

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
HENRY COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
07/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stephanie L. Madison	01-01-12 to 12-31-16
Superintendent of Schools	Amy Rauch Joe Backmyer (Interim) Jediah T. Behny	07-01-12 to 06-30-13 07-01-13 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	Wade Beatty	01-01-12 to 12-31-16



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Charles A. Beard Memorial School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is May 24, 2016, 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* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

February 3, 2015, except for the Schedule of Expenditures of Federal Awards,
as to which the date is May 24, 2016



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statement of the Charles A. Beard Memorial School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 3, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is May 24, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT 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 statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questions Costs as item 2014-001.

Charles A. Beard Memorial School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 3, 2015, except for the Schedule of Expenditures of Federal Awards,
as to which the date is May 24, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 580,831	\$ 9,671,302	\$ 10,101,639	\$ (32)	\$ 150,462	\$ 9,610,677	\$ 8,466,169	\$ (694,441)	\$ 600,529
Debt Service	245,424	1,926,430	1,983,720	-	188,134	1,944,313	1,955,096	2,074	179,425
Capital Projects	282,264	1,102,883	1,153,886	-	231,261	1,103,232	997,304	-	337,189
School Transportation	285,287	981,011	919,957	294	346,635	860,788	899,029	954	309,348
School Bus Replacement	81,484	186,412	202,022	-	65,874	244,759	187,821	-	122,812
Rainy Day	234,000	-	22,393	-	211,607	-	-	-	211,607
Construction	10,433	-	8,900	-	1,533	-	35	-	1,498
School Lunch	236,903	527,717	563,867	-	200,753	527,937	498,868	-	229,822
Textbook Rental	(38,312)	114,505	54,312	-	21,881	105,926	98,051	14,639	44,395
Educational License Plates	94	75	-	-	169	37	-	-	206
Henry Co Comm Foundation Grants	-	2,000	2,000	-	-	-	-	-	-
Play 60 Grant	-	3,950	2,953	-	997	-	997	-	-
FUTP 60 Grant	-	-	-	-	-	12,850	9,888	-	2,962
Dairy Grant	-	-	-	-	-	8,126	8,113	-	13
Gifts, Donations, Requests	6,073	1,200	1,700	-	5,573	1,250	1,250	-	5,573
High Ability Grant	(1)	-	-	1	-	-	-	-	-
Teacher Quality Improvement Program	7,077	-	7,339	262	-	-	-	-	-
Tech Prep	-	28,317	37,842	-	(9,525)	-	(8,058)	1,467	-
Education Technology	-	1,345	1,345	-	-	-	-	-	-
DHS School Safety Grnat	-	-	-	-	-	560	560	-	-
School Technology	28,589	18,086	10,432	-	36,243	15,502	4,900	-	46,845
High Ability Grant	-	-	-	-	-	29,170	28,441	-	729
ISTA Settlement	-	-	-	-	-	-	260,271	673,936	413,665
Title I 2010 - 2011	(185)	-	-	185	-	-	-	-	-
Title I 2011 - 2012	(73,426)	105,711	32,285	-	-	-	-	-	-
Title I 2012 - 2013	-	160,185	174,299	-	(14,114)	46,047	31,933	-	-
Title I 2013 - 2014	-	-	-	-	-	187,948	208,406	-	(20,458)
Title IV-A Drug Free 2009-2010	(239)	-	-	239	-	-	-	-	-
Title IV-A Drug Free 2010-2011	(320)	-	-	320	-	-	-	-	-
Title II-A Improving Teacher Quality 2010-2011	(1,082)	5,238	4,156	-	-	-	-	-	-
Title II-A Improving Teacher Quality 2011-2012	(5)	37,332	37,417	90	-	-	-	-	-
Title II-A Improving Teacher Quality 2012-2013	-	30,057	31,812	-	(1,755)	13,081	11,326	-	-
Title II-A Improving Teacher Quality 2013-2014	-	-	-	-	-	3,735	4,220	-	(485)
Grants to LEAs	(9,433)	-	-	-	(9,433)	-	-	9,433	-
Education Jobs	(88,530)	62,619	(25,911)	-	-	-	-	-	-
Payroll	(144,232)	2,371,049	2,268,464	-	(41,647)	1,574,899	1,601,745	-	(68,493)
Totals	\$ 1,642,694	\$ 17,337,424	\$ 17,596,829	\$ 1,359	\$ 1,384,648	\$ 16,290,837	\$ 15,266,365	\$ 8,062	\$ 2,417,182

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses may include the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

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

Note 4. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. In some instances it is the result of the funds being set up for reimbursable grants. In other instances, it is a result of posting errors and postings not made to the funds in a timely manner.

