

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

AUDIT REPORT

OF

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION

HENRY COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED

03/10/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michelle Swift	07-01-08 to 06-30-11
Superintendent of Schools	Gary L. Storie	07-01-08 to 06-30-11
President of the School Board	Kevin Knott Steve Dalton	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charles A. Beard Memorial School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 8, 2011, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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, 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 Long-Term Debt has 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 it.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 8, 2011



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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 CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION, HENRY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charles A. Beard Memorial School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 8, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

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 Official Response and 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

February 8, 2011

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<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	\$ 5,049,559	\$ -	\$ 81,463	\$ (4,968,096)
Support services	4,036,220	304,126	249,478	(3,482,616)
Noninstructional services	761,404	-	-	(761,404)
Facilities acquisition and construction	813,222	-	-	(813,222)
Debt service	4,267,121	-	-	(4,267,121)
Nonprogrammed charges	1,250,969	-	-	(1,250,969)
Total governmental activities	<u>\$ 16,178,495</u>	<u>\$ 304,126</u>	<u>\$ 330,941</u>	<u>(15,543,428)</u>
General receipts:				
Property taxes				5,016,835
Other local sources				772,385
State aid				6,837,473
Bonds and loans				1,538,626
Grants and contributions not restricted to specific programs				1,072,440
Investment earnings				26,553
Other				91,865
Total general receipts				<u>15,356,177</u>
Change in net assets				(187,251)
Net assets - beginning				<u>1,964,307</u>
Net assets - ending				<u>\$ 1,777,056</u>
<u>Assets</u>				
Cash and investments				\$ 1,398,638
Restricted assets:				
Cash and investments				<u>378,418</u>
Total assets				<u>\$ 1,777,056</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 378,418
Unrestricted				<u>1,398,638</u>
Total net assets				<u>\$ 1,777,056</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<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	\$ 5,054,184	\$ -	\$ 145,943	\$ (4,908,241)
Support services	4,102,743	334,109	240,425	(3,528,209)
Noninstructional services	719,674	-	-	(719,674)
Facilities acquisition and construction	853,340	-	-	(853,340)
Debt service	2,840,460	-	-	(2,840,460)
Nonprogrammed charges	946,191	-	-	(946,191)
Total governmental activities	<u>\$ 14,516,592</u>	<u>\$ 334,109</u>	<u>\$ 386,368</u>	<u>(13,796,115)</u>
General receipts:				
Property taxes				3,530,555
Other local sources				540,418
State aid				7,949,309
Bonds and loans				126,486
Grants and contributions not restricted to specific programs				1,079,967
Investment earnings				11,653
Other				<u>60,107</u>
Total general receipts				<u>13,298,495</u>
Change in net assets				(497,620)
Net assets - beginning				<u>1,777,057</u>
Net assets - ending				<u>\$ 1,279,437</u>
<u>Assets</u>				
Cash and investments				\$ 1,003,279
Restricted assets:				
Cash and investments				<u>276,158</u>
Total assets				<u>\$ 1,279,437</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 276,158
Unrestricted				<u>1,003,279</u>
Total net assets				<u>\$ 1,279,437</u>

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

CHARLES A. BEARD MEMORIAL 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, 2009

