

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF
FORT WAYNE COMMUNITY SCHOOLS
ALLEN COUNTY, INDIANA
July 1, 2003 to June 30, 2005



FILED
7/14/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry L. Nidlinger	07-01-03 to 06-30-06
Superintendent of Schools	Dr. Wendy Robinson	07-01-03 to 06-30-06
President of the School Board	Stephen Corona Carol J. Coen Geoff Paddock	01-01-03 to 12-31-03 01-01-04 to 12-31-05 01-01-06 to 12-31-06



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

TO: THE OFFICIALS OF THE FORT WAYNE COMMUNITY SCHOOLS, ALLEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Wayne Community Schools (School Corporation), as of and for the years ended June 30, 2004 and 2005, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 21, 2006, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management Discussion and Analysis, Schedule of Funding Progress, and Budgetary Comparison Schedules, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

February 21, 2006



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

TO: THE OFFICIALS OF THE FORT WAYNE COMMUNITY SCHOOLS, ALLEN COUNTY, INDIANA

We have audited the financial statements of the Fort Wayne Community Schools (School Corporation), as of and for the years ended June 30, 2004 and 2005, and have issued our report thereon dated February 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the School Corporation on February 21, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the School Corporation on February 21, 2006. These immaterial instances of non-compliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 21, 2006

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**Fort Wayne Community Schools
Management's Discussion and Analysis
June 30, 2005**

This discussion and analysis highlights the Fort Wayne Community Schools (FWCS) financial activities for the years ended June 30, 2004 and June 30, 2005. We hope you will find this discussion helpful in assessing FWCS financial condition. Please read it in conjunction with FWCS financial statements and accompanying notes, which follow this discussion and analysis.

Financial Highlights

Government-Wide

- The Governmental Activities net assets of FWCS at June 30, 2005 are \$76.3 million. Of this amount, \$71.8 million is unrestricted and may be used to meet FWCS ongoing obligations. The largest distributions of property taxes are generally received twice a year, June 30 and December 31. The cash balance at June 30 reflects receipts on hand to support operations for the balance of the calendar year.
- As of June 30, 2004, assets were \$43.4 million with \$41.7 million unrestricted.

Governmental Funds

- At June 30, 2004 and June 30, 2005, the school corporation's Governmental Funds reported ending cash and investments of \$29.8 million and \$56.9 million respectively.
 - The General Fund is included in the Governmental Funds. The school corporation's goal is to maintain a General Fund cash balance at December 31 that is at least 5% of next year's disbursements. At December 31, 2004 General Fund cash was about 10% of 2005 budgeted disbursements. The cash balance goal in other governmental funds varies depending on purpose and timing for each fund.
- The combined governmental funds balance increased by \$27.1 million from the prior year's ending balance. The large increase in assets occurred mostly because a delayed settlement of property taxes, due to the reassessment process, was received after June 30, 2004.

Proprietary

- As of June 30, 2004 and June 30, 2005 the school corporation's Proprietary Funds reported ending cash and investments of \$13.6 million and \$19.4 million respectively.
 - An increase in health insurance rates improved the cash balance of the Self-Funded Health Insurance Fund, one of the Proprietary Funds. The school corporation's goal is to maintain at least three months of expenditures in the cash balance of the Self-Funded Health Insurance Fund as of the end of the plan year, September 30. During the months of June through September revenue declines as fewer employees receive pay and deductions. As of September 30, 2004 the balance equaled three months of expenditures and as of September 30, 2005 the balance equaled about five months of expenditures.

Fiduciary

- As of June 30, 2004 and June 30, 2005, the school corporation's Fiduciary Fund reported ending cash and investments of \$19.5 million and \$24.0 million respectively. The Fiduciary Fund Balance increased by \$4.5 million from the prior years ending balance. The Fiduciary Fund includes the Pension Trust Fund and Agency Funds.
- The Pension Trust Fund balance as of June 30, 2004 and June 30, 2005 was \$9.4 million and \$8.2 million respectively. This fund was created at the same time the General Obligation Pension Bonds (see below) were issued. This fund provides the school corporation's annual match to employee contributions to their 403(b) retirement plans. This cash balance will continue to decline each year.
- The Agency Funds balance as of June 30, 2004 and June 30, 2005 was \$10.1 million and \$15.8 million respectively. The Agency Funds account for assets held by the school corporation as an agent

for other funds and serve as control of accounts for certain cash transactions during the time they are a liability to the school corporation. Certain employment taxes were not paid until after June 30, 2005, and the timing difference caused the funds to carry a larger balance than normal on the last day of the fiscal year.

Long-Term Debt

FWCS net long-term debt increased by \$33.7 million during the two year period. General Obligation Pension Bonds of \$40 million were issued in 2004. Indiana school districts became required to actuarially fund their retirement severance benefit packages upon approval of Public Law 199. The law also provided authority to issue bonds to become in compliance. The bond repayment is required to be tax neutral, so reductions have been made to School Bus Replacement and Capital Project Funds budgets.

Basic Financial Statements

The Governmental Accounting Standards Board (GASB) requires FWCS to present its financial statements in accordance with GASB Statement No. 34. The basic financial statements of FWCS consist of two sets:

1. Government-wide statements
2. Fund financial statements

Government-wide statements include the Statement of Cash and Investments and the Statement of Cash Activities. Government-wide statements report on:

- Governmental activities, which encompass most of FWCS basic services that are provided to its citizens.
- Internal Service Fund activities include self-funded insurance programs.

Governmental activities include those that support educating students and the basic operations of FWCS. Governmental activities are presented on the *cash* basis of accounting; in other words, receipts and expenditures are recorded in the financial statements when cash is actually received or disbursed.

Internal Service Fund activities include FWCS two self-funded insurance programs, worker's compensation and health insurance. These activities are primarily funded through FWCS contributions from governmental funds and premiums paid by employees. These activities are also presented on the *cash* basis of accounting.

Fund financial statements are broadly categorized as governmental, fiduciary and proprietary. Separate financial statements are presented for each of these fund categories.

- Governmental fund types include the General, Special Revenue, Capital Projects, and Debt Service. These funds report what most people consider the basic government services. The Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds reports the following major funds: General; Transportation Operating (Special Revenue); Textbook Rental (Special Revenue); Debt Service (Debt Service); Capital Projects (Capital Projects); School Bus Replacement (Capital Projects); and Construction (Capital Projects). All other non-major funds are combined into one total. This statement provides a detailed short-term view of FWCS general government operations and the basic services it provides.
- Fiduciary funds include Pension Trust Funds and Agency Funds. The fiduciary fund statement is the Statement of Receipts, Disbursements, and Changes in Cash and Investments.
- Proprietary funds include two Internal Service Funds, the Self-Funded Worker's Compensation Fund and the Self-Funded Health Insurance Fund. The proprietary fund statement is prepared using the cash basis of accounting. The proprietary fund statement is the Statement of Receipts, Disbursements and Changes in Cash and Investments.

Condensed Financial Data

For the years ended June 30, 2004 and June 30, 2005, cash and investments changed as follows:

Governmental Activities
(000's omitted)

	For the Year Ended June 30, 2004	For the Year Ended June 30, 2005
Receipts:		
<u>Program Receipts:</u>		
Charges for services	\$ 5,693	\$ 5,755
Operating grants and contributions	8,816	9,214
<u>General Receipts:</u>		
Property taxes	83,522	159,451
Other local sources	21,685	24,810
State aid adjustments and refunds	110,671	113,796
Grants and contributions, not restricted	27,250	27,948
Bonds and loans	51,376	16,532
Sale of property, adjustments, and refunds	6,716	6,748
Investment earnings	851	1,636
Total receipts	<u>316,580</u>	<u>365,890</u>
Disbursements:		
Instruction	109,744	113,785
Support services	141,857	148,510
Community services	1,073	999
Nonprogrammed charges	4,957	6,360
Debt services	53,290	63,327
Total disbursements	<u>310,921</u>	<u>332,981</u>
Increase in net assets	5,659	32,909
Beginning net assets	37,745	43,404
Ending net assets	<u>\$ 43,404</u>	<u>\$ 76,313</u>

Note that the general receipt balances of "Property taxes" vary greatly between the two years. As of June 30, 2004, the only property tax revenue received was the final settlement for 2003. All 2004 property tax revenue was received and accounted for in the fiscal year ended June 30, 2005. This was due to delays that resulted from reassessment.