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

Note 8. *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 2013 and 2014 totaled \$851,000 and \$851,000, respectively.

Note 9. *Negative Disbursements*

Expenditures from the Education Jobs fund in fiscal year 2012-2013 totaling \$25,911 were transferred to the General fund by recording a negative disbursement. Likewise, expenditures from the Tech Prep fund in fiscal year 2013-2014 totaling \$8,058 were transferred to the General fund by also recording a negative disbursement. The original disbursements were made in the prior financial reporting period.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 580,831	\$ 245,424	\$ 282,264	\$ 285,287	\$ 81,484	\$ 234,000	\$ 10,433	\$ 236,903
Receipts:								
Local sources	26,552	1,926,430	821,842	777,809	151,412	-	-	238,999
Intermediate sources	68	-	-	-	-	-	-	-
State sources	8,647,195	-	-	-	-	-	-	5,867
Federal sources	-	-	-	-	-	-	-	281,506
Temporary loans	889,000	-	192,048	202,000	35,000	-	-	-
Other	108,487	-	88,993	1,202	-	-	-	1,345
Total receipts	9,671,302	1,926,430	1,102,883	981,011	186,412	-	-	527,717
Disbursements:								
Current:								
Instruction	6,182,040	-	-	-	-	-	-	-
Support services	3,127,646	-	647,644	727,985	152,251	22,393	-	1,554
Noninstructional services	286,238	-	-	-	-	-	-	562,313
Facilities acquisition and construction	-	-	239,106	-	-	-	8,900	-
Debt services	503,010	1,983,720	267,136	191,972	49,771	-	-	-
Nonprogrammed charges	2,705	-	-	-	-	-	-	-
Total disbursements	10,101,639	1,983,720	1,153,886	919,957	202,022	22,393	8,900	563,867
Excess (deficiency) of receipts over disbursements	(430,337)	(57,290)	(51,003)	61,054	(15,610)	(22,393)	(8,900)	(36,150)
Other financing sources (uses):								
Sale of capital assets	1,065	-	-	294	-	-	-	-
Transfers in	727	-	-	-	-	-	-	-
Transfers out	(1,824)	-	-	-	-	-	-	-
Total other financing sources (uses)	(32)	-	-	294	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(430,369)	(57,290)	(51,003)	61,348	(15,610)	(22,393)	(8,900)	(36,150)
Cash and investments - ending	\$ 150,462	\$ 188,134	\$ 231,261	\$ 346,635	\$ 65,874	\$ 211,607	\$ 1,533	\$ 200,753

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Textbook Rental	Educational License Plates	Henry Co Comm Foundation Grants	Play 60 Grant	FUTP 60 Grant	Diary Grant	Gifts, Donations, Requests	High Ability Grant
Cash and investments - beginning	\$ (38,312)	\$ 94	\$ -	\$ -	\$ -	\$ -	\$ 6,073	\$ (1)
Receipts:								
Local sources	68,176	-	2,000	3,950	-	-	1,200	-
Intermediate sources	-	75	-	-	-	-	-	-
State sources	46,305	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	24	-	-	-	-	-	-	-
Total receipts	114,505	75	2,000	3,950	-	-	1,200	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	54,312	-	2,000	2,953	-	-	1,700	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	54,312	-	2,000	2,953	-	-	1,700	-
Excess (deficiency) of receipts over disbursements	60,193	75	-	997	-	-	(500)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	1
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	1
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	60,193	75	-	997	-	-	(500)	1
Cash and investments - ending	\$ 21,881	\$ 169	\$ -	\$ 997	\$ -	\$ -	\$ 5,573	\$ -