	General	Transportation Operating	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Construction	Other	Totals
Receipts:									
Local sources	\$ 2,285,412	\$ 676,562	\$ -	\$ -	\$ 1,939,498	\$ 779,697	\$ -	\$ 438,073	\$ 6,119,242
Intermediate sources	147	-	-	-	-	-	-	506	653
State sources	6,917,567	-	-	-	-	-	-	125,282	7,042,849
Federal sources	6,666	-	-	740,917	-	-	-	450,426	1,198,009
Temporary loans	-	380,000	-	-	220,000	-	-	75,000	675,000
Other	89,870	1,995	-	-	-	-	-	-	91,865
Total receipts	9,299,662	1,058,557	-	740,917	2,159,498	779,697	-	1,089,287	15,127,618
Disbursements:									
Current:									
Instruction	4,823,925	-	-	-	-	-	-	225,634	5,049,559
Support services	3,102,207	711,239	-	-	-	-	-	222,774	4,036,220
Noninstructional services	277,099	-	-	-	-	-	-	484,305	761,404
Facilities acquisition and construction	-	-	-	-	-	804,729	8,493	-	813,222
Debt services	1,500,000	-	-	-	1,992,543	-	-	774,578	4,267,121
Nonprogrammed charges	1,185,929	-	-	-	-	-	-	65,040	1,250,969
Total disbursements	10,889,160	711,239	-	-	1,992,543	804,729	8,493	1,772,331	16,178,495
Excess (deficiency) of receipts over disbursements	(1,589,498)	347,318	-	740,917	166,955	(25,032)	(8,493)	(683,044)	(1,050,877)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	863,626	863,626
Transfers in	-	-	100,000	-	-	-	-	7,638	107,638
Transfers out	-	(22,000)	-	-	(18,000)	(40,000)	-	(27,638)	(107,638)
Total other financing sources (uses)	-	(22,000)	100,000	-	(18,000)	(40,000)	-	843,626	863,626
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,589,498)	325,318	100,000	740,917	148,955	(65,032)	(8,493)	160,582	(187,251)
Cash and investments - beginning	1,177,620	(146,050)	-	-	229,463	342,225	242,319	118,730	1,964,307
Cash and investments - ending	\$ (411,878)	\$ 179,268	\$ 100,000	\$ 740,917	\$ 378,418	\$ 277,193	\$ 233,826	\$ 279,312	\$ 1,777,056
Cash and Investment Assets - Ending									
Cash and investments	\$ (411,878)	\$ 179,268	\$ 100,000	\$ 740,917	\$ -	\$ 277,193	\$ 233,826	\$ 279,312	\$ 1,398,638
Restricted assets:									
Cash and investments	-	-	-	-	378,418	-	-	-	378,418
Total cash and investment assets - ending	\$ (411,878)	\$ 179,268	\$ 100,000	\$ 740,917	\$ 378,418	\$ 277,193	\$ 233,826	\$ 279,312	\$ 1,777,056
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 378,418	\$ -	\$ -	\$ -	\$ 378,418
Unrestricted	(411,878)	179,268	100,000	740,917	-	277,193	233,826	279,312	1,398,638
Total cash and investment fund balance - ending	\$ (411,878)	\$ 179,268	\$ 100,000	\$ 740,917	\$ 378,418	\$ 277,193	\$ 233,826	\$ 279,312	\$ 1,777,056

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

CHARLES A. BEARD MEMORIAL 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, 2010

	General	Transportation Operating	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Construction	Other	Totals
Receipts:									
Local sources	\$ 105,654	\$ 882,818	\$ -	\$ -	\$ 2,236,498	\$ 587,019	\$ -	\$ 604,351	\$ 4,416,340
Intermediate sources	-	-	-	-	-	-	-	392	392
State sources	8,516,114	-	-	-	-	-	-	139,234	8,655,348
Federal sources	-	-	-	277,486	-	-	-	482,814	760,300
Other	57,862	2,245	-	-	-	-	-	-	60,107
Total receipts	8,679,630	885,063	-	277,486	2,236,498	587,019	-	1,226,791	13,892,487
Disbursements:									
Current:									
Instruction	3,755,157	-	-	1,018,403	-	-	-	280,624	5,054,184
Support services	2,911,439	668,693	-	-	-	-	-	522,611	4,102,743
Noninstructional services	274,555	-	-	-	-	-	-	445,119	719,674
Facilities acquisition and construction	-	-	-	-	-	815,732	37,608	-	853,340
Debt services	-	380,000	-	-	2,309,758	-	-	150,702	2,840,460
Nonprogrammed charges	911,968	-	-	-	-	-	-	34,223	946,191
Total disbursements	7,853,119	1,048,693	-	1,018,403	2,309,758	815,732	37,608	1,433,279	14,516,592
Excess (deficiency) of receipts over disbursements	826,511	(163,630)	-	(740,917)	(73,260)	(228,713)	(37,608)	(206,488)	(624,105)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	126,486	126,486
Transfers in	236	-	134,000	-	-	-	-	52,497	186,733
Transfers out	-	(43,000)	-	-	(29,000)	(62,000)	-	(52,733)	(186,733)
Total other financing sources (uses)	236	(43,000)	134,000	-	(29,000)	(62,000)	-	126,250	126,486
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	826,747	(206,630)	134,000	(740,917)	(102,260)	(290,713)	(37,608)	(80,238)	(497,619)
Cash and investments - beginning	(411,878)	179,268	100,000	740,917	378,418	277,193	233,826	279,312	1,777,056
Cash and investments - ending	\$ 414,869	\$ (27,362)	\$ 234,000	\$ -	\$ 276,158	\$ (13,520)	\$ 196,218	\$ 199,074	\$ 1,279,437
Cash and Investment Assets - Ending									
Cash and investments	\$ 414,869	\$ (27,362)	\$ 234,000	\$ -	\$ -	\$ (13,520)	\$ 196,218	\$ 199,074	\$ 1,003,279
Restricted assets:									
Cash and investments	-	-	-	-	276,158	-	-	-	276,158
Total cash and investment assets - ending	\$ 414,869	\$ (27,362)	\$ 234,000	\$ -	\$ 276,158	\$ (13,520)	\$ 196,218	\$ 199,074	\$ 1,279,437
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 276,158	\$ -	\$ -	\$ -	\$ 276,158
Unrestricted	414,869	(27,362)	234,000	-	-	(13,520)	196,218	199,074	1,003,279
Total cash and investment fund balance - ending	\$ 414,869	\$ (27,362)	\$ 234,000	\$ -	\$ 276,158	\$ (13,520)	\$ 196,218	\$ 199,074	\$ 1,279,437

