

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, 2010 to June 30, 2012



FILED
01/10/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michelle Swift (Vacant) Stephanie L. Madison	07-01-10 to 06-30-11 07-01-11 to 07-19-11 07-20-11 to 12-31-12
Superintendent of Schools	Gary L. Storie (Vacant) Amy Rauch	07-01-10 to 01-18-12 01-09-12 to 05-31-12 06-01-12 to 06-30-15
President of the School Board	Steve Dalton Wade Beatty	07-01-10 to 06-30-11 07-01-11 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Charles A. Beard Memorial School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2010 to June 30, 2012.

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 July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated November 15, 2012, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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 reports 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.

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 Long-Term 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.

STATE BOARD OF ACCOUNTS

November 15, 2012



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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 the financial statement of the Charles A. Beard Memorial School Corporation (School Corporation), for the period July 1, 2010 to June 30, 2012, and have issued our report thereon dated November 15, 2012. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 statements 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 item 2012-1 to be material weaknesses.

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 statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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

November 15, 2012

FINANCIAL STATEMENT

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, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 414,869	\$ 9,188,501	\$ 9,603,250	\$ -	\$ 120	\$ 9,545,800	\$ 8,972,223	\$ 7,134	\$ 580,831
Debt Service	276,158	2,538,706	2,773,994	-	40,870	2,218,678	2,007,245	(6,879)	245,424
Capital Projects	(13,520)	1,279,328	906,201	-	359,607	1,099,513	1,176,856	-	282,264
School Transportation	(27,362)	985,988	733,597	-	225,029	881,599	822,541	1,200	285,287
School Bus Replacement	116,892	206,360	323,252	-	-	178,018	96,534	-	81,484
Rainy Day	234,000	-	-	-	234,000	-	-	-	234,000
Construction	196,218	104,118	280,750	-	19,586	55,000	64,153	-	10,433
School Lunch	44,925	552,202	483,169	-	113,958	593,932	470,986	-	236,904
Textbook Rental	5,961	113,187	149,733	-	(30,585)	128,174	142,780	6,879	(38,312)
Educational License Plates	94	169	207	-	56	38	-	-	94
Gifts, Donations, Bequests	6,973	500	1,200	-	6,273	500	700	-	6,073
High Ability Grant 10-11	-	30,388	30,388	-	-	-	-	-	-
Teacher Quality Improvement Program	-	-	-	-	-	29,398	22,321	-	7,077
Education Technology	-	-	-	-	-	28,478	28,478	-	-
School Technology	(151)	-	(151)	-	-	28,589	-	-	28,589
Title I	(8,574)	151,850	162,106	-	(18,830)	42,973	24,329	-	(186)
Title I 11-12	-	-	-	-	-	127,633	201,059	-	(73,426)
Innovative Education Program Strategies Title V (Part A)	816	-	816	-	-	-	-	-	-
Drug Free Schools	-	-	-	-	-	-	-	-	-
Title IV-A Drug Free 06-07	13,430	-	23,160	-	(9,730)	5,093	18,409	22,806	(240)
Title IV-A Drug Free 10-11	-	-	-	-	-	-	320	-	(320)
Title II-A Professional Development 10-11	-	-	-	-	-	34,852	34,276	(1,657)	(1,081)
Improving Teaching Quality, No Child Left, Title II, Part A	6,964	2,331	19,599	-	(10,304)	47,976	14,328	(23,348)	(4)
Title II Part A 09-10	-	-	1,759	-	(1,759)	-	-	1,759	-
Title I - Grants to LEAs	18,718	30,450	60,854	-	(11,686)	7,430	5,177	-	(9,433)
Education Jobs	-	-	-	-	-	228,869	317,399	-	(88,530)
Payroll Clearing	92,096	1,973,475	2,087,633	-	(22,062)	1,759,915	1,882,085	-	(144,232)
Totals	\$ 1,378,507	\$ 17,157,553	\$ 17,641,517	\$ -	\$ 894,543	\$ 17,042,458	\$ 16,302,199	\$ 7,894	\$ 1,642,696

The notes to the financial statements 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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 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.

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.

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

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 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 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 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 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
1 North Capital Street, 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. Teacher's Retirement Fund

Plan Description

The Indiana Teacher's 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
 1 North Capital Street, 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. Restatement

For the year ended June 30, 2011, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances.

New Fund	Prior Period Adjustment	Balance as of July 1, 2010
Payroll Clearing	\$ 92,096	\$ 92,096

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Report 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.