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Teacher Quality Improvement Program	Tech Prep	Education Technology	DHS School Safety Grant	School Technology	High Ability Grant	ISTA Settlement
Cash and investments - beginning	\$ 7,077	\$ -	\$ -	\$ -	\$ 28,589	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	28,317	1,345	-	18,086	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	28,317	1,345	-	18,086	-	-
Disbursements:							
Current:							
Instruction	7,339	37,842	-	-	-	-	-
Support services	-	-	1,345	-	10,432	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	7,339	37,842	1,345	-	10,432	-	-
Excess (deficiency) of receipts over disbursements	(7,339)	(9,525)	-	-	7,654	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	262	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	262	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,077)	(9,525)	-	-	7,654	-	-
Cash and investments - ending	\$ -	\$ (9,525)	\$ -	\$ -	\$ 36,243	\$ -	\$ -

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Title I 2010 - 2011	Title I 2011 - 2012	Title I 2012 - 2013	Title I 2013-2014	Title IV-A Drug Free 20009 - 2010	Title IV-A Drug Free 2010 - 2011	Title II-A Improving Teacher Quality 2010 - 2011
Cash and investments - beginning	\$ (185)	\$ (73,426)	\$ -	\$ -	\$ (239)	\$ (320)	\$ (1,082)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	105,711	160,185	-	-	-	5,238
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	105,711	160,185	-	-	-	5,238
Disbursements:							
Current:							
Instruction	-	29,285	168,366	-	-	-	-
Support services	-	-	5,322	-	-	-	4,156
Noninstructional services	-	-	611	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	3,000	-	-	-	-	-
Total disbursements	-	32,285	174,299	-	-	-	4,156
Excess (deficiency) of receipts over disbursements	-	73,426	(14,114)	-	-	-	1,082
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	185	-	-	-	239	320	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	185	-	-	-	239	320	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	185	73,426	(14,114)	-	239	320	1,082
Cash and investments - ending	\$ -	\$ -	\$ (14,114)	\$ -	\$ -	\$ -	\$ -

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Title II-A Improving Teacher Quality 2011 - 2012	Title II-A Improving Teacher Quality 2012 - 2013	Title II-A Improving Teacher Quality 2013 - 2014	Grants to LEAs	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ (5)	\$ -	\$ -	\$ (9,433)	\$ (88,530)	\$ (144,232)	\$ 1,642,694
Receipts:							
Local sources	-	-	-	-	-	-	4,018,370
Intermediate sources	-	-	-	-	-	-	143
State sources	-	-	-	-	-	-	8,747,115
Federal sources	37,332	30,057	-	-	62,619	-	682,648
Temporary loans	-	-	-	-	-	-	1,318,048
Other	-	-	-	-	-	2,371,049	2,571,100
Total receipts	37,332	30,057	-	-	62,619	2,371,049	17,337,424
Disbursements:							
Current:							
Instruction	-	-	-	-	(25,911)	-	6,398,961
Support services	36,690	31,812	-	-	-	-	4,830,195
Noninstructional services	-	-	-	-	-	-	849,162
Facilities acquisition and construction	-	-	-	-	-	-	248,006
Debt services	-	-	-	-	-	-	2,995,609
Nonprogrammed charges	727	-	-	-	-	2,268,464	2,274,896
Total disbursements	37,417	31,812	-	-	(25,911)	2,268,464	17,596,829
Excess (deficiency) of receipts over disbursements	(85)	(1,755)	-	-	88,530	102,585	(259,405)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	1,359
Transfers in	90	-	-	-	-	-	1,824
Transfers out	-	-	-	-	-	-	(1,824)
Total other financing sources (uses)	90	-	-	-	-	-	1,359
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5	(1,755)	-	-	88,530	102,585	(258,046)
Cash and investments - ending	\$ -	\$ (1,755)	\$ -	\$ (9,433)	\$ -	\$ (41,647)	\$ 1,384,648