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 14,499	
Deductions:		
Administrative and general	13,799	
Excess of total additions over total deductions	700	
Cash and investment fund balance - beginning	9,430	
Cash and investment fund balance - ending	<u>\$ 10,130</u>	<u>\$ 98,706</u>
Net assets:		
Cash and investments	<u>\$ 10,130</u>	<u>\$ 98,706</u>
Total net assets - cash and investment basis held in trust	<u>\$ 10,130</u>	<u>\$ 98,706</u>

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 1,200	
Deductions:		
Administrative and general	4,357	
Deficiency of total additions over total deductions	(3,157)	
Cash and investment fund balance - beginning	10,130	
Cash and investment fund balance - ending	<u>\$ 6,973</u>	<u>\$ 92,096</u>
Net assets:		
Cash and investments	<u>\$ 6,973</u>	<u>\$ 92,096</u>
Total net assets - cash and investment basis held in trust	<u>\$ 6,973</u>	<u>\$ 92,096</u>

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

CHARLES A. BEARD MEMORIAL 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: Charles A. Beard Memorial 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 in a joint venture to operate New Castle Special Education Cooperative which was created to provide educational services to special needs children. The School Corporation is obligated by contract to remit various amounts according to participation, annually, to supplement the New Castle Special Education Cooperative. Complete financial statements for the New Castle Special Education Cooperative can be obtained from New Castle Community School Corporation, 522 Elliot Avenue, New Castle, Indiana 47362.

The School Corporation is a participant in a joint venture to operate New Castle Area Vocational School which was created to provide vocational education services to participating students. The School Corporation is obligated by contract to remit various amounts according to participation, annually, to supplement the New Castle Area Vocational School. Complete financial statements for the New Castle Area Vocational School can be obtained from New Castle Community School Corporation, 522 Elliot Avenue, New Castle, Indiana 47362.

The School Corporation is a participant in a joint venture to operate East Central Indiana Educational Service Center (Co-op) which was created to take advantage of bulk purchasing power, centralized repairs of equipment, and joint in-service training programs. The Co-op's governing board consists of a member selected by each participating school corporation. The board has full authority to manage the Co-op's operations and also maintains the treasurer function. Complete financial statements for the East Central Indiana Educational Service Center (Co-op) can be obtained from East Central Indiana Educational Service Center, 1601 Indiana Avenue, Connersville, Indiana 47331.

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.

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

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

The construction fund accounts for planned construction, repair, replacement or remodeling of building projects.

The fiscal stabilization fund accounts for federal financial assistance for general educational purposes under the American Recovery and Reinvestment Act of 2009.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the annual disbursement of scholarship funds to eligible students.

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

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

C. Measurement Focus and Basis of Accounting

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

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. All government-wide financials would be presented on the accrual basis of accounting.

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

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

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

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.

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

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

Government-Wide Financial Statements

Interfund activity, if any, is 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. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 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. Disbursements in Excess of Appropriations

For the years ended June 30, 2009 and 2010, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

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

Fund	2009	2010
Capital Projects	\$ 11,008	\$ -
Pre-school Special Education	-	31,873
Totals	<u>\$ 11,008</u>	<u>\$ 31,873</u>

These disbursements were funded by available cash balances.

C. Cash Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
General	\$ (411,878)	\$ -
Food Service	(39,038)	-
Educational License Plate	(298)	-
Transportation Operating	-	(27,362)
Capital Projects	-	(13,520)
Technology Common School	-	(152)
Title I 09-10	-	(8,573)

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 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, 2010, the School Corporation had deposit balances in the amount of \$1,378,507.

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.

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
Debt Service Fund	Rainy Day Fund	\$ 40,000	\$ 29,000
Capital Projects Fund	Rainy Day Fund	18,000	62,000
Transportation Operating Fund	Rainy Day Fund	22,000	43,000
Other Governmental Funds	General Fund	-	236
Other Governmental Funds	Rainy Day Fund	20,000	-
Other Governmental Funds	Other Governmental Funds	7,638	52,498
Totals		\$ 107,638	\$ 186,734

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; 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, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with Knightstown High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$707,910 and \$714,475, respectively.