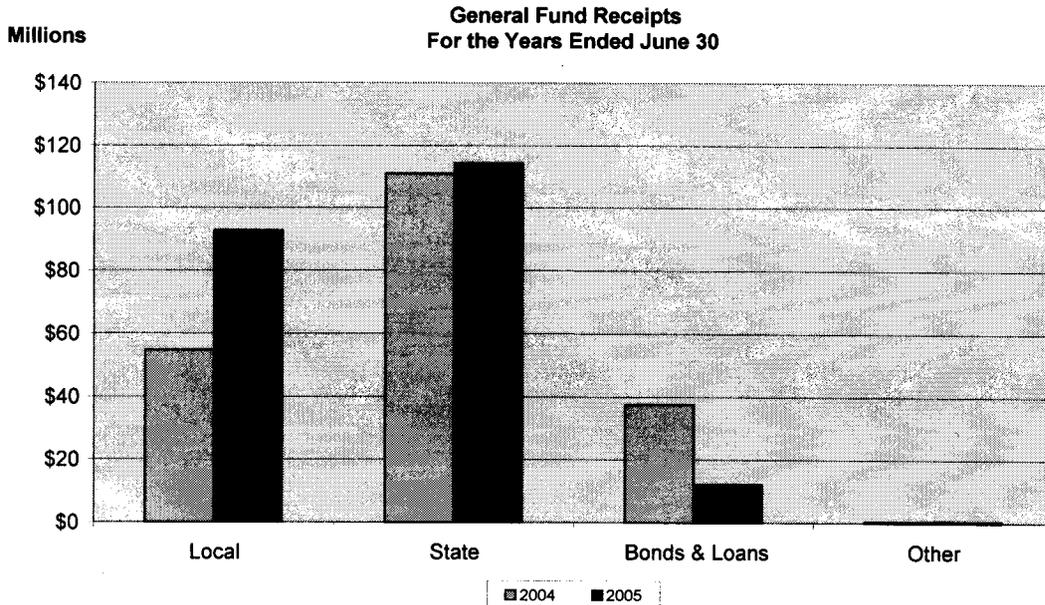
Also within the general receipts section, "Bond and loans" is much larger for the year ended June 30, 2004 due to the need to borrow short-term tax anticipation warrants because of property tax collection delays.

Fund Analysis

In reviewing the major funds of the governmental funds, the following observations were made.

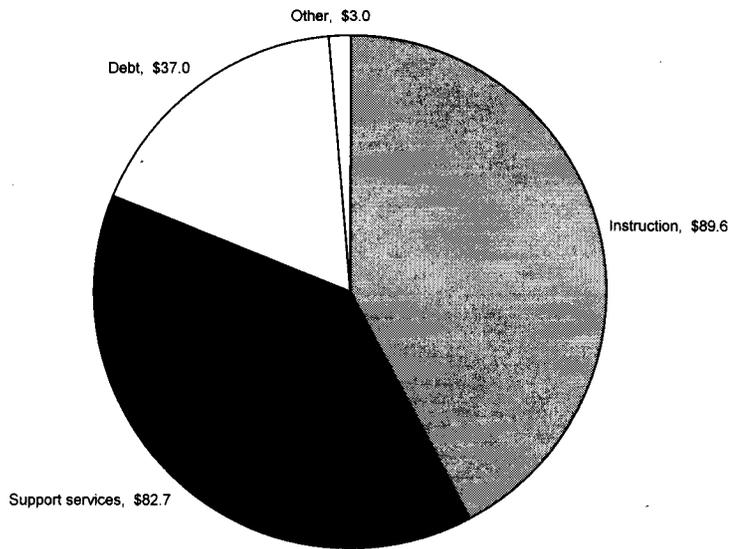
General Fund

The following chart displays General Fund receipts for the years ended June 30, 2004 and June 30, 2005. Local receipts show a disparity due to the collection delays associated with reassessment. Local receipts were collected at \$54.7 million for the year ended June 30, 2003 and \$92.7 million for the year ended June 30, 2004. As a point of comparison, local receipts were budgeted at \$69.2 million for the calendar year ended December 31, 2004. Bonds and loans are higher in 2003 due to the need to borrow tax anticipation notes for cash flow purposes, also associated with collection delays.



The following pie chart shows the allocation of General Fund disbursements for the year ended June 30, 2005. Within "Instruction", as defined by the Indiana standard school chart of accounts, all costs that directly support the classroom are not included. Some classroom costs are also included in the "Support services" section. General Fund debt represents short-term tax anticipation warrants and does not include debt service for major capital projects which are found in the Debt Service Fund.

**General Fund Disbursements
For the Year Ended June 30, 2005**



Transportation Operating

For the years ended June 30, 2004 and June 30, 2005 the transportation operating support services disbursements equaled \$14 million and \$13.1 million respectively. State support of transportation operating was removed and caused FWCS to lose about \$600,000 annually. As a result, the budget was cut and disbursements declined. FWCS operates about 330 school buses.

Capital Projects Fund

For the year ended June 30, 2005 Cash and Investments increased by \$10.8 million to \$15.4 million. This increase was also due to receiving delayed property tax dollars from the previous year. For the years ended June 30, 2004 and June 30, 2005, capital projects disbursements equaled \$17.9 million and \$20.3 million respectively. Disbursements from the Capital Projects Fund are for building construction and physical plant improvements, i.e. roofs, mechanical systems, electrical, HVAC replacement, at our 62 buildings. In addition, funds are spent on general repair, equipment purchases, technology and some utility costs. The cash balance in the Capital Projects Fund is earmarked for projects in process. There are not adequate Capital Projects Funds to address all of the corporation's facility needs.

Budgetary Highlights

Certain budgetary comparisons for General and Special Revenue Funds are required as supplemental information to the financial statements. Included in the financial report are the Budgetary Comparison Schedules for the General Fund and Transportation Operating Fund.

General Fund

Although the financial statements are presented on a fiscal year basis ending June 30, the budget is approved on a calendar year basis. The 2003 and 2004 expenditure budgets were each adjusted once at the end of their respective years. The budgets were also adjusted to account for repayment of tax anticipation warrants.

Following are schedules that summarize the budgets of the General Fund.

For the Year Ended December 31, 2003

	Receipts	Disbursements	Net Change in Fund Balance
Original Budget	<u>\$ 179,217,974</u>	<u>\$ 180,063,000</u>	<u>\$ (845,026)</u>
Final Budget	\$ 221,471,974	\$ 203,187,863	\$ 18,284,111
Actual Amounts	<u>192,796,971</u>	<u>196,236,053</u>	<u>(3,439,082)</u>
Variance with Final	<u>\$ (28,675,003)</u>	<u>\$ (6,951,810)</u>	<u>\$ (21,723,193)</u>

For the Year Ended December 31, 2004

	Receipts	Disbursements	Net Change in Fund Balance
Original Budget	<u>\$ 180,377,175</u>	<u>\$ 181,038,448</u>	<u>\$ (661,273)</u>
Final Budget	\$ 217,747,517	\$ 237,537,927	\$ (19,790,410)
Actual Amounts	<u>241,090,341</u>	<u>228,678,275</u>	<u>12,412,066</u>
Variance with Final	<u>\$ 23,342,824</u>	<u>\$ (8,859,652)</u>	<u>\$ 32,202,476</u>
Net Two Year Variance	<u>\$ (5,332,179)</u>	<u>\$ (15,811,462)</u>	<u>\$ 10,479,283</u>

- Receipts for 2003 were \$28.7 million less than budgeted due mostly to a delay in property tax receipts due to reassessment.
- Receipts for 2004 were \$23.3 million more than budgeted due mostly to the collection of the 2003 delayed payments.
- The combined difference for 2003 and 2004 was a negative \$5.3 million. Property tax shortfalls account for \$3.5 million of the shortfall.
- Disbursements for 2003 were nearly \$7 million less than budgeted. Large cuts were implemented in the Fall of 2003 due to growing insurance and utility costs and because of revenue uncertainty.
- Disbursements for 2004 were \$8.9 million less than budgeted. Although large cuts were implemented within the 2004 budget, conservative spending and more positive trends in health insurance provided for a budget that was under spent.
- Actual Fund Balance increased \$9 million as a result of the budget variances for the two years. Receipts were very unpredictable during this volatile time for Indiana governmental units as reassessment was in process. In response to reassessment and economic factors, FWCS was conservative in spending during this time.