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 150,462	\$ 188,134	\$ 231,261	\$ 346,635	\$ 65,874	\$ 211,607	\$ 1,533	\$ 200,753
Receipts:								
Local sources	22,585	1,944,313	828,027	809,788	184,759	-	-	204,177
Intermediate sources	3,006	-	-	-	-	-	-	-
State sources	8,197,353	-	-	-	-	-	-	5,700
Federal sources	-	-	-	-	-	-	-	305,211
Temporary loans	648,000	-	268,000	51,000	60,000	-	-	-
Other	739,733	-	7,205	-	-	-	-	12,849
Total receipts	9,610,677	1,944,313	1,103,232	860,788	244,759	-	-	527,937
Disbursements:								
Current:								
Instruction	4,993,847	-	-	-	-	-	-	-
Support services	2,296,075	-	685,598	693,739	152,251	-	-	2,939
Noninstructional services	272,092	-	-	-	-	-	-	495,929
Facilities acquisition and construction	678	-	152,149	-	-	-	35	-
Debt services	903,477	1,955,096	159,557	205,290	35,570	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	8,466,169	1,955,096	997,304	899,029	187,821	-	35	498,868
Excess (deficiency) of receipts over disbursements	1,144,508	(10,783)	105,928	(38,241)	56,938	-	(35)	29,069
Other financing sources (uses):								
Sale of capital assets	7,108	-	-	954	-	-	-	-
Transfers in	-	16,713	-	-	-	-	-	-
Transfers out	(701,549)	(14,639)	-	-	-	-	-	-
Total other financing sources (uses)	(694,441)	2,074	-	954	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	450,067	(8,709)	105,928	(37,287)	56,938	-	(35)	29,069
Cash and investments - ending	\$ 600,529	\$ 179,425	\$ 337,189	\$ 309,348	\$ 122,812	\$ 211,607	\$ 1,498	\$ 229,822

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Textbook Rental	Educational License Plates	Henry Co Comm Foundation Grants	Play 60 Grant	FUTP 60 Grant	Dairy Grant	Gifts, Donations, Requests	High Ability Grant
Cash and investments - beginning	\$ 21,881	\$ 169	\$ -	\$ 997	\$ -	\$ -	\$ 5,573	\$ -
Receipts:								
Local sources	61,614	-	-	-	12,850	8,126	1,000	-
Intermediate sources	-	37	-	-	-	-	-	-
State sources	44,236	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	76	-	-	-	-	-	250	-
Total receipts	105,926	37	-	-	12,850	8,126	1,250	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	98,051	-	-	997	9,888	8,113	1,250	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	98,051	-	-	997	9,888	8,113	1,250	-
Excess (deficiency) of receipts over disbursements	7,875	37	-	(997)	2,962	13	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	14,639	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	14,639	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,514	37	-	(997)	2,962	13	-	-
Cash and investments - ending	\$ 44,395	\$ 206	\$ -	\$ -	\$ 2,962	\$ 13	\$ 5,573	\$ -

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Teacher Quality Improvement Program	Tech Prep	Education Technology	DHS School Safety Grant	School Technology	High Ability Grant	ISTA Settlement
Cash and investments - beginning	\$ -	\$ (9,525)	\$ -	\$ -	\$ 36,243	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	560	15,502	29,170	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	560	15,502	29,170	-
Disbursements:							
Current:							
Instruction	-	(8,058)	-	-	-	28,441	181,042
Support services	-	-	-	-	4,900	-	77,351
Noninstructional services	-	-	-	-	-	-	1,878
Facilities acquisition and construction	-	-	-	560	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	(8,058)	-	560	4,900	28,441	260,271
Excess (deficiency) of receipts over disbursements	-	8,058	-	-	10,602	729	(260,271)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	1,467	-	-	-	-	673,936
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,467	-	-	-	-	673,936
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	9,525	-	-	10,602	729	413,665
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 46,845	\$ 729	\$ 413,665

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Title I 2010-2011	Title I 2011-2012	Title I 2012 - 2013	Title I 2013 - 2014	Title IV-A Drug Free 20009 - 2010	Title IV-A Drug Free 2010 - 2011	Title II-A Improving Teacher Quality 2010 - 2011
Cash and investments - beginning	\$ -	\$ -	\$ (14,114)	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	46,047	187,948	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	46,047	187,948	-	-	-
Disbursements:							
Current:							
Instruction	-	-	31,933	200,813	-	-	-
Support services	-	-	-	6,783	-	-	-
Noninstructional services	-	-	-	810	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	31,933	208,406	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	14,114	(20,458)	-	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	14,114	(20,458)	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (20,458)	\$ -	\$ -	\$ -