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

C. Pension Plan

1. Agent Multiple-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$185,355.

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

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

to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy

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

The School Corporation's contributions to the plan during the period were \$314,396.

CHARLES A. BEARD MEMORIAL 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, 2009

	Pre-school Special Education	Food Service	Textbook Rental	Judgement Bond	Educational License Plate	High Ability Grant 08-09
Receipts:						
Local sources	\$ 5,809	\$ 267,674	\$ 78,398	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	506	-
State sources	56,509	6,628	33,342	-	-	28,803
Federal sources	-	208,142	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	<u>62,318</u>	<u>482,444</u>	<u>111,740</u>	<u>-</u>	<u>506</u>	<u>28,803</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	2,994	31,137
Support services	-	37	169,059	-	-	-
Noninstructional services	-	483,985	-	-	-	-
Debt services	-	-	-	774,578	-	-
Nonprogrammed charges	62,960	-	-	-	-	-
Total disbursements	<u>62,960</u>	<u>484,022</u>	<u>169,059</u>	<u>774,578</u>	<u>2,994</u>	<u>31,137</u>
Excess (deficiency) of receipts over disbursements	<u>(642)</u>	<u>(1,578)</u>	<u>(57,319)</u>	<u>(774,578)</u>	<u>(2,488)</u>	<u>(2,334)</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	841,500	-	-
Transfers in	-	-	-	-	-	2,334
Transfers out	(20,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>841,500</u>	<u>-</u>	<u>2,334</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,642)	(1,578)	(57,319)	66,922	(2,488)	-
Cash and investments - beginning	20,878	(37,460)	83,157	-	2,190	-
Cash and investments - ending	<u>\$ 236</u>	<u>\$ (39,038)</u>	<u>\$ 25,838</u>	<u>\$ 66,922</u>	<u>\$ (298)</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 236</u>	<u>\$ (39,038)</u>	<u>\$ 25,838</u>	<u>\$ 66,922</u>	<u>\$ (298)</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 236</u>	<u>\$ (39,038)</u>	<u>\$ 25,838</u>	<u>\$ 66,922</u>	<u>\$ (298)</u>	<u>\$ -</u>

CHARLES A. BEARD MEMORIAL 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, 2009
 (Continued)

	High Ability Grant 07-08	Technology Common School	Study Group Grant/ Kennard	Title I 07-08	Title I 08-09	Title V Part A
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	201,887	-
Temporary loans	-	-	-	-	-	-
Total receipts	-	-	-	-	201,887	-
Disbursements:						
Current:						
Instruction	-	-	108	4,523	186,841	-
Support services	-	-	-	-	7,062	325
Noninstructional services	-	-	-	-	320	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,229	-
Total disbursements	-	-	108	4,523	195,452	325
Excess (deficiency) of receipts over disbursements	-	-	(108)	(4,523)	6,435	(325)
Other financing sources (uses):						
Proceeds of long-term debt	-	22,126	-	-	-	-
Transfers in	-	-	-	-	5,304	-
Transfers out	(2,334)	-	-	(5,304)	-	-
Total other financing sources (uses)	(2,334)	22,126	-	(5,304)	5,304	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,334)	22,126	(108)	(9,827)	11,739	(325)
Cash and investments - beginning	2,334	-	477	9,827	-	712
Cash and investments - ending	<u>\$ -</u>	<u>\$ 22,126</u>	<u>\$ 369</u>	<u>\$ -</u>	<u>\$ 11,739</u>	<u>\$ 387</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 22,126</u>	<u>\$ 369</u>	<u>-</u>	<u>\$ 11,739</u>	<u>\$ 387</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 22,126</u>	<u>\$ 369</u>	<u>\$ -</u>	<u>\$ 11,739</u>	<u>\$ 387</u>

CHARLES A. BEARD MEMORIAL 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, 2009
 (Continued)