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 supplementary 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, 2011

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction
Cash and investments - beginning	\$ 414,869	\$ 276,158	\$ (13,520)	\$ (27,362)	\$ 116,892	\$ 234,000	\$ 196,218
Receipts:							
Local sources	137,673	2,538,706	1,016,679	863,774	185,952	-	83
Intermediate sources	-	-	-	-	-	-	-
State sources	8,740,524	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	260,000	120,000	16,000	-	104,035
Interfund loans	302,795	-	-	-	4,408	-	-
Other	7,509	-	2,649	2,214	-	-	-
Total receipts	<u>9,188,501</u>	<u>2,538,706</u>	<u>1,279,328</u>	<u>985,988</u>	<u>206,360</u>	<u>-</u>	<u>104,118</u>
Disbursements:							
Current:							
Instruction	6,118,901	-	-	-	-	-	-
Support services	3,206,995	254,063	633,801	545,753	323,252	-	-
Noninstructional services	277,354	-	-	187,844	-	-	-
Facilities acquisition and construction	-	-	272,400	-	-	-	280,750
Debt services	-	2,212,729	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	307,202	-	-	-	-	-
Total disbursements	<u>9,603,250</u>	<u>2,773,994</u>	<u>906,201</u>	<u>733,597</u>	<u>323,252</u>	<u>-</u>	<u>280,750</u>
Excess (deficiency) of receipts over disbursements	<u>(414,749)</u>	<u>(235,288)</u>	<u>373,127</u>	<u>252,391</u>	<u>(116,892)</u>	<u>-</u>	<u>(176,632)</u>
Cash and investments - ending	<u>\$ 120</u>	<u>\$ 40,870</u>	<u>\$ 359,607</u>	<u>\$ 225,029</u>	<u>\$ -</u>	<u>\$ 234,000</u>	<u>\$ 19,586</u>

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, 2011
 (Continued)

	School Lunch	Textbook Rental	Educational License Plates	Gifts, Donations, Bequests	High Ability Grant 10-11	School Technology	Title I
Cash and investments - beginning	\$ 44,925	\$ 5,961	\$ 94	\$ 6,973	\$ -	\$ (151)	\$ (8,574)
Receipts:							
Local sources	265,222	81,980	-	500	-	-	-
Intermediate sources	-	-	169	-	-	-	-
State sources	6,527	31,207	-	-	30,388	-	-
Federal sources	280,453	-	-	-	-	-	151,850
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>552,202</u>	<u>113,187</u>	<u>169</u>	<u>500</u>	<u>30,388</u>	<u>-</u>	<u>151,850</u>
Disbursements:							
Current:							
Instruction	-	-	207	-	30,388	-	159,079
Support services	575	149,733	-	700	-	(151)	1,769
Noninstructional services	482,594	-	-	-	-	-	242
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	500	-	-	1,016
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>483,169</u>	<u>149,733</u>	<u>207</u>	<u>1,200</u>	<u>30,388</u>	<u>(151)</u>	<u>162,106</u>
Excess (deficiency) of receipts over disbursements	<u>69,033</u>	<u>(36,546)</u>	<u>(38)</u>	<u>(700)</u>	<u>-</u>	<u>151</u>	<u>(10,256)</u>
Cash and investments - ending	<u>\$ 113,958</u>	<u>\$ (30,585)</u>	<u>\$ 56</u>	<u>\$ 6,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,830)</u>

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, 2011
 (Continued)