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Title II-A Improving Teacher Quality 2011 - 2012	Title II-A Improving Teacher Quality 2012 - 2013	Title II-A Improving Teacher Quality 2013 - 2014	Grants to LEAs	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ -	\$ (1,755)	\$ -	\$ (9,433)	\$ -	\$ (41,647)	\$ 1,384,648
Receipts:							
Local sources	-	-	-	-	-	-	4,077,239
Intermediate sources	-	-	-	-	-	-	3,043
State sources	-	-	-	-	-	-	8,292,521
Federal sources	-	13,081	3,735	-	-	-	556,022
Temporary loans	-	-	-	-	-	-	1,027,000
Other	-	-	-	-	-	1,574,899	2,335,012
Total receipts	-	13,081	3,735	-	-	1,574,899	16,290,837
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	5,428,018
Support services	-	11,326	4,220	-	-	-	4,053,481
Noninstructional services	-	-	-	-	-	-	770,709
Facilities acquisition and construction	-	-	-	-	-	-	153,422
Debt services	-	-	-	-	-	-	3,258,990
Nonprogrammed charges	-	-	-	-	-	1,601,745	1,601,745
Total disbursements	-	11,326	4,220	-	-	1,601,745	15,266,365
Excess (deficiency) of receipts over disbursements	-	1,755	(485)	-	-	(26,846)	1,024,472
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	8,062
Transfers in	-	-	-	9,433	-	-	716,188
Transfers out	-	-	-	-	-	-	(716,188)
Total other financing sources (uses)	-	-	-	9,433	-	-	8,062
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,755	(485)	9,433	-	(26,846)	1,032,534
Cash and investments - ending	\$ -	\$ -	\$ (485)	\$ -	\$ -	\$ (68,493)	\$ 2,417,182

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF PAYABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>
Governmental activities	<u>\$ 60,828</u>

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Blue Bird	2010 School Buses	\$ 152,251	7/7/2010	7/21/2015
Community State Bank	2011 Trucks	23,010	6/1/2011	4/1/2016
Knightstown High School Bldg Corp	High School 2009 Bond	688,000	8/5/2009	1/10/2024
Knightstown High School Bldg Corp	High School 2009 QSCB	162,500	12/30/2009	1/1/2025
MacAllister Machinery	Tractor	5,066	2/28/2014	9/1/2018
Santander Bank N.A.	2014 School Bus	<u>17,215</u>	11/19/2013	11/21/2018
Total governmental activities		<u>1,048,042</u>		
Total of annual lease payments		<u><u>\$ 1,048,042</u></u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Tax anticipation warrants	Tax Anticipation Warrants	\$ 1,027,000	\$ 1,048,778
Notes and loans payable	Common School Loan A0471	3,746,400	420,132
Notes and loans payable	Common School Loan A0488	3,284,625	480,593
Notes and loans payable	Common School Loan A0501	779,000	113,980
Notes and loans payable	Common School Loan A1372	27,966	28,176
Notes and loans payable	Common School Loan A1557	<u>7,456</u>	<u>7,493</u>
Total governmental activities		<u>8,872,447</u>	<u>2,099,152</u>
Totals		<u><u>\$ 8,872,447</u></u>	<u><u>\$ 2,099,152</u></u>

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CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 437,300
Buildings	28,173,816
Improvements other than buildings	1,709,799
Machinery, equipment, and vehicles	<u>1,339,230</u>
Total governmental activities	<u>31,660,145</u>
Total capital assets	<u><u>\$ 31,660,145</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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Web Site: www.in.gov/sboa

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Charles A. Beard Memorial School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2014-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

Other Matters

This report replaces the previously issued Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance dated February 3, 2015. The Schedule of Expenditures of Federal Awards has been revised to correct a misstatement. This correction changed the determination of the major programs. The Special Education Cluster (IDEA) was also audited as a major program due to the change.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 and 2014-005 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 3, 2015, except for the Special Education Cluster (IDEA),
as to which the date is May 24, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
			FY12-13	\$ 55,245	\$ -
			FY13-14	-	51,359
Total - School Breakfast Program				55,245	51,359
National School Lunch Program	Indiana Department of Education	10.555			
			FY12-13	269,138	
			FY13-14	-	296,898
Total - National School Lunch Program				269,138	296,898
Total - Child Nutrition Cluster				324,383	348,257
Total - Department of Agriculture				324,383	348,257
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			12-3455	105,711	
			13-3455	160,185	46,047
			14-3455	-	187,948
Total - Title I Grants to Local Educational Agencies				265,896	233,995
Total - Title I, Part A Cluster				265,896	233,995