	Drug Free Schools 08-09	Title II Part A	Title I Fiscal Stabilization	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 86,192	\$ 438,073
Intermediate sources	-	-	-	-	506
State sources	-	-	-	-	125,282
Federal sources	-	30,927	9,470	-	450,426
Temporary loans	-	-	-	75,000	75,000
Total receipts	-	30,927	9,470	161,192	1,089,287
Disbursements:					
Current:					
Instruction	-	31	-	-	225,634
Support services	4,452	41,839	-	-	222,774
Noninstructional services	-	-	-	-	484,305
Debt services	-	-	-	-	774,578
Nonprogrammed charges	441	410	-	-	65,040
Total disbursements	4,893	42,280	-	-	1,772,331
Excess (deficiency) of receipts over disbursements	(4,893)	(11,353)	9,470	161,192	(683,044)
Other financing sources (uses):					
Proceeds of long-term debt	-	-	-	-	863,626
Transfers in	-	-	-	-	7,638
Transfers out	-	-	-	-	(27,638)
Total other financing sources (uses)	-	-	-	-	843,626
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,893)	(11,353)	9,470	161,192	160,582
Cash and investments - beginning	8,551	27,283	-	781	118,730
Cash and investments - ending	\$ 3,658	\$ 15,930	\$ 9,470	\$ 161,973	\$ 279,312
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 3,658	\$ 15,930	\$ 9,470	\$ 161,973	\$ 279,312
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	\$ 3,658	\$ 15,930	\$ 9,470	\$ 161,973	\$ 279,312

CHARLES A. BEARD MEMORIAL 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, 2010

	Pre-school Special Education	Food Service	Textbook Rental	Judgement Bond	Educational License Plate	Early Intervention
Receipts:						
Local sources	\$ -	\$ 317,643	\$ 91,629	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	392	-
State sources	30,250	6,595	29,238	-	-	42,300
Federal sources	-	204,593	-	-	-	-
Total receipts	30,250	528,831	120,867	-	392	42,300
Disbursements:						
Current:						
Instruction	-	-	-	-	-	42,300
Support services	-	69	140,744	-	-	-
Noninstructional services	-	444,799	-	-	-	-
Debt services	-	-	-	75,702	-	-
Nonprogrammed charges	30,250	-	-	-	-	-
Total disbursements	30,250	444,868	140,744	75,702	-	42,300
Excess (deficiency) of receipts over disbursements	-	83,963	(19,877)	(75,702)	392	-
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	8,780	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(236)	-	-	-	-	-
Total other financing sources (uses)	(236)	-	-	8,780	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(236)	83,963	(19,877)	(66,922)	392	-
Cash and investments - beginning	236	(39,038)	25,838	66,922	(298)	-
Cash and investments - ending	\$ -	\$ 44,925	\$ 5,961	\$ -	\$ 94	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 44,925	\$ 5,961	\$ -	\$ 94	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ 44,925	\$ 5,961	\$ -	\$ 94	\$ -

CHARLES A. BEARD MEMORIAL 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, 2010
 (Continued)

	Gifted and Talented 09-10	Technology Common School	Study Group Grant/ Kennard	Title I 09-10	Title I 08-09	Title V Part A
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	30,851	-	-	-	-	-
Federal sources	-	-	-	174,381	-	804
Total receipts	30,851	-	-	174,381	-	804
Disbursements:						
Current:						
Instruction	30,851	-	369	170,014	1,847	-
Support services	-	139,983	-	18,504	612	375
Noninstructional services	-	-	-	86	234	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	3,397	-	-
Total disbursements	30,851	139,983	369	192,001	2,693	375
Excess (deficiency) of receipts over disbursements	-	(139,983)	(369)	(17,620)	(2,693)	429
Other financing sources (uses):						
Proceeds of long-term debt	-	117,706	-	-	-	-
Transfers in	-	-	-	9,046	-	-
Transfers out	-	-	-	-	(9,046)	-
Total other financing sources (uses)	-	117,706	-	9,046	(9,046)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(22,277)	(369)	(8,574)	(11,739)	429
Cash and investments - beginning	-	22,126	369	-	11,739	387
Cash and investments - ending	\$ -	\$ (151)	\$ -	\$ (8,574)	\$ -	\$ 816
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ (151)	\$ -	\$ (8,574)	\$ -	\$ 816
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ (151)	\$ -	\$ (8,574)	\$ -	\$ 816

CHARLES A. BEARD MEMORIAL 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, 2010
 (Continued)

	Drug Free Schools 08-09	Drug Free Schools 09-10	Title II Part A	Title I Fiscal Stabilization	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 195,079	\$ 604,351
Intermediate sources	-	-	-	-	-	392
State sources	-	-	-	-	-	139,234
Federal sources	-	4,024	51,662	47,350	-	482,814
Total receipts	-	4,024	51,662	47,350	195,079	1,226,791
Disbursements:						
Current:						
Instruction	-	-	6	35,237	-	280,624
Support services	5,745	10,805	37,748	2,865	165,161	522,611
Noninstructional services	-	-	-	-	-	445,119
Debt services	-	-	-	-	75,000	150,702
Nonprogrammed charges	74	434	68	-	-	34,223
Total disbursements	5,819	11,239	37,822	38,102	240,161	1,433,279
Excess (deficiency) of receipts over disbursements	(5,819)	(7,215)	13,840	9,248	(45,082)	(206,488)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	126,486
Transfers in	22,806	20,645	-	-	-	52,497
Transfers out	(20,645)	-	(22,806)	-	-	(52,733)
Total other financing sources (uses)	2,161	20,645	(22,806)	-	-	126,250
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,658)	13,430	(8,966)	9,248	(45,082)	(80,238)
Cash and investments - beginning	3,658	-	15,930	9,470	161,973	279,312
Cash and investments - ending	\$ -	\$ 13,430	\$ 6,964	\$ 18,718	\$ 116,891	\$ 199,074
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 13,430	\$ 6,964	\$ 18,718	\$ 116,892	\$ 199,075
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ 13,430	\$ 6,964	\$ 18,718	\$ 116,892	\$ 199,075