	Innovative Education Program Strategies Title V (Part A)	Title IV-D Drug Free 06-07	Improving Teaching Quality No Child Left Title II, Part A	Title II Part A 09-10	Title I Grants to LEAs	Payroll Clearing	Totals
Cash and investments - beginning	\$ 816	\$ 13,430	\$ 6,964	\$ -	\$ 18,718	\$ 92,096	\$ 1,378,507
Receipts:							
Local sources	-	-	-	-	-	-	5,090,569
Intermediate sources	-	-	-	-	-	-	169
State sources	-	-	-	-	-	-	8,808,646
Federal sources	-	-	2,331	-	30,450	-	465,084
Temporary loans	-	-	-	-	-	-	500,035
Interfund loans	-	-	-	-	-	-	307,203
Other	-	-	-	-	-	1,973,475	1,985,847
Total receipts	<u>-</u>	<u>-</u>	<u>2,331</u>	<u>-</u>	<u>30,450</u>	<u>1,973,475</u>	<u>17,157,553</u>
Disbursements:							
Current:							
Instruction	-	-	38	-	58,250	-	6,366,863
Support services	816	23,160	19,061	1,759	2,604	-	5,163,890
Noninstructional services	-	-	-	-	-	-	948,034
Facilities acquisition and construction	-	-	-	-	-	-	553,150
Debt services	-	-	-	-	-	-	2,212,729
Nonprogrammed charges	-	-	500	-	-	2,087,633	2,089,649
Interfund loans	-	-	-	-	-	-	307,202
Total disbursements	<u>816</u>	<u>23,160</u>	<u>19,599</u>	<u>1,759</u>	<u>60,854</u>	<u>2,087,633</u>	<u>17,641,517</u>
Excess (deficiency) of receipts over disbursements	<u>(816)</u>	<u>(23,160)</u>	<u>(17,268)</u>	<u>(1,759)</u>	<u>(30,404)</u>	<u>(114,158)</u>	<u>(483,964)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (9,730)</u>	<u>\$ (10,304)</u>	<u>\$ (1,759)</u>	<u>\$ (11,686)</u>	<u>\$ (22,062)</u>	<u>\$ 894,543</u>

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, 2012

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 120	\$ 40,870	\$ 359,607	\$ 225,029	\$ -	\$ 234,000	\$ 19,586	\$ 113,958	\$ (30,585)
Receipts:									
Local sources	16,580	1,911,476	821,218	689,620	129,018	-	55,000	247,676	74,827
Intermediate sources	68	-	-	-	-	-	-	-	-
State sources	8,681,642	-	-	-	-	-	-	6,971	53,307
Federal sources	-	-	-	-	-	-	-	338,665	-
Temporary loans	828,000	307,202	263,000	189,000	49,000	-	-	-	-
Other	19,510	-	15,295	2,979	-	-	-	620	40
Total receipts	9,545,800	2,218,678	1,099,513	881,599	178,018	-	55,000	593,932	128,174
Disbursements:									
Current:									
Instruction	5,265,020	-	-	-	-	-	-	-	-
Support services	2,861,599	-	727,541	702,541	76,126	-	-	1,132	142,780
Noninstructional services	217,309	-	-	-	-	-	-	469,854	-
Facilities acquisition and construction	-	-	189,315	-	-	-	64,153	-	-
Debt services	500	2,007,245	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	627,795	-	260,000	120,000	20,408	-	-	-	-
Total disbursements	8,972,223	2,007,245	1,176,856	822,541	96,534	-	64,153	470,986	142,780
Excess (deficiency) of receipts over disbursements	573,577	211,433	(77,343)	59,058	81,484	-	(9,153)	122,946	(14,606)
Other financing sources (uses)									
Sale of capital assets	6,694	-	-	1,200	-	-	-	-	-
Transfers in	440	-	-	-	-	-	-	-	6,879
Transfers out	-	(6,879)	-	-	-	-	-	-	-
Total other financing sources (uses)	7,134	(6,879)	-	1,200	-	-	-	-	6,879
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	580,711	204,554	(77,343)	60,258	81,484	-	(9,153)	122,946	(7,727)
Cash and investments - ending	\$ 580,831	\$ 245,424	\$ 282,264	\$ 285,287	\$ 81,484	\$ 234,000	\$ 10,433	\$ 236,904	\$ (38,312)

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, 2012
 (Continued)

	Educational License Plates	Gifts, Donations, Bequests	Teacher Quality Improvement Program	Education Technology	School Technology	Title I	Title I 11-12	Title IV-D Drug Free 06-07
Cash and investments - beginning	\$ 56	\$ 6,273	\$ -	\$ -	\$ -	\$ (18,830)	\$ -	\$ (9,730)
Receipts:								
Local sources	-	500	-	-	-	-	-	-
Intermediate sources	38	-	-	-	-	-	-	-
State sources	-	-	29,398	28,478	28,589	-	-	-
Federal sources	-	-	-	-	-	42,973	127,633	5,093
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	38	500	29,398	28,478	28,589	42,973	127,633	5,093
Disbursements:								
Current:								
Instruction	-	-	22,321	-	-	24,232	200,628	-
Support services	-	700	-	28,478	-	-	-	18,409
Noninstructional services	-	-	-	-	-	97	431	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	700	22,321	28,478	-	24,329	201,059	18,409
Excess (deficiency) of receipts over disbursements	38	(200)	7,077	-	28,589	18,644	(73,426)	(13,316)
Other financing sources (uses)								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	22,806
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	22,806
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	38	(200)	7,077	-	28,589	18,644	(73,426)	9,490
Cash and investments - ending	\$ 94	\$ 6,073	\$ 7,077	\$ -	\$ 28,589	\$ (186)	\$ (73,426)	\$ (240)