Transportation Operating Fund

Like the General Fund, although the financial statements are presented on a fiscal year basis ending June 30, the budget is approved on a calendar year basis. The only adjustments to the 2003 or 2004 budgets were to account for repayment of tax anticipation warrants.

Following are schedules that summarize the budgets of the Transportation Operating Fund.

For the Year Ended December 31, 2003

Budget	Receipts	Disbursements	Net Change in Fund Balance
Original Budget	<u>\$ 14,141,181</u>	<u>\$ 14,699,356</u>	<u>\$ (558,175)</u>
Final Budget	\$ 19,341,181	\$ 15,911,305	\$ 3,429,876
Actual Amounts	<u>14,057,050</u>	<u>15,662,765</u>	<u>(1,605,715)</u>
Variance with Final	<u>\$ (5,284,131)</u>	<u>\$ (248,540)</u>	<u>\$ (5,035,591)</u>

For the Year Ended December 31, 2004

Budget	Receipts	Disbursements	Net Change in Fund Balance
Original Budget	<u>\$ 14,214,082</u>	<u>\$ 15,510,000</u>	<u>\$ (1,295,918)</u>
Final Budget	\$ 21,619,925	\$ 26,903,894	\$ (5,283,969)
Actual Amounts	<u>26,872,522</u>	<u>24,387,138</u>	<u>2,485,384</u>
Variance with Final	<u>\$ 5,252,597</u>	<u>\$ (2,516,756)</u>	<u>\$ 7,769,353</u>
Net Two Year Variance	<u>\$ (31,534)</u>	<u>\$ (2,765,296)</u>	<u>\$ 2,733,762</u>

- Like the General Fund, receipts for 2003 were less than budget by \$5.3 million, but were up by \$5.3 million for 2004. Again, the differences were due to collection timing due to reassessment.
- The disbursement budget was larger in 2004 due to an increase of about \$10 million in tax anticipation warrant repayments.
- Disbursements were \$248,540 under budget for 2003 and \$2.5 million under budget for 2004.
- Actual Fund Balance increased about \$1 million as a result of the budget variances. As stated in the General Fund section, receipts were very unpredictable during this volatile time for Indiana governmental units as reassessment was in process and in response FWCS was conservative in spending during this time.

Capital Asset and Long-Term Debt Activity

As of June 30, 2005, FWCS had \$285.8 million invested in capital assets, including buildings, stadiums, grounds, roads, equipment. Many of our buildings and capital assets are over fifty years old. Since historical costs were not kept on some capital assets, we have used the Estimated Historical Cost approach of applying current replacement cost with an index to approximate the historical cost of some items. The following chart details the capital asset balance as of June 30, 2005.

	Balance <u>6/30/2005</u>
Governmental activities:	
Capital assets, not being depreciated	
Land	\$ 7,599,483
Buildings	229,417,471
Improvements other than buildings	20,697,158
Machinery and equipment	<u>28,106,856</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 285,820,968</u>

Long-term Debt Activity:

As of June 30, 2005 FWCS outstanding debt totaled \$122.3 million and consisted of the following:

- Energy Capital Leases (end 2011)
- South Side High School Capital Lease (end 2012)
- North Side High School Capital Lease (end 2018)
- Pension Bonds (tax neutral and end in 2022)
- Technology Loans (end 2008)

As stated in earlier discussion, the corporation issued General Obligation Pension Bonds for \$40 million during 2004. In addition, state sponsored, low interest, technology loans were borrowed in the amount of \$6,743,673 and are included in "Loans Payable". Also, "Capital Leases" increased by \$286,913 for technology for the Special Education program.

Following are schedules of Changes in Long-Term Debt and Debt Requirements to Maturity.

CHANGES IN LONG-TERM DEBT

	<u>Fiscal Year 2003-2004</u>				
	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Leases	81,524,911	-	3,289,481	78,235,430	3,375,237
Loans Payable	7,089,799	-	2,883,442	4,206,357	2,259,894
	<u>\$ 88,614,710</u>	<u>\$ -</u>	<u>\$ 6,172,923</u>	<u>\$ 82,441,787</u>	<u>\$ 5,635,131</u>

	<u>Fiscal Year 2004-2005</u>				
	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ -	\$ 40,000,000	\$ -	\$ 40,000,000	\$ 395,000
Capital Leases	78,235,430	286,913	4,243,149	74,279,194	4,127,381
Loans Payable	4,206,357	6,743,673	2,952,206	7,997,824	3,335,001
	<u>\$ 82,441,787</u>	<u>\$ 47,030,586</u>	<u>\$ 7,195,355</u>	<u>\$ 122,277,018</u>	<u>\$ 7,857,382</u>

DEBT REQUIREMENTS TO MATURITY

Fiscal Year End:	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Loans Payable</u>
2006	\$ 1,532,583	\$ 6,424,451	\$ 3,392,308
2007	3,883,670	8,396,634	2,858,304
2008	3,885,676	8,348,593	1,349,750
2009	3,891,414	8,089,090	509,234
2010	3,886,554	7,878,919	-
2011-2015	19,433,213	34,082,717	-
2016-2020	19,436,821	26,224,800	-
2021-2025	777,534	-	-
Total	56,727,465	99,445,204	8,109,596
Less interest	23,727,465	25,166,010	110,772
Total at June 30, 2005	\$ 33,000,000	\$ 74,279,194	\$ 7,998,824

Other Currently Known Facts

In September of 2005, FWCS entered into a capital lease with a principal balance of \$11,950,000 for 12 years. The capital lease provides for a new Food Service Center to be completed by September 2006, replacing a thirty year old building that is in need of repair and is often subject to flooding. Payments will begin in 2006.

FWCS is in the process of closing Ben Geyer Middle School. The closure will be effective at the end of the 2005-2006 school year. Students from Geyer will be placed at other FWCS middle schools. Beginning in the Fall of 2006, the building will reopen as Jeff H. Towles Intermediate School, a Montessori school for grades one through eight. Bunche Montessori will change from a pre-kindergarten through fifth grade to only pre-kindergarten and full day kindergarten. The cost to adjust these programs was approved in the 2006 budget and is estimated at \$2.7 million, of which about \$1.5 million is for facility improvements.

FWCS is conducting an assessment of all of its aging buildings. In addition, a demographic study is being completed. Following are some findings reported from the study.

- Thirty-eight of the school corporation's buildings (61%) are more than 40 years old.
- Twenty-two (35%) are 26 to 40 years old.
- Only 17 (27%) of the buildings are fully air-conditioned.
- Only 15% of our buildings have adequate infrastructure.

We will be moving forward to educate our School Board of Trustees and the community about our facility improvement needs. It is anticipated that a bond issue will be required in the future.