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	KES Amplification Donations	Gifts, Donations and Bequests	LSTA Library Grant	Totals
Additions:				
Contributions:				
Other	\$ 7,539	\$ 1,695	\$ 5,265	\$ 14,499
Deductions:				
Administrative and general	7,539	995	5,265	13,799
Excess of total additions over total deductions	-	700	-	700
Cash and investment fund balance - beginning	-	9,430	-	9,430
Cash and investments - June 30	\$ -	\$ 10,130	\$ -	\$ 10,130
Net assets:				
Cash and investments	\$ -	\$ 10,130	\$ -	\$ 10,130
Total net assets - cash and investment basis held in trust	\$ -	\$ 10,130	\$ -	\$ 10,130

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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:		
High School - 2009 Bond	\$ 7,165,000	\$ 700,500
High School - 2009 QSCB	1,989,400	-
Claims and judgments	250,000	254,063
Notes and loans payable		
Common School Loan A0471	4,950,600	462,948
Common School Loan A0488	4,840,500	535,912
Common School Loan A0501	1,148,000	127,100
Common School Loan A1372	<u>139,832</u>	<u>29,768</u>
Total governmental activities debt	<u>\$ 20,483,332</u>	<u>\$ 2,110,291</u>

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to be undetected.
2. Incorrect Posting of Receipts and Disbursements: Controls over receipting and disbursing of funds were not adequate to prevent receipts and disbursements being posted to incorrect funds. Some transactions were recorded as "negative" receipts and disbursements. The transactions are identified by a transaction number, but details could not be traced to an offsetting fund. The failure to establish these controls could enable material misstatements or irregularities to be undetected.
3. Adjustments made directly to fund balances: Controls were not adequate to prevent adjustments to fund balances with no supporting detail of the adjustments retained for audit. In some instances, the ending balance of a monthly fund report did not agree with the beginning balance of the following monthly fund report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

OVERDRAWN FUND BALANCES

The General Fund, Food Service Fund and Educational License Plate Fund were overdrawn in 2008-2009. The Transportation Fund, Capital Projects Fund, Technology Common School Advance Fund, and Title I 2008-2009 Fund were overdrawn in 2009-2010.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OFFICIAL BOND

The official bond for the School Corporation Treasurer was a continuation bond with an aggregate amount of \$50,000, commencing June 28, 2007. Additionally, the official bond was not filed in the Office of the County Recorder.

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Further, "The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond." (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

APPROPRIATIONS

Records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Capital Projects	2008	\$ 11,008
Preschool Special Education	2009	31,873

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

Information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2009 and 2010.

The enrollment count dates for 2008-2009 school year and 2009-2010 school year were September 12, 2008, and September 18, 2009, respectively. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported to the Department of Education</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2008-2009	1 Through 12	1,272	1,280	(8)
2009-2010	K Through 12	1,316	1,317	(1)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CAPITAL ASSET RECORDS

Information presented for audit indicates that the inventory of capital assets had not been updated since June 2006.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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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 CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION, HENRY COUNTY, INDIANA

Compliance

We have audited the compliance of the Charles A. Beard Memorial 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, 2009 and 2010. 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 non-compliance 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, 2009 and 2010. 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 2010-2, 2010-3, and 2010-4.

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

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)

a major 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.