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

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Special Education Cluster					
Special Education Grants to States	Indiana Department of Education	84.027			
			14212-044-PN01	81,050	-
			14213-044-PN01	249,971	74,884
			14214-044-PN01	-	239,844
			99914-044-PN01	-	3,685
Total for Program				<u>331,021</u>	<u>318,413</u>
Special Education - Preschool Grants (IDEA Preschool)	Indiana Department of Education	84.173			
			45712-044-PN01	3,945	-
			45713-044-PN01	11,565	8,942
			45714-044-PN01	-	13,914
Total for Program				<u>15,510</u>	<u>22,856</u>
Total for Cluster				<u>346,531</u>	<u>341,269</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			11-3455	37,332	
			12-3455	5,238	
			13-3455	30,057	13,081
			14-3455	-	3,735
Total - Improving Teacher Quality State Grants				<u>72,627</u>	<u>16,816</u>
Total - Department of Education				<u>685,054</u>	<u>592,080</u>
Total federal awards expended				<u>\$ 1,009,437</u>	<u>\$ 940,337</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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 42,877	\$ 43,046

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

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for Title I, Part A Cluster and Special Education Cluster; Qualified for Child Nutrition Cluster
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education 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 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the School Corporation related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The Corporation Treasurer was solely responsible for the preparation of the SEFA. There was no control procedure in place to ensure the accuracy of the SEFA prior to submission.

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

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the expenditures that the New Castle Area Special Services Cooperative made on behalf of the School Corporation's students were not reported within the Special Education Cluster. These omissions were \$346,532 for school year 2012-2013 and \$341,269 for school year 2013-2014. These omissions also caused the total federal expenditures to be incorrectly reported. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this 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.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

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

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2014-002 - INTERNAL CONTROLS RELATED TO
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 should be selected and developed at various levels of the School Corporation to reduce risks to the 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 remain undetected.
- 2. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Board has no process to identify or communicate corrective actions to improve controls.

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.

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)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - REPORTING

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program; School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Number and Years: 2012-2013 and 2013-2014
Pass-Through Entity: Indiana Department of Education

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

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement. There was no control procedure in place to ensure the accuracy of the reports submitted.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-004 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program; School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Years: 2012-2013 and 2013-2014
Pass-Through Entity: Indiana Department of Education

The School Lunch fund balance for the School Corporation exceeded its average expenditures for three months 22 of the 24 months of the audit period. The accumulation of cash was initially intended to purchase new cafeteria equipment for school buildings that ultimately closed, eliminating the need for the equipment and leaving the cash balance above the required maximum. While a proper internal control system was in place that identified the noncompliance, the School Corporation was unable to correct the excessive balances due to the closing of the school buildings.

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

Per 7 CFR 210.14(b) states: "The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State Agency . . ."

The cash balance maintained by the School Corporation results in noncompliance with program requirements that they must operate a nonprofit school food service and limit net cash resource. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal reimbursements.

We recommended that School Corporation officials implement procedures that would limit net cash resources to average expenditures for three months and to ensure that its school food service program is operated as a nonprofit service.

FINDING 2014 - 005 ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, CASH MANAGEMENT, PERIOD OF AVAILABILITY, AND REPORTING

Federal Agency: Department of Education

Federal Program: Special Education Grants to States, Special Education Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Numbers and Year (or Other Identifying Number): 14212-044-PN01, 14213-044-PN01,
14214-044-PN01, 99914-044-PN01,
45713-044-PN01, 45713-044-PN01,
45714-044-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting. The School Corporation is a member of the New Castle Area Special Services Cooperative (NCASS), and it provides oversight of the NCASS through the School Corporation Superintendent who serves as a member of the NCASS Board. However, NCASS has not established an effective internal control system in relation to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting.

Activities Allowed or Unallowed

For the Fiscal Years 2013 and 2014 there was no control procedure in place to ensure that all employees paid from Special Education funds were allowed. This could lead to ineligible employees getting paid from the Special Education funds.

Allowable Costs/Cost Principles

For Fiscal Year 2013 and 2014 the Special Education Director, at NCASS was solely responsible for preparing, reviewing, and maintaining the personnel activity logs and Semi-Annual Certifications. There were no control procedures in place to detect errors and omissions. This could cause an employee to be paid an improper amount from Special Education funds.