Contacting FWCS Financial Management

This financial report is designed to provide our citizens, taxpayers, patrons, and creditors with a general overview of FWCS finances and to show FWCS accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Chief Financial Officer
Fort Wayne Community Schools
1200 South Clinton Street (3rd Floor)
Fort Wayne, IN 46802
(260) 467-2000

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 41,720,975
Restricted assets:	
Cash and investments	<u>1,683,001</u>
Total assets	<u>\$ 43,403,976</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,683,001
Unrestricted	<u>41,720,975</u>
Total net assets	<u>\$ 43,403,976</u>

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 71,828,833
Restricted assets:	
Cash and investments	<u>4,484,560</u>
Total assets	<u>\$ 76,313,393</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 4,484,560
Unrestricted	<u>71,828,833</u>
Total net assets	<u>\$ 76,313,393</u>

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 109,744,418	\$ -	\$ 1,565,559	\$ (108,178,859)
Support services	141,857,398	5,692,810	7,250,288	(128,914,300)
Community services	1,072,688	-	-	(1,072,688)
Nonprogrammed charges	4,957,362	-	-	(4,957,362)
Debt service	53,290,342	-	-	(53,290,342)
Total governmental activities	\$ 310,922,208	\$ 5,692,810	\$ 8,815,847	(296,413,551)
General receipts:				
Property taxes				83,521,973
Other local sources				21,684,930
State aid				110,671,551
Grants and contributions not restricted				27,250,796
Bonds and loans				51,376,525
Sale of property, adjustments, and refunds				6,716,380
Investment earnings				850,997
Total general receipts				302,073,152
Change in net assets				5,659,601
Net assets - beginning				37,744,375
Net assets - ending				\$ 43,403,976

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 113,784,584	\$ -	\$ 1,431,634	\$ (112,352,950)
Support services	148,509,755	5,755,336	7,781,957	(134,972,462)
Community services	999,041	-	-	(999,041)
Nonprogrammed charges	6,360,806	-	-	(6,360,806)
Debt service	63,326,951	-	-	(63,326,951)
Total governmental activities	\$ 332,981,137	\$ 5,755,336	\$ 9,213,591	(318,012,210)
General receipts:				
Property taxes				159,450,807
Other local sources				24,809,665
State aid				113,796,602
Grants and contributions not restricted				27,948,453
Bonds and loans				16,531,723
Sale of property, adjustments, and refunds				6,748,269
Investment earnings				1,636,108
Total general receipts				350,921,627
Change in net assets				32,909,417
Net assets - beginning				43,403,976
Net assets - ending				\$ 76,313,393

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	General	Transportation Operating	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 54,719,209	\$ 11,315,738	\$ 1,214,006	\$ 5,177,032	\$ 17,360,092	\$ 2,616,466	\$ -	\$ 14,473,793	\$ 106,876,336
Intermediate sources	-	-	-	-	-	-	-	7,706	7,706
State sources	110,879,227	375,606	673,927	-	-	-	-	6,263,203	118,191,963
Federal sources	5,264	-	-	-	-	-	-	28,540,968	28,546,232
Bonds and loans	37,575,342	7,405,843	-	4,590,000	-	1,456,340	-	349,000	51,376,525
Sale of property, adjustments and refunds	495,338	150,029	61,879	-	422,004	-	5,000	2,199,859	3,334,109
Intergovernmental transfers	-	-	1,166,852	-	-	-	-	7,078,236	8,245,088
Total receipts	203,674,380	19,247,216	3,116,664	9,767,032	17,782,096	4,072,806	5,000	58,912,765	316,577,959
Disbursements:									
Current:									
Instruction	89,167,397	-	-	-	-	-	-	20,577,021	109,744,418
Support services	80,040,217	14,009,202	2,826,001	-	17,856,395	1,898,588	-	31,725,588	148,355,991
Community services	898,415	-	-	-	-	-	-	174,273	1,072,688
Nonprogrammed charges	1,515,852	-	-	-	-	277,000	-	3,164,510	4,957,362
Debt services	31,738,010	4,838,051	-	10,962,108	2,350,000	1,723,266	-	1,678,907	53,290,342
Total disbursements	203,359,891	18,847,253	2,826,001	10,962,108	20,206,395	3,898,854	-	57,320,299	317,420,801
Excess (deficiency) of total receipts over (under) total disbursements	314,489	399,963	290,663	(1,195,076)	(2,424,299)	173,952	5,000	1,592,466	(842,842)
Cash and investments - beginning	1,991,982	2,092,298	3,346,708	2,878,077	7,047,860	974	3,750,000	9,547,871	30,655,770
Cash and investments - ending	\$ 2,306,471	\$ 2,492,261	\$ 3,637,371	\$ 1,683,001	\$ 4,623,561	\$ 174,926	\$ 3,755,000	\$ 11,140,337	\$ 29,812,928

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (842,842)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>6,502,443</u>
Change in cash and investments of governmental activities	<u>\$ 5,659,601</u>

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 92,755,206	\$ 20,332,604	\$ 1,263,502	\$ 17,893,981	\$ 31,049,849	\$ 3,428,536	\$ -	\$ 20,784,182	\$ 187,507,860
Intermediate sources	537	-	-	-	-	-	-	6,806	7,343
State sources	114,294,282	-	676,053	-	-	-	-	6,865,154	121,835,489
Federal sources	34,673	-	-	-	-	-	-	29,088,486	29,123,159
Bonds and loans	12,349,000	3,000,000	-	-	-	450,000	-	732,723	16,531,723
Sale of property, adjustments and refunds	429,202	136,754	57,747	-	85,208	-	-	1,639,840	2,348,751
Intergovernmental transfers	143,125	-	1,215,443	-	-	-	-	7,097,481	8,456,049
Total receipts	220,006,025	23,469,358	3,212,745	17,893,981	31,135,057	3,878,536	-	66,214,672	365,810,374
Disbursements:									
Current:									
Instruction	89,579,969	-	-	-	-	-	-	24,204,615	113,784,584
Support services	82,662,535	13,074,018	2,274,862	-	20,344,202	1,789,113	-	34,131,917	154,276,647
Community services	858,536	-	-	-	-	-	-	140,505	999,041
Nonprogrammed charges	2,131,454	-	-	-	-	-	-	4,229,352	6,360,806
Debt services	37,021,342	7,405,843	-	15,092,422	-	1,456,340	-	2,351,004	63,326,951
Total disbursements	212,253,836	20,479,861	2,274,862	15,092,422	20,344,202	3,245,453	-	65,057,393	338,748,029
Excess of total receipts over total disbursements	7,752,189	2,989,497	937,883	2,801,559	10,790,855	633,083	-	1,157,279	27,062,345
Cash and investments - beginning	2,306,471	2,492,261	3,637,371	1,683,001	4,623,561	174,926	3,755,000	11,140,337	29,812,928
Cash and investments - ending	\$ 10,058,660	\$ 5,481,758	\$ 4,575,254	\$ 4,484,560	\$ 15,414,416	\$ 808,009	\$ 3,755,000	\$ 12,297,616	\$ 56,875,273

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 27,062,345
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>5,847,072</u>
Change in cash and investments of governmental activities	<u>\$ 32,909,417</u>

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2004

	Internal Service Fund
Receipts:	
Local sources	\$ 33,837,579
Sale of property, adjustments and refunds	3,850
Total receipts	33,841,429
Disbursements:	
Support services	27,338,986
Changes in cash and investments	6,502,443
Cash and investments - beginning	7,088,605
Cash and investments - ending	\$ 13,591,048

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 36,369,613
Sale of property, adjustments and refunds	80,180
Total receipts	36,449,793
Disbursements:	
Support services	30,602,721
Changes in cash and investments	5,847,072
Cash and investments - beginning	13,591,048
Cash and investments - ending	\$ 19,438,120

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2004

	<u>Pension Trust Funds</u>
Additions:	
Bonds and loans	\$ 74,025,000
Deductions:	
Support services	30,573,466
Debt services	<u>34,069,863</u>
Total deductions	<u>64,643,329</u>
Excess of total additions over total deductions	9,381,671
Cash and investments - beginning	<u> -</u>
Cash and investments - ending	<u>\$ 9,381,671</u>

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>
Additions:	\$ <u> -</u>
Deductions:	
Support services	1,194,863
Debt services	<u>(15,000)</u>
Total deductions	<u>1,179,863</u>
Deficiency of total additions	
Under total deductions	(1,179,863)
Cash and investments - beginning	<u>9,381,671</u>
Cash and investments - ending	<u>\$ 8,201,808</u>

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2004

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 9,381,671	\$ 10,117,384
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 9,381,671	

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

FORT WAYNE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 8,201,808	\$ 15,793,049
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 8,201,808	

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

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

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

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment is offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The cash basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

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

The textbook rental fund is used to account for receipts and disbursements concerning textbooks and workbooks furnished to the students.