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.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and 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

February 8, 2011

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	FY 08-09 FY 09-10	\$ 37,899 -	\$ - 44,900
National School Lunch Program	10.555	FY 08-09 FY 09-10	221,093 -	- 262,452
Total for federal grantor agency			<u>258,992</u>	<u>307,352</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	09-3455 10-3455	189,371 -	- 170,571
Total for program			<u>189,371</u>	<u>170,571</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-3455	-	54,368
Total for cluster			<u>189,371</u>	<u>224,939</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09-10	-	1,018,403
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants	84.186	06-3445 3455-07 08-3455	3,835 1,058 -	- 5,819 11,238
Total for program			<u>4,893</u>	<u>17,057</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298	07-3455	325	375
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367	06-3455 07-3455 08-3455 09-3455 Technology	13,926 11,217 14,997 - -	- 9,880 - 21,893 23,332
Total for program			<u>40,140</u>	<u>55,105</u>
Total for federal grantor agency			<u>234,729</u>	<u>2,334,282</u>
Total federal awards expended			<u>\$ 493,721</u>	<u>\$ 1,623,231</u>

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

CHARLES A. BEARD MEMORIAL 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 Charles A. Beard Memorial School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 1,092	\$ -
National School Lunch Program	10.555	32,820	44,076

CHARLES A. BEARD MEMORIAL 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?	yes
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?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
State Fiscal Stabilization Fund Cluster

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

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to be undetected.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Incorrect Posting of Receipts and Disbursements: Controls over receipting and disbursing of funds were not adequate to prevent receipts and disbursements being posted to incorrect funds. Some transactions were recorded as "negative" receipts and disbursements. The transactions are identified by a transaction number, but details could not be traced to an offsetting fund. The failure to establish these controls could enable material misstatements or irregularities to be undetected.
3. Adjustments made directly to fund balances: Controls were not adequate to prevent adjustments to fund balances with no supporting detail of the adjustments retained for audit. In some instances, the ending balance of a monthly fund report did not agree with the beginning balance of the following monthly fund report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.389
Pass-Through: Indiana Department of Education.

Amounts received by the School Corporation for the Title I Grant, Recovery Act, were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

funds. The cash balance of the grant exceeded the allowable cash balance based on estimated future requirements for each of the twelve months during the second year of the audit period. The cash balance of the grant at June 30, 2010, as reported on the fourth quarter report submitted to the Indiana Department of Education, was \$20,308.14, which was approximately 43% of the total grant awarded during the audit period. The estimated cash needs in the few months subsequent to the audit period did not substantiate the need for this amount of cash. Cash drawdown requests were revised each of the last 9 months to decrease the amount of cash on hand to acceptable levels. Distributions were not withheld by the State as requested.

EDGAR 80.20 (b)(7) states:

"Cash Management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasurer and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by the subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

FINDING 2010-3, REPORTING

Federal Agency: U.S. Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.010, 84.389
Pass-Through: Indiana Department of Education.

As part of the Title I Grants to Local Educational Agencies grant agreements between the School Corporation and the Indiana Department of Education, the School Corporation is required to submit quarterly reports by the 10th of the month following the end of the quarter. Of the eight reports due for the audit period, three were not supported by the financial records. Also, three reports were not submitted timely.

As part of the Title I Part A, ARRA Stimulus grant agreement between the School Corporation and the Indiana Department of Education, the School Corporation is required to submit monthly reports. Of the eleven reports submitted during the audit period, ten were not timely filed. Two of the reports were not supported by the financial records.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

According to the Title I Quarterly Monitoring Report, the reports are due on the following schedule:

July 1 - September 30	Due October 10
October 1 - December 31	Due January 10
January 1 - March 31	Due April 10
April 1 - June 30	Due July 10

Circular A-133 section .300 (d) Subpart C -- Auditees \$____.300 Auditee responsibilities states in part:

"The auditee shall: . . .

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs."

The School Corporation is not in compliance with reporting requirements for the program. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that School Corporation Officials prepare all required reports on a timely basis with financial data from the financial records.

FINDING 2010-4, ALLOWABLE COST/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.010, 84.389
Pass-Through: Indiana Department of Education.

The School Corporation reclassified \$9,040.14 in expenditures charged to the Title I 2008-2009 grant to the Title I 2009-2010 grant in November 2009. The amount of expenditures reclassified was not supported with specific claims and was the amount the Title I 2008-2009 grant was overdrawn. Also, \$7,811.76 in expenditures charged to Title I 2009-2010 were reclassified to the Title I 2010-2011 grant in September 2010. The amount of expenditures reclassified was not supported with specific claims and was the amount the Title I 2009-2010 grant was overdrawn.

Failure to adequately document transfers and/or reclassifications could result in unallowed costs being charged to the federal program.

EDGAR 80.20(b) states in part:

". . . (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . .

(5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

We recommended that School Corporation Officials design and implement internal control procedures that will ensure proper compliance with supporting documentation requirements.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Charles A. Beard Memorial School Corporation

345 North Adams Street
Knightstown, Indiana 46148



School Board

Steve Dalton, President
Timothy Wehr, Vice President
Melissa Toth, Secretary
Wade Beatty
Mark Fort
Kevin Knott
Leah Kopp

Gary Storie Ed.S.
Superintendent of Schools

Michelle Swift
Corporation Treasurer

Voice: 765-345-5101
Fax: 765-345-5103

February 7, 2011

Corrective Action Plan

FINDING NO, 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

- Charles A Beard School Corporation will review their office procedures and attempt to institute duties that would involve to some degree, at least on a sample basis, of the work being performed by each of the office employees. However, Charles A Beard Schools is a small school corporation and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.
- "Negative" receipts will be recorded as adjustments, and will tie to an offsetting transaction.