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, 2012
 (Continued)

	Title IV-D Drug Free 10-11	Title II-A Professional Development 10-11	Improving Teaching Quality No Child Left Title II, Part A	Title II Part A 09-10	Title I Grants to LEAs	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (10,304)	\$ (1,759)	\$ (11,686)	\$ -	\$ (22,062)	\$ 894,543
Receipts:								
Local sources	-	-	-	-	-	-	-	3,945,915
Intermediate sources	-	-	-	-	-	-	-	106
State sources	-	-	-	-	-	-	-	8,828,385
Federal sources	-	34,852	47,976	-	7,430	228,869	-	833,491
Temporary loans	-	-	-	-	-	-	-	1,636,202
Other	-	-	-	-	-	-	1,759,915	1,798,359
Total receipts	-	34,852	47,976	-	7,430	228,869	1,759,915	17,042,458
Disbursements:								
Current:								
Instruction	-	-	-	-	4,513	317,399	-	5,834,113
Support services	320	34,276	14,328	-	664	-	-	4,608,894
Noninstructional services	-	-	-	-	-	-	-	687,691
Facilities acquisition and construction	-	-	-	-	-	-	-	253,468
Debt services	-	-	-	-	-	-	-	2,007,745
Nonprogrammed charges	-	-	-	-	-	-	1,882,085	1,882,085
Interfund loans	-	-	-	-	-	-	-	1,028,203
Total disbursements	320	34,276	14,328	-	5,177	317,399	1,882,085	16,302,199
Excess (deficiency) of receipts over disbursements	(320)	576	33,648	-	2,253	(88,530)	(122,170)	740,259
Other financing sources (uses)								
Sale of capital assets	-	-	-	-	-	-	-	7,894
Transfers in	-	-	1,657	1,759	-	-	-	33,541
Transfers out	-	(1,657)	(25,005)	-	-	-	-	(33,541)
Total other financing sources (uses)	-	(1,657)	(23,348)	1,759	-	-	-	7,894
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(320)	(1,081)	10,300	1,759	2,253	(88,530)	(122,170)	748,153
Cash and investments - ending	\$ (320)	\$ (1,081)	\$ (4)	\$ -	\$ (9,433)	\$ (88,530)	\$ (144,232)	\$ 1,642,696

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2012

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	\$ 6,280,000	\$ 688,000
High School - 2009 QSCB	1,808,025	164,500
2010 School Buses	492,657	152,251
2011 Trucks	81,612	23,010
Notes and loans payable		
Tax Anticipation Warrants	1,004,000	1,022,500
Common School Loan A0471	4,415,400	441,540
Common School Loan A0488	4,149,000	508,253
Common School Loan A0501	984,000	120,540
Common School Loan A1372	83,900	28,735
Total governmental activities debt	\$ 19,298,594	\$ 3,149,329

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 437,300
Buildings	25,785,019
Improvements other than buildings	1,892,064
Machinery and equipment	<u>3,683,120</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 31,797,503</u>

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
HENRY COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

Cash balances of the Textbook Rental Fund and Payroll Clearing Fund were overdrawn in 2011 and 2012.

The fund 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 9)

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 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 material misstatements in a timely manner. Additionally, the School Board has no process to identify or communicate corrective actions to improve controls.

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

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)

CONDITION OF PAYROLL WITHHOLDING RECORDS

Payroll withholding funds balances were not reasonable for some funds. On occasion, expenses of the School Corporation were charged in error to various withholding funds. Additionally, some withholdings were receipted to the wrong fund, but paid from the correct fund, resulting in negative fund balances. Fund balances at June 30, 2012, were not comparable to the actual liabilities based on subsequent vendor billings.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
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 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 July 1, 2010 to June 30, 2012. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the period July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in 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 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.