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

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

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

The construction fund is used to account for disbursements for capital outlay from receipts derived from the sale of general obligation bonds or other outside sources.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for self-funded health insurance and worker's compensation insurance provided to other departments. These funds are supported based upon a health insurance and worker's compensation insurance rate charged by all funds that incur a salary expense.

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

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

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

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

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

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes 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.

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 3 to 10 days per year. Unused sick leave may be accumulated to a maximum of 87 to 120 days based upon the number of years of service and job classification. Unused sick leave may be reimbursed up to 15 days, at a rate of \$25 per day or at an hourly rate depending on job classification.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 23 days per year based upon the number of years of service and job classification. Vacation leave may be accumulated to a maximum of 5 days for non-certified employees. Accumulated vacation leave is paid to employees through cash payments upon termination.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

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

On or before September 10, the fiscal officer of the School Corporation submits to the School Board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from the Indiana Department of Local Government Finance.

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

The Budgetary Comparison Schedules (Required Supplementary Information) are prepared on a calendar year basis and therefore will not be comparative with the Fund Financial Statements which are prepared on a fiscal year basis.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2005, the bank balance held at Bank One in the amount of \$96,808,252 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2005, the School Corporation had the following investments:

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Primary Government	Investment Maturities (in Years)		
	Market Value	Less Than 1	1-2	More Than 2
Repurchase Agreements	\$ 96,808,252	\$ 96,808,252	\$ -	\$ -

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest, in an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2005, the School Corporation held investments in Bank One in the amount of \$96,808,252. Of these investments \$96,808,252 were held by the counterparty's trust department or agent but not in the School Corporation's name.

FORT WAYNE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

B. Capital Assets

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) are as follows:

	Capitalization Threshold
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment	5,000

Fort Wayne Community Schools has implemented capital asset records for the first time as of June 30, 2005; and therefore, no changes in assets previous to this date will be shown.

	Balance June 30, 2005
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 7,599,483
Buildings	229,417,471
Improvements other than buildings	20,697,158
Machinery and equipment	28,106,856
 Total governmental activities, capital assets not being depreciated	 \$ 285,820,968

C. Interfund Transfers

Interfund transfers for the fiscal years ended June 30, 2004 and 2005, were as follows:

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004</u>	<u>2005</u>
General Fund	Textbook Rental	\$ 1,166,852	\$ 1,215,443
	Nonmajor governmental	-	183,287
Nonmajor governmental	General Fund	-	143,125
	Nonmajor governmental	<u>7,078,236</u>	<u>6,914,194</u>
Totals		<u>\$ 8,245,088</u>	<u>\$ 8,456,049</u>

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

D. Leases

1. Operating Leases

The School Corporation has entered into an operating lease having initial or remaining non-cancelable terms exceeding one year for the Master Copier Lease. Rental expenditures for this lease for the years ending June 30, 2004, and June 30, 2005, were \$1,017,000 and \$1,017,000, respectively. The following is a schedule by years of future minimum rental payments as of June 30, 2005:

	<u>Governmental Activities</u>
2006	\$ 1,017,000
2007	<u>508,500</u>
Total	<u>\$ 1,525,500</u>

2. Capital Leases

The School Corporation has entered into various capital leases for building additions and remodeling projects and energy efficiency improvements. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2005, follows:

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Governmental Activities
2006	\$ 6,424,451
2007	8,396,634
2008	8,348,593
2009	8,089,090
2010	7,878,919
2011-2015	34,082,717
2016-2020	26,224,800
Total minimum lease payments	99,445,204
Less amount representing interest	25,166,010
Present value of net minimum lease payments	\$ 74,279,194

The assets acquired through capital leases still in effect are as follows:

	Governmental Activities
Land	\$ 2,303,882
Buildings	80,530,083
Total	\$ 82,833,965

E. Short-Term Liabilities

1. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund.

2. Bond Anticipation Notes

The School Corporation issued bond anticipation notes in advance of the issuance of the 2004 Pension Obligation Bonds, depositing the proceeds in the appropriate fund. These bond anticipation notes were necessary to finance the unfunded pension liability of the School Corporation until the Pension Bond Proceeds were received.

Short-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Fiscal Year 2003-2004</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Tax anticipation warrants	\$ 44,528,234	\$ 50,473,525	\$ 44,528,234	\$ 50,473,525
Bond anticipation notes	-	34,000,000	34,000,000	-
Totals	<u>\$ 44,528,234</u>	<u>\$ 84,473,525</u>	<u>\$ 78,528,234</u>	<u>\$ 50,473,525</u>
 <u>Fiscal Year 2004-2005</u>				
Tax anticipation warrants	<u>\$ 50,473,525</u>	<u>\$ 15,450,000</u>	<u>\$ 50,473,525</u>	<u>\$ 15,450,000</u>

F. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation pension bonds to finance retirement/severance liabilities.

General obligation pension bonds are direct obligations and pledge the full faith and credit of the School Corporation. General obligation pension bonds currently outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2004 General obligation pension bonds	3.16% to 6.46%	<u>\$ 40,000,000</u>

Annual debt service requirements to maturity for general obligation pension bonds, for the years ended June 30, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 395,000	\$ 1,137,583
2007	1,635,000	2,248,670
2008	1,699,999	2,185,677
2009	1,780,000	2,111,414
2010	1,859,999	2,026,555
2011-2015	10,905,001	8,528,212
2016-2020	14,535,001	4,901,820
2021-2025	<u>7,190,000</u>	<u>587,534</u>
Totals	<u>\$ 40,000,000</u>	<u>\$ 23,727,465</u>

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Loans Payable

The School Corporation has entered into various loans from the Common School Fund Technology Advancement Accounts for the purpose of the purchase of data processing instructional equipment. Annual debt service requirements to maturity for the loans are as follows:

	Governmental Activities	
	Principal	Interest
2006	\$ 3,335,001	\$ 57,307
2007	2,821,645	36,659
2008	1,334,477	14,273
2009	506,701	2,533
Totals	\$ 7,997,824	\$ 110,772

3. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

<u>Fiscal Year 2003-2004</u>	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
Capital leases	\$ 81,524,911	\$ -	\$ 3,289,481	\$ 78,235,430	\$ 3,375,237
Notes and loans payable	7,089,799	-	2,883,442	4,206,357	2,259,894
Total governmental activities long-term liabilities	\$ 88,614,710	\$ -	\$ 6,172,923	\$ 82,441,787	\$ 5,635,131
<u>Fiscal Year 2004-2005</u>					
Governmental activities:					
Bonds payable:					
General obligation pension	\$ -	\$ 40,000,000	\$ -	\$ 40,000,000	\$ 395,000
Capital leases	78,235,430	286,913	4,243,149	74,279,194	4,127,381
Notes and loans payable	4,206,357	6,743,673	2,952,206	7,997,824	3,335,001
Total governmental activities long-term liabilities	\$ 82,441,787	\$ 47,030,586	\$ 7,195,355	\$ 122,277,018	\$ 7,857,382

Internal service funds predominantly serve the governmental funds. Accordingly, long-term debt for internal service funds is included as part of the above totals for governmental activities.