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

Cash Management, Period of Availability, and Reporting

For Fiscal Year 2013, the NCASS Treasurer was the only employee involved in the preparation and submission of Requests for Reimbursement for Special Education. There was no documentation of their review control procedure over Requests for Reimbursement by another employee before they were submitted to the Indiana Department of Education. This could lead to the School Corporation requesting reimbursements for expenses before those expenses have been paid, spending grant funds after the Period of Availability is over, or errors in reporting. The control was in place and documented for Fiscal Year 2014.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Charles A. Beard Memorial School Corporation

8139 W US Hwy 40
Knightstown, Indiana 46148

School Board

Wade Beatty, President
Tom Schaetzle, Vice President
John Swartz, Secretary
Steve Ferrell
Gerald Leonard
Cynthia Neal
Graham Richardson



Jediah Behny
Superintendent

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

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Charles A. Beard School Corporation received guidance from Amy Blake, Director of the New Castle Special Education Cooperative, on August 14, 2015, along with a memorandum from the Department of Education dated August 7, 2015, requesting that schools report their individual Federal Part B expenditures on each school's Schedule of Expenditures of Federal Awards (SEFA). Due to this timeline, the Treasurer and Superintendent were unaware of the new requirements when preparing and approving the SEFA for Fiscal Years 2013 and 2014. The Treasurer was contacted by State Board of Accounts Auditor Mike Wade on May 10, 2016, stating that the corporation's audit, ending June 2014, would be reopened to include a Section II Finding since the agency was also unaware of the new requirements while conducting the audit. Now that the Treasurer and Superintendent have been made aware of the new requirements, they will take every step necessary to ensure that the corporation's SEFA includes Federal Part B expenditures.

Anticipated Completion Date: May 24, 2016

FINDING 2014-002

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Charles A. Beard School Corporation will review office procedures and attempt to institute duties that would involve to some degree, segregation 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 the business office.

Anticipated Completion Date: May 24, 2016

AN EQUAL OPPORTUNITY EMPLOYER

Charles A. Beard Memorial School Corporation

8139 W US Hwy 40
Knightstown, Indiana 46148

School Board

Wade Beatty, President
Tom Schaetzle, Vice President
John Swartz, Secretary
Steve Ferrell
Gerald Leonard
Cynthia Neal
Graham Richardson



Jediah Behny
Superintendent

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

FINDING 2014-003

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Charles A Beard School Corporation will review procedures and attempt to institute suggested changes. In regards to controls over reporting in the area of Food Services, reports will be signed/initialed to create documentation of the approval process. 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 Food Services would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the business office and Food Services Department.

Anticipated Completion Date: May 24, 2016

FINDING 2014-004

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Charles A. Beard School Corporation had anticipated, due to the significant changes in dietary guidelines, a significant increase in expenditures. Also, over the majority of the time frame in which this audit covers, school closures were contemplated. These discussions resulted in the Board action which closed two elementary schools. Spending funds on updating kitchens in any of our schools prior to having reached a final decision on closures would have been financially irresponsible. Now that the schools have been closed, and we have an accurate assessment of need, the corporation will be using excess funds to purchase updated equipment.

Anticipated Completion Date: May 24, 2016

FINDING 2014-005

Contact Person Responsible for Corrective Action: Jediah Behny
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

As a member of the NCASS, the Superintendent of Charles A Beard Memorial School Corporation serves on the board of directors for the cooperative. The Superintendent will take all necessary steps to ensure that proper internal controls are in place, to the best of his ability. Any actions taken to ensure internal controls will need to be put in place by the NCASS board as a whole.

Anticipated Completion Date: May 24, 2016

AN EQUAL OPPORTUNITY EMPLOYER

Charles A. Beard Memorial School Corporation

8139 W US Hwy 40
Knightstown, Indiana 46148

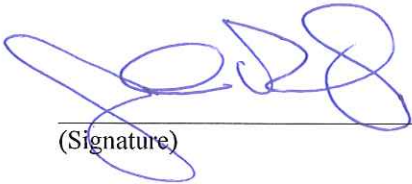
School Board

Wade Beatty, President
Tom Schaetzle, Vice President
John Swartz, Secretary
Steve Ferrell
Gerald Leonard
Cynthia Neal
Graham Richardson



Jediah Behny
Superintendent

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



(Signature)

SUPERINTENDENT

(Title)

5.24.16

(Date)



(Signature)

Business Manager/Treasurer

(Title)

5.24.16

(Date)

AN EQUAL OPPORTUNITY EMPLOYER

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.