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

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

November 15, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553			
		FY 10-11	\$ 49,708	\$ -
		FY 11-12	-	58,053
Total for program			49,708	58,053
National School Lunch Program	10.555			
		FY 10-11	292,304	-
		FY 11-12	-	285,613
Total for program			292,304	285,613
Total for federal grantor agency			342,012	343,666
<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			
		FY 09-10	7,976	-
		FY 10-11	154,129	24,903
		FY 11-12	-	201,059
Total for program			162,105	225,962
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act	84.389			
		FY 10-11	60,854	5,176
Total for cluster			222,959	231,138
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		09-3455	23,160	-
		10-3455	-	18,728
Total for program			23,160	18,728
Improving Teacher Quality State Grants	84.367			
		09-3455	21,358	-
		10-3455	-	71,850
Total for program			21,358	71,850
Education Jobs Fund	84.410			
		11-3455	-	317,399
Total for program			-	317,399
Total for federal grantor agency			267,477	639,115
Total federal awards expended			\$ 609,489	\$ 982,781

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 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 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 et seq.), 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, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010-2011	2011-2012
National School Lunch Program	10.555	\$ 30,607	\$ 37,737

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:	Adverse to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Title I, Part A Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee?	no
--	----

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

Section II – Financial Statement Findings

FINDING 2012-1 - 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 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 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

No matters are reportable.

Charles A. Beard Memorial School Corporation

8139 W US Hwy 40
Knightstown, Indiana 46148

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



Amy Rauch
Superintendent

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

October 29, 2012

Summary Schedule of Prior Audit Findings

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

Original SBA Audit Report Number: B38540
Fiscal Year: 2009-2010
Auditee Contact Person: Stephanie Madison
Title of Contact Person: Corporation Treasurer
Phone Number: 765-345-5101
Status of Finding: Due to the size and financials of the corporation, it is not feasible to hire additional staff for the administration office at this time. The administration office is continually searching for ways to diversify job duties to the best of its ability so that some internal controls can be implemented.

FINDING NUMBER 2010-2, CASH MANAGEMENT

Original SBA Audit Report Number: B38540
Fiscal Year: 2009-2010
Auditee Contact Person: Stephanie Madison
Title of Contact Person: Corporation Treasurer
Phone Number: 765-345-5101
Federal Agency: US Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.389
Pass Through: Indiana Department of Education
Status of Finding: Grant money is now awarded through a reimbursement process. A reimbursement request is submitted to the Indiana Department of Education two times a month after the funds have been expended. There is not a positive cash balance in the grant funds.

FINDING NUMBER 2010-3, REPORTING

Original SBA Audit Report Number: B38540
Fiscal Year: 2009-2010
Auditee Contact Person: Stephanie Madison
Title of Contact Person: Corporation Treasurer
Phone Number: 765-345-5101
Federal Agency: US Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.010, 84.389

AN EQUAL OPPORTUNITY EMPLOYER

Charles A. Beard Memorial School Corporation

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Knightstown, Indiana 46148

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Superintendent

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Fax: 765-345-5103

Pass Through:
Status of Finding:

Indiana Department of Education
Quarterly reports are submitted in a timely manner and kept on file in
the business office.

FINDING NUMBER 2010-4, ALLOWABLE COSTS/COST PRINCIPLES

Original SBA Audit Report Number: B38540
Fiscal Year: 2009-2010
Auditee Contact Person: Stephanie Madison
Title of Contact Person: Corporation Treasurer
Phone Number: 765-345-5101
Federal Agency: US Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.010
Pass Through: Indiana Department of Education
Status of Finding: If transfers are made between grants, they are documented with a
budget expenditure history report to prove allowable costs.

Amy Rauch
Superintendent
Charles A Beard Memorial School Corporation

Stephanie Madison
Corporation Treasurer
Charles A Beard Memorial School Corporation

Wade Beatty
President, School Board of Trustees
Charles A Beard Memorial School Corporation

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Corrective Action Plan

FINDING NUMBER 2012-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

- Charles A Beard School Corporation will review 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.

Handwritten signature of Amy Rauch in cursive.

Amy Rauch
Superintendent
Charles A Beard Memorial School Corporation

Handwritten signature of Stephanie Madison in cursive.

Stephanie Madison
Corporation Treasurer
Charles A Beard Memorial School Corporation

Handwritten signature of Wade Beatty in cursive.

Wade Beatty
President, School Board of Trustees
Charles A Beard Memorial School Corporation

AN EQUAL OPPORTUNITY EMPLOYER

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2012, with Wade Beatty, President of the School Board; Melissa J. Toth, Vice-President of the School Board; Amy Rauch, Superintendent of Schools; and Stephanie L. Madison, Treasurer. The officials concurred with our audit findings.