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with workers' compensation. The risk financing fund is accounted for in the Workers' Compensation Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$500,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are calculated using each fund's percent of total payroll; however, some funds are charged extra due to job risk. Provisions are also made for unexpected and unusual claims.

Medical Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with employee health insurance. The risk financing fund is accounted for in the Health Insurance Fund, an internal service fund where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per person, per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using the fund's percent of total payroll. Provisions are also made for unexpected and unusual claims.

B. Holding Corporations

The School Corporation has entered into capital leases with the Fort Wayne South Side School Building Corporation and the North Side High School Building Corporation (the lessors). The lessors were respectively organized as a for-profit and a not-for-profit corporation, respectively pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation.

The renovations to South Side High School and North Side High School under the lease are included in the capital assets note of the School Corporation and the corresponding lease obligation has been included in the governmental activities column of the lease note. Lease payments for the years ending June 30, 2004 and 2005, were \$5,211,938 and \$6,955,279, respectively.

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

In October of 2005, the School Corporation entered into a capital lease with the Food Service Center Holding Corporation with a principal balance of \$11,540,000 to be paid over a period of 12 years. The capital lease provides for a new Food Service Center to be completed by September 2006, replacing a 30 year old building that is in need of repair and is often subject to flooding. Payments will begin in 2006.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance and life insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 317 retirees meet these eligibility requirements. The School Corporation provides 17% to 90% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 2,106,897
Interest on net pension obligation	(154,112)
Adjustment to annual required contribution	175,622
Annual pension cost	2,128,407
Contributions made	2,625,338
Decrease in net pension obligation	(496,931)
Net pension obligation, beginning of year	(2,125,677)
Net pension obligation, end of year	\$ (2,622,608)

Contribution rates:

School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-04
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-02	\$ 2,235,410	121%	\$ (2,062,694)
	06-30-03	2,634,390	102%	(2,125,677)
	06-30-04	2,128,407	123%	(2,622,608)

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary (the 3% is paid for the employees by the School Corporation) and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$3,067,091, \$2,617,215, and \$3,250,536, respectively. The School Corporation actually contributed 100% of the required contributions for each of the fiscal years.

FORT WAYNE COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-02	\$ 43,579,769	\$ 48,535,402	\$ (4,955,633)	90%	\$ 41,080,809	(12%)
07-01-03	44,423,834	44,833,294	(409,460)	99%	42,294,752	(1%)
07-01-04	45,373,113	47,466,959	(2,093,846)	96%	41,656,618	(5%)

FORT WAYNE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

	For The Year Ended December 31, 2003				For The Year Ended December 31, 2004			
	General Fund		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	General Fund		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Budgeted Amounts				Budgeted Amounts			
	Original	Final	Original	Final				
Receipts:								
Local sources	\$ 64,792,589	\$ 64,792,589	\$ 39,005,802	\$ (25,786,787)	\$ 69,208,795	\$ 69,208,795	\$ 92,497,431	\$ 23,288,636
Intermediate sources	547	547	-	(547)	269	269	537	268
State sources	111,768,731	111,768,731	109,066,074	(2,702,657)	110,828,611	110,828,611	110,679,566	(149,045)
Federal sources	265,000	265,000	5,614	(259,386)	-	-	34,575	34,575
Bonds and loans	-	42,254,000	42,254,000	-	-	37,370,342	37,370,342	-
Sale of property, adjustments and refunds	439,800	439,800	514,174	74,374	339,500	339,500	507,890	168,390
Intergovernmental transfers	1,951,307	1,951,307	1,951,307	-	-	-	-	-
Total receipts	179,217,974	221,471,974	192,796,971	(28,675,003)	180,377,175	217,747,517	241,090,341	23,342,824
Disbursements:								
Current:								
Instruction	93,434,813	93,434,813	90,636,240	2,798,573	87,939,949	90,432,962	89,113,776	1,319,186
Support services	84,378,150	84,378,150	80,228,398	4,149,752	90,770,238	88,277,225	81,309,026	6,968,199
Community services	935,037	920,016	916,532	3,484	800,261	800,261	432,069	368,192
Nonprogrammed charges	1,315,000	1,330,021	1,330,020	1	1,528,000	1,528,000	1,323,925	204,075
Debt services	-	23,124,863	23,124,863	-	-	56,499,479	56,499,479	-
Total disbursements	180,063,000	203,187,863	196,236,053	6,951,810	181,038,448	237,537,927	228,678,275	8,859,652
Net change in fund balances	(845,026)	18,284,111	(3,439,082)	(21,723,193)	(661,273)	(19,790,410)	12,412,066	32,202,476
Fund balances - beginning	9,174,225	9,174,225	9,174,225	-	5,735,143	5,735,143	5,735,143	-
Fund balances - December 31	\$ 8,329,199	\$ 27,458,336	\$ 5,735,143	\$ (21,723,193)	\$ 5,073,870	\$ (14,055,267)	\$ 18,147,209	\$ 32,202,476

FORT WAYNE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION OPERATING FUND

	For The Year Ended December 31, 2003				For The Year Ended December 31, 2004			
	Transportation Operating Fund		Actual	Variance	Transportation Operating Fund		Actual	Variance
	Budgeted Amounts		Amounts	With Final	Budgeted Amounts		Amounts	With Final
	Original	Final	(Budgetary	Budget	Original	Final	(Budgetary	Budget
		Basis)	Positive			Basis)	Positive	
			(Negative)				(Negative)	
Receipts:								
Local sources	\$ 13,388,942	\$ 13,388,942	\$ 8,032,108	\$ (5,356,834)	\$ 14,192,582	\$ 14,192,582	\$ 19,321,861	\$ 5,129,279
State sources	635,739	635,739	683,157	47,418	-	-	-	-
Bonds and loans	-	5,200,000	5,200,000	-	-	7,405,843	7,405,843	-
Sale of property, adjustments and refunds	116,500	116,500	141,785	25,285	21,500	21,500	144,818	123,318
Total receipts	14,141,181	19,341,181	14,057,050	(5,284,131)	14,214,082	21,619,925	26,872,522	5,252,597
Disbursements:								
Current:								
Support services	14,699,356	14,699,356	14,380,816	318,540	15,510,000	15,510,000	12,993,244	2,516,756
Debt services	-	1,211,949	1,211,949	-	-	11,393,894	11,393,894	-
Intergovernmental transfers	-	-	70,000	(70,000)	-	-	-	-
Total disbursements	14,699,356	15,911,305	15,662,765	248,540	15,510,000	26,903,894	24,387,138	2,516,756
Net change in fund balances	(558,175)	3,429,876	(1,605,715)	(5,035,591)	(1,295,918)	(5,283,969)	2,485,384	7,769,353
Fund balances - beginning	2,062,048	2,062,048	2,062,048	-	456,333	456,333	456,333	-
Fund balances - December 31	\$ 1,503,873	\$ 5,491,924	\$ 456,333	\$ (5,035,591)	\$ (839,585)	\$ (4,827,636)	\$ 2,941,717	\$ 7,769,353

FORT WAYNE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) / TRANSFER TUITION – CROSSROAD STUDENTS

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support for Fort Wayne Community Schools included students from Crossroad. Crossroad - Fort Wayne Children's Home is a not-for-profit treatment center for emotionally troubled youth located at 2525 Lake Avenue in Fort Wayne, Indiana, on a 48 acre campus. Crossroad receives referrals from: Indiana Office of Family and Children, Indiana Department of Education (DOE), Indiana Department of Corrections and comparable agencies in Ohio and Michigan. Crossroad also receives referrals from juvenile courts, health professionals, and families. Crossroad employs about 150 counselors, teachers, therapists, housekeepers, cooks, groundskeepers, chaplains, nurses, and others. Crossroad has a budget of \$7.6 million; of which 83% comes from agencies referring youth to Crossroad programs. The balance comes from individual, corporate, church and foundation donors.

The DOE has questioned Fort Wayne Community Schools concerning Crossroad ADM, Crossroad Transfer Tuition and the current contract with Crossroad. Fort Wayne Community Schools has made efforts to answer these questions. No final determination by DOE appears to have been provided for audit.

