended out of the 06-3695 Title I Grant Fund. Review of the prior year's 06-3695 Title I Grant Fund indicated that \$272,859 had been expended as of June 30, 2006. The approved award amount for the 06-3695 program, including the approved carry-over amount, was \$255,079. Therefore, the total expenditures for the 06-3695 program totaled \$321,322, which exceeded the approved grant amount by \$66,243. In determining how this happened, the financial reports and ledgers for the 03-3695, 04-3695, and 05-3695 program years were also analyzed. The tables below show the ledger activity compared to Title I reporting for the above referenced programs and the total amount received compared with the total amount approved for each program.

03-3695 Title 1 Grant	<u>Ledger Activity</u>	<u>Reported</u>	<u>Difference</u>
Carryover in	\$ 28,705	\$ 28,705	\$ -
Receipts	223,241	257,241	(34,000)
Disbursements	<u>210,477</u>	<u>253,328</u>	<u>(42,851)</u>
Carryover out	<u>\$ 41,469</u>	<u>\$ 32,618</u>	<u>\$ 8,851</u>
	<u>Gross Grant Received</u>	<u>Approved Grant</u>	<u>Difference</u>
	<u>\$ 251,946</u>	<u>\$ 285,946</u>	<u>\$ (34,000)</u>

Analysis: The \$34,000 is the final drawdown received July 2003 which was not properly accounted for within the final reporting process because it was posted to the 04-3695 grant funds. Also, expenses of \$42,851 were posted to the 04-3695 grant funds, but were accounted for on the Treasurer's spreadsheets for both grant years. This resulted in the reported carry-over amount being too low, which caused more receipts being received in the subsequent grant.

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

04-3695 Title 1 Grant	<u>Ledger Activity</u>	<u>Reported</u>	<u>Difference</u>
Carryover in	\$ 41,469	\$ 32,618	\$ 8,851
Receipts	222,035	238,035	(16,000)
Error on carryover out	-	115	(115)
Disbursements	<u>229,954</u>	<u>237,768</u>	<u>(7,814)</u>
Carryover out	<u>\$ 33,550</u>	<u>\$ 33,000</u>	<u>\$ 550</u>
	<u>Gross Grant Received</u>	<u>Approved Grant</u>	<u>Difference</u>
	<u>\$ 263,504</u>	<u>\$ 270,653</u>	<u>\$ (7,149)</u>

Analysis: The \$16,000 is the net difference between the \$34,000 final drawdown received July 2003 which was posted from the 03-3695 grant funds and the \$50,000 final drawdown received July 2004 which was erroneously posted to the 05-3695 grant funds. Also, more expenses were reported than what was actually posted to the ledger. Again, this resulted in the reported carry-over amount being too low, which caused more receipts being received in the subsequent grant.

05-3695 Title 1 Grant	<u>Ledger Activity</u>	<u>Reported</u>	<u>Difference</u>
Carryover in	\$ 33,550	\$ 33,000	\$ 550
Receipts	258,457	230,842	27,615
Disbursements	<u>223,917</u>	<u>248,060</u>	<u>(24,143)</u>
Carryover out	<u>\$ 68,090</u>	<u>\$ 15,782</u>	<u>\$ 52,308</u>
	<u>Gross Grant Received</u>	<u>Approved Grant</u>	<u>Difference</u>
	<u>\$ 292,007</u>	<u>\$ 263,842</u>	<u>\$ 28,165</u>

Analysis: The \$27,615 is the net difference between the \$50,000 final drawdown received July 2004 which was posted from the 04-3695 grant funds, the \$22,500 final drawdown received July 2005, which was erroneously posted to the 06-3695 grant funds, and the \$115 error in the carry-over from the 04-3695 grant. Since there was a significantly higher amount received than reported, and there were more expenses reported than what was actually posted to the ledger, an inflated carry-over amount was transferred to the 06-3695 grant funds.

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

06-3695 Title 1 Grant	<u>Ledger Activity</u>	<u>Reported</u>	<u>Difference</u>
Carryover in	\$ 68,090	\$ 15,782	\$ 52,308
Receipts	263,797	232,297	31,500
Unreported drawdown		7,000	(7,000)
Disbursements	<u>321,322</u>	<u>237,514</u>	<u>83,808</u>
Carryover out	<u>\$ 10,565</u>	<u>\$ 10,565</u>	<u>\$ -</u>
		*	
	<u>Gross Grant Received</u>	<u>Approved Grant</u>	<u>Difference</u>
	<u>\$ 331,887</u>	<u>\$ 255,079</u>	<u>\$ 76,808</u>

This Carryover amount does not include the \$7,000. See below for further explanation.

Analysis: In addition to the \$22,500 final drawdown received July 2005 and the \$19,500 final drawdown received in July 2006, which were posted to the wrong grant funds, receipts were incorrectly reported. Since there was a significantly higher amount received than reported, less expenses reported than what was actually posted to the ledger, and numerous ledger correction at the end of the reporting period, the 06-3695 grant funds shows as completely expended. Also, the final report did not include \$7,000 received October 2005 for the amount of funds received or under the final approved grant amount which resulted in the incorrect grant allocation being reported.

During the four grant years discussed above, the ledger contained numerous incorrect postings for grant receipts and disbursements activity. The reporting for these years appeared to be calculated by a spreadsheet completed by the prior Treasurer. When the cash balance reached \$101,791 in May 2006, the prior Treasurer made \$81,681 in corrections to the ledger (which included \$14,689 that was labeled 05-3695) in June 2006.