FINDINGS NO, 2010-2. CASH MANAGEMENT

Federal Agency: US Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.389
Pass Through: Indiana Department of Education

- The LEA has changed the distribution process so this will not occur.
- Cash disbursement request will be made once a month after all expenditures
- We will maintain no cash balance in this fund
- On a monthly basis, the Superintendent, Gary Storie, will review the fund balance to insure compliance

FINDING 2010-3. REPORTING

Federal Agency: US Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.010, 84.389
Pass Through: Indiana Department of Education

- Financial reports will be finished by the 8th of each reporting month by Treasurer, Michelle Swift.
- Reports will be filed by Superintendent, Gary Storie, by the 10th of each reporting month

AN EQUAL OPPORTUNITY EMPLOYER

Charles A. Beard Memorial School Corporation

345 North Adams Street
Knightstown, Indiana 46148

School Board

Steve Dalton, President
Timothy Wehr, Vice President
Melissa Toth, Secretary
Wade Beatty
Mark Fort
Kevin Knott
Leah Kopp



Gary Storie Ed.S.
Superintendent of Schools

Michelle Swift
Corporation Treasurer

Voice: 765-345-5101
Fax: 765-345-5103

FINDING NO, 2010-4, ALLOWABLE COST/COST PRINCIPLES

Federal Agency: US Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.010
Pass Through: Indiana Department of Education

- The LEA has changed the distribution process so this will not occur.
- Cash disbursement request will be made once a month after all expenditures
- We will maintain no cash balance in this fund
- On a monthly basis, the Superintendent, Gary Storie, will review the fund balance to insure compliance

A handwritten signature in black ink that reads "Gary L. Storie".

Gary Storie
Superintendent
CAB School Corporation

A handwritten signature in black ink that reads "Michelle S. Swift".

Michelle Swift
Corporation Treasurer
CAB School Corporation

A handwritten signature in black ink that reads "Steve Dalton".

Steve Dalton
CAB School Board President
CAB School Corporation

AN EQUAL OPPORTUNITY EMPLOYER

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2011, with Michelle Swift, Treasurer; Gary L. Storie, Superintendent of Schools; and Steve Dalton, President of the School Board. The official response has been made a part of this report and may be found on page 47.

Charles A. Beard Memorial School Corporation

345 North Adams Street
Knightstown, Indiana 46148

School Board

Steve Dalton, President
Timothy Wehr, Vice President
Melissa Toth, Secretary
Wade Beatty
Mark Fort
Kevin Knott
Leah Kopp



Gary Storie Ed.S.
Superintendent of Schools

Michelle Swift
Corporation Treasurer

Voice: 765-345-5101
Fax: 765-345-5103

February 8, 2011

CORRECTIVE ACTION PLAN

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

- Charles A Beard School Corporation will review their office procedures and attempt to institute duties that would involve to some degree, at least on a sample basis, of the work being performed by each of the office employees. However, Charles A Beard Schools is a small school corporation and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

OVERDRAWN FUND BALANCES

- Fund balances will be reviewed at year end by Superintendent, Gary Storie, and Treasurer, Michelle Swift together.

OFFICIAL BOND

- The Treasurer's bond in the minimum amount of \$50,000 will be renewed each year commencing July 1, and shall not be a continuation bond, and shall be recorded each year in the office of the county recorder.

APPROPRIATIONS

- Expenditures will not exceed appropriations for a budget year, and will be reviewed at the end of the year by Superintendent, Gary Storie, together with Treasurer, Michelle Swift. Alerts that signify expenditures in excess of any appropriation will be carefully reviewed to better monitor the budget. A request to approve transfers of appropriation will be made as needed throughout the year.

AVERAGE DAILY MEMEBERSHIP (ADM) – INCORRECT REPORTING TO THE STATE

- Charles A Beard Schools will re-file for the school years 2008/2009 and 2009/2010 for the difference of students reported and actual student count. The reports will be reviewed annually by Jena Schmidt and Brian Woods, before reporting to the state.

FIXED ASSET RECORD

- Inventory of capital assets will be updated on an annual basis by Technology Director, Brian Woods.

Gary Storie, Superintendent

Steve Dalton, School Board President

Michelle Swift, Corporation Treasurer

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