The enrollment count dates for the 2004-2005 and 2005-2006 school years were September 17, 2004, and September 16, 2005, respectively. The number of Crossroad students counted in the ADM reports as "placements-in" on these dates are shown below:

<u>School-Year</u>	<u>Students Educated at Crossroad Included in ADM</u>	<u>Students Educated at Fort Wayne Community Schools Included in ADM</u>	<u>Total of Crossroad Students Counted in Fort Wayne Community Schools ADM</u>
2004-2005	38	1	39
2005-2006	38	4	42

Although enrolled in Fort Wayne Community Schools, 38 out of 39 students in the 2004-2005 ADM count and 38 out of 42 students in the 2005-2006 ADM count, were actually educated at Crossroad facilities, by Crossroad teachers and staff. Fort Wayne Community Schools does provide some educational services and some Title I instructional assistants. Enrolling the students and inclusion in the ADM count, results in State Tuition support revenue to Fort Wayne Community Schools. The State Support is credited on the Form 515 when Fort Wayne Community Schools bills other school districts transfer tuition for the Crossroad students who have a legal settlement within another district.

Additionally, Fort Wayne Community Schools enrolls all the Crossroad students who attend Crossroad throughout the school year. However, because of the nature of Crossroad, many students stay only a short while. Fort Wayne Community Schools filed a Transfer Tuition Certificate Form 515, billed to the students' Corporation of Legal Settlement, for all Crossroad students for the length of the stay. The Transfer Tuition Certificates Filed as shown in the table below also include the Crossroad students included in the ADM count from the previous table. The Form 515 filed for Crossroad students after the ADM date did not show a credit for State Support and the students were not included in the ADM count.

FORT WAYNE COMMUNITY SCHOOLS
 AUDIT RESULTS AND COMMENTS
 (Continued)

School Year	Students Enrolled in Fort Wayne Community Schools From Crossroad with Transfer Tuition Certificates filed
2004-2005	98
2005-2006	95

The contract with Crossroad (which dates back to 1981), provides Fort Wayne Community Schools is to send 90% of the revenue collected (transfer tuition, local taxes, and tuition support) to Crossroad if the student is educated at Crossroad. Fort Wayne Community Schools keeps 10% of the revenue for Fort Wayne Community Schools for administration and educational services.

Fort Wayne Community Schools provides the following administrative and educational services:

Special Education

Fort Wayne Community Schools assigns a special education teacher, who has certification in the student's disability category, to each Crossroad student that qualifies for Special Education. The assigned teachers work with Crossroad's staff to schedule and participate in a case conference when placed at Crossroad, at annual case conferences and other case conferences as needed. The special education teachers provide at least monthly consultation with the Crossroad staff by participating in the student's treatment plan reviews. Additional contacts are scheduled as necessary.

Fort Wayne Community Schools provides direct services for speech, occupational and physical therapies according to the students' Individualized Education Plans. Psychological services are provided by Fort Wayne Community Schools at the facility if a student is referred for individual psychological evaluation.

Title I

Fort Wayne Community Schools provides Crossroad with numerous services paid for with Title I funds including: Fort Wayne Community Schools employees serving as instructional assistants (school year and summer); credit teachers (summer); extended learning tutors (school year); professional development for Crossroad staff; materials and supplies as well as equipment used for instruction.

ISTEP Testing

Fort Wayne Community Schools administrates the test for Crossroad students every year. The scores are aggregated into the Corporation totals.

Textbooks

Fort Wayne Community Schools provides current adoption textbooks, workbooks, teacher editions, and supplementary materials to Crossroad for elementary, middle and high school level students. The Crossroad's program is billed annually for educational materials provided by Fort Wayne Community Schools.

FORT WAYNE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

DEPOSITS (Applies to Study Elementary School and Blackhawk, Lakeside, and Shawnee Middle Schools)

Some receipts were written for amounts which could not be verified to bank deposits. These may have been the result of checks being cashed instead of deposited and/or cash being withheld for petty cash disbursements.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

ECA DEPOSITS (Applies to Lakeside Middle School and Elmhurst and Wayne High Schools)

Receipts were not always deposited within a reasonable time. Based upon a Fort Wayne Community Schools memorandum dated June 2003, schools should be depositing at a minimum of two times per week. Receipts, in some instances, were held for periods from 4 to 11 days before being deposited. A similar comment appears in prior Audit Report B22696.

Indiana Code 20-26-6-6 states in part: ". . . receipts shall be deposited without unreasonable delay."

RECEIPT ISSUANCE (Applies to Study Elementary School and Lane Middle School)

Receipts were not always issued or recorded at the time monies were received. At times receipts were written more than a week after the funds had been deposited in the bank.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENT DOCUMENTATION (Applies to Franke Park Elementary School and Blackhawk, Jefferson and Memorial Park Middle Schools)

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, cancelled check copy, or a listing of attendants/participants for an event/activity.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

FORT WAYNE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

NONUSE OF FORM SA-7, CLAIM FOR PAYMENT (Applies to Franke Park Elementary School)

The Extra-Curricular Account Treasurer did not use Form SA-7, Claim for Payment, to support and document all disbursements made. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

USE OF FORM SA-7, CLAIM FOR PAYMENT (Applies to Pleasant Center, Price and Study Elementary Schools, Northwood, Portage, and Shawnee Middle Schools and Ward Education Center)

Claim forms do not contain all information necessary to constitute a valid claim. Proper signatures were not evident on claims reviewed. A similar comment appears in the prior Audit Report B22696 for Northwood, Portage and Shawnee Middle Schools and Ward Education Center.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FUND SOURCES AND USES (Applies to Franke Park and Irwin Elementary Schools)

Receipts from Target, Malls-4-Schools, and picture commissions were posted to the Corporate Sponsor Fund at Irwin Elementary School. Disbursements of \$1,230 were made from the fund for staff appreciation. A similar comment appears in the prior Audit Report B22696.

Curricular and staff related items were purchased from student generated funds at Franke Park Elementary School.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FORT WAYNE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

STUDENT PICTURE COMMISSION MONIES (Applies to Bloomingdale Elementary School)

The student picture commission monies were not receipted to the extra-curricular account. The commissions were given directly to the PTA, who was not involved in the picture activity.

Indiana Code 20-26-6-4 states in part: "The treasurer shall have charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ."

Governmental funds should not be donated or given to other organizations, individuals, or government units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

USE OF FORM SA-5, FINANCIAL REPORT (Applies to Price Elementary School and Levan Scott Academy)

Financial Reports (Form SA-5) presented for audit were inaccurate for the semester ending June 30, 2005. The receipts and disbursements as presented in the reports did not agree with the extra-curricular ledger.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PRESIGNING DOCUMENTS (Applies to South Wayne Elementary School)

Two checks were signed on June 23, but not distributed until June 28 and 29, 2005. The two checks were written for a total of \$303.80 but were posted to the ledger for a total of \$316.93 resulting in disbursements being overstated at June 30, 2005. The posting error was corrected by the Extra-Curricular Treasurer in August 2005.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

YEARBOOK FUND (Applies to Geyer and Northwood Middle Schools)

Geyer Middle School has accumulated outstanding yearbook publication fees of \$2,839.65 as of June 30, 2005. The Yearbook Fund had a cash balance of \$2,352.65 at June 30, 2005, leaving a net unfunded amount of \$487.00. The outstanding yearbook publications fees as of July 31, 2005, were paid in full.

Northwood Middle School has accumulated outstanding yearbook publications fees of \$740.40 as of June 30, 2005. The Publications Fund had a cash balance of \$408.53 at June 30, 2005, leaving a net unfunded amount of \$331.87.