EDGAR 80.20 states in part:

"(b) The financial management systems of other grantees and sub-grantees 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 funds in the future. Also, this resulted in excess carryover which will be addressed in Finding 2008-2.

Since the prior audit addressed the reporting and cash management issues, the School Corporation has designed and developed procedures to ensure that funds are utilized to the extent required to ensure that required reports are accurately and timely remitted.

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

FINDING 2008-2, PERIOD OF AVAILABILITY

Federal Program: Title I Grants to Local Educational Agencies
 CFDA Number: 84.010
 Federal Award Numbers: 03-3695, 04-3695, 05-3695, 06-3695
 Pass-Through Entity: Indiana Department of Education

As noted in the above finding on reporting, the 06-3695 grant award amount of \$255,079 was overspent by \$66,243. The table and analysis below shows ledger activity compared to Title I reporting from the above referenced programs and the effects of incorrect ledger postings of revenue by program year and its effect on the reported carryover:

Program Year	Actual Carryover Posted	Underposted Drawdown	Adjusted Carryover	Approved Grant	15% Carryover	Excess Carryover	Actual Excess Carryover
03-3695	\$ 41,469	\$ 34,000	\$ 75,469	\$ 285,946	\$ 42,892	\$ 1,423	\$ (32,577)
04-3695	33,550	50,000	83,550	270,653	40,598	7,048	(42,952)
05-3695	68,090	22,500	90,590	263,842	39,576	(28,514)	(51,014)

Analysis: Since numerous errors were made in posting the grant activity to the ledger for the above mentioned grant years, the prior Treasurer was unable to calculate the correct carry-over amounts. This shows that the actual carry-over resulting from the understatement of disbursements that occurred in the ledger, and with the grant cash drawdowns accounted for within the proper program year, the adjusted carryover resulted in excess carryover for each grant year listed above.

Since the posting errors caused the reporting to be incorrect and unreliable, this resulted in excess carry-over for the 03-3695, 04-3695, and 05-3695, grant years. Since it was not known that there was an excess carryover, significantly more expenditures were allocated to the 06-3695 grant than were approved for that grant. These errors did not carry forward into the 07-3695 or 08-3695 program years.

Title I, Part A - An LEA that receives \$50,000 or more in Title I, Part A funds cannot carry over beyond the initial 15 months of availability more than 15% of its Title I, Part A funds. An SEA may grant a waiver of the percentage limitation once every three years if the LEA's request is reasonable and necessary. An SEA may also grant a waiver in any fiscal year in which supplemental appropriations for Title I, Part A become available for obligation. (Section 1127 of ESEA (20 USC 6339)).

The School Corporation will need to work with the SEA to determine the effect, if any, on the current or future Title I program allocations in order to determine if any program funds need to be reimbursed to the SEA.

Since the prior audit addressed the reporting and cash management issues, the School Corporation has designed and developed procedures to ensure that funds are utilized to the extent required to prevent excess carryover in the future.

Brownstown Central Community School Corporation

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

April 23, 2009

Ref: B29615
Federal Findings
Summary Schedule of Prior Audit Finding
Fiscal Years: 7/1/04 – 6/30/06

Auditee Contact Person: Roger L. Bane
Superintendent

Patsy Hess
Treasurer

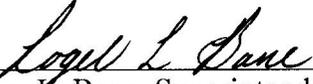
Phone Number: (812) 358-4271

Finding No. 2006-1
Summary:

Roger Bane, Superintendent and Christy Jackson, Former Treasurer met with principals and grant directors and explained procedures for correct cash management. Cash balances are reviewed monthly to insure proper and timely cash advances coincide with current projected expenditures.

Finding No. 2006-2
Summary:

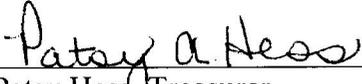
A separate fund has been set up for each program year to account for the revenue and expenditures of the program. Before quarterly and final expenditure reports are submitted, the Superintendent reviews financial reports with the Treasurer.



Roger L. Bane, Superintendent

4/23/09

Date



Patsy Hess, Treasurer

4-23-09

Date

Brownstown Central Community School Corporation

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

June 2, 2009

Ref: Corrective Action Plan

Audited Contact Person: Roger L. Bane
Superintendent

Patsy Hess
Treasurer

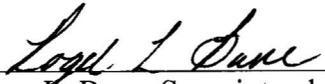
Phone Number: (812) 358-4271

Finding No. 2008-1

Expected Completion Date: Corrective action has been taken.
Corrective Action Plan: Roger Bane, Superintendent and Patsy Hess, Treasurer addressed reporting issues, all issues have been resolved. They work together to provide IDOE Title I administrators with timely and accurate financial reports.

Finding No. 2008-2

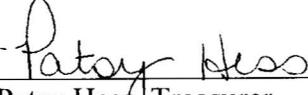
Expected Completion Date: Corrective action has been taken.
Corrective Action Plan: Roger Bane, Superintendent and Patsy Hess, Treasurer continue working together to assure correct accounting measures are used to keep carry-over amounts accurate. The Corporation will work with IDOE Title I administrators to continue to be in compliance.



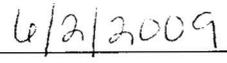
Roger L. Bane, Superintendent



Date



Patsy Hess, Treasurer



Date

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 2, 2009, with Patsy A. Hess, Treasurer; Harry K. Rochner, Business Manager; Roger L. Bane, Superintendent of Schools; and Jack L. Montgomery, President of the School Board. The officials concurred with our audit findings.