Overdrafts may not be created or exist in any fund. The extra-curricular treasurer should advise the activity sponsor and student treasurer periodically, preferably monthly, of the current balance in the fund of their activity. Therefore, comparisons can be made and differences reconciled before transactions become past due or particulars are difficult to recall. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

FORT WAYNE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

TARGET DONATION (Applies to Snider High School)

Snider High School receives a donation from Target of 1% of all purchases made by individuals who have designated Snider High School as the benefactor. These monies are receipted to the Clearing Fund and then equally split between the Football Camp Fund and the Parent, Teacher, Student Association.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the function for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.).

Cash donations that are extra-curricular in nature may be accounted for in the extra-curricular account. Any corporation donations shall be accounted for in the corporation records. The acceptance of these donations shall have prior approval by the board of school trustees. Either the school corporation treasurer or extra-curricular treasurer will be responsible for the accounting of these funds as applicable. (The School Administrator and Uniform Compliance Guidelines, Volume 140, Page 6, December 1997)

GEYER MIDDLE SCHOOL PTA

An administrative assistant at Geyer Middle School started a Parent Teacher Association (PTA) during the 2004-2005 school year and conducted fund raising activities at the School using the students to do the fundraising. All of the monies from the fundraisers were deposited into the PTA bank account. The Internal Auditor of Fort Wayne Community Schools reviewed the bank statements, invoices, and other documents pertaining to the PTA monies. The Internal Auditor reported the monies raised were used as cash prizes to the students for fundraising rewards, as payment for field trips, and for school supplies for students. The review also noted that approximately \$1,884.01 was unaccounted for at July 29, 2005. The Internal Auditor determined that since the students were doing the fund raising the monies raised should have been receipted to the Geyer Middle School Extra-Curricular Account. The Internal Auditor recommended that the PTA bank account be closed and any remaining balance be deposited into the Geyer Middle School Extra-Curricular Account. A money order for \$232.01 was deposited into the Extra-Curricular Account and the PTA bank account was closed.

Indiana Code 20-26-6-4 states in part:

"(a) The treasurer shall have charge of the custody and disbursement of any funds collected . . . and expended to pay expenses:

(2) Incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2765

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE FORT WAYNE COMMUNITY SCHOOLS, ALLEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Fort Wayne Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2005. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2005.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 21, 2006

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005

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 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 1,547,686	\$ 1,551,138
National School Lunch Program	10.555		5,495,896	5,646,767
Child and Adult Care Food Program	10.558		10,594	11,406
Summer Food Service Program for Children	10.559		176,679	195,683
Fruit and Vegetables	10.XXX		<u>112,624</u>	<u>111,167</u>
Total for federal grantor agency			<u>7,343,479</u>	<u>7,516,161</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
		142-03-018-PN01	149,960	-
		142-03-018-PY02	703,581	-
		142-04-018-PN01	5,697,881	373,857
		142-04-018-PY02	-	1,007,960
		142-04-018-SN01	112,737	61
		142-04-034-DY01	-	27,531
		142-04-006-DY02	-	579,200
		142-05-018-PN01	-	6,201,802
		142-05-018-SN01	<u>-</u>	<u>111,526</u>
Total for program			<u>6,664,159</u>	<u>8,301,937</u>
Special Educations - Preschool Grants				
	84.173			
		457-03-018-PN01	8,153	-
		457-03-018-PY02	14,397	-
		457-04-018-PN01	278,261	21,387
		457-04-018-PY02	-	12,372
		457-05-018-PN01	<u>-</u>	<u>303,614</u>
Total for program			<u>300,811</u>	<u>337,373</u>
Total for cluster			<u>6,964,970</u>	<u>8,639,310</u>
Direct Grant				
Magnet Schools Assistance				
	84.165			
		S165A010070-02	110,187	-
		S165A010070-03	<u>149,693</u>	<u>98,026</u>
Total for program			<u>259,880</u>	<u>98,026</u>
Direct Grant				
Safe and Drug Free Schools and Communities - National Programs				
	84.184			
		Q184E040040	<u>-</u>	<u>71,828</u>
Pass-Through Indiana Department of Education				
Adult Education - State Grant Program				
	84.002			
		FY 03-8011	1,294	-
		FY 04-8011	283,006	1,269
		FY 05-8011	<u>-</u>	<u>311,170</u>
Total for program			<u>284,300</u>	<u>312,439</u>

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

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005
(Continued)

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 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Title I Grants to Local Educational Agencies	84.010			
		Part A, 03-0235	1,356,063	-
		Part D, 03-0235	51,698	-
		Part A, 04-0235	6,798,522	1,284,967
		Part D, 04-0235	178,579	60,525
		Part A, 05-0235	-	7,258,668
		Part D, 05-0235	-	270,469
		SI, 05-0235	-	59,888
Total for program			<u>8,384,862</u>	<u>8,934,517</u>
Vocational Education - Basic Grants to States	84.048			
		03-4700-0235	26,321	-
		04-4700-0235	832,207	56,750
		04-1303-0235	-	2,500
		05-4700-0235	-	783,518
Total for program			<u>858,528</u>	<u>842,768</u>
Safe and Drug Free Schools and Communities - State Grants	84.186A			
		01-048	28,576	-
		02-002	45,564	45,775
		03-091	4,109	119,398
Total for program			<u>78,249</u>	<u>165,173</u>
Education for Homeless Children and Youth	84.196			
			1,307	-
			18,753	11,247
			-	13,950
			-	4,830
Total for program			<u>20,060</u>	<u>30,027</u>
Eisenhower Professional Development State Grants	84.281A			
		01-089	116,831	-
State Grants for Innovative Programs	84.298			
		02-202	712,872	120,450
		03-196	1,000	885,581
		04-216	-	22,685
Total for program			<u>713,872</u>	<u>1,028,716</u>
Innovative Education Program Strategies	84.298A			
		02-117	94,730	-
Education Technology State Grants (Ed Tech)	84.318			
		02-0235	15,938	89,185
		03-0235	-	35,720
		04-0235	-	43,881
Total for program			<u>15,938</u>	<u>168,786</u>
Comprehensive School Reform Demonstration	84.332			
		04-0235	99,319	145,221

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

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005
(Continued)

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 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Reading Excellence	84.338A	S338A010016A	427,676	227,121
Class Size Reduction	84.340		207,881	-
Reading First State Grants	84.357	03-0235 04-0235	629,615 -	488,355 593,592
Total for program			629,615	1,081,947
English Language Acquisition Grants	84.365		81,717 106,657 -	- 55,119 159,664
Total for program			188,374	214,783
Improving Teacher Quality State Grants	84.367	02-227 03-249 04-206	101,592 1,164,545 -	175,347 127,113 1,113,467
Total for program			1,266,137	1,415,927
Total for federal grantor agency			20,611,222	23,376,589
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Education				
Refugee and Entrant Assistance - Discretionary Grants	93.576		10,000	-
Total federal awards expended			<u>\$ 27,964,701</u>	<u>\$ 30,892,750</u>

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

FORT WAYNE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fort Wayne Community Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2004 and 2005. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2004	2005
School Breakfast Program	10.553	\$ 224,589	\$ 149,177
National School Lunch Program	10.555	583,305	479,979

FORT WAYNE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	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
84.010	Special Education Cluster
84.367	Title I Grants to Local Educational Agencies Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$1,765,724

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

FORT WAYNE COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FORT WAYNE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2006, with Dr. Wendy Robinson, Superintendent of Schools; Kathaleen A. Friend, Chief Financial Officer; Stefan Pittenger, Director of Fiscal Affairs; Sherry L. Nidlinger, Treasurer; and Marcie Degitz, Accounting Supervisor. The official response has been made a part of this report and may be found on pages 63 and 64.



Fiscal Affairs
1200 South Clinton Street
Fort Wayne, Indiana 46802
Phone (260) 467-2035 FAX (260) 467-1981

OFFICIAL RESPONSE

March 1, 2006

Mr. Bruce Hartman, CPA
State Examiner
State Board of Accounts
302 West Washington St., Room E418
Indianapolis, IN 46204-2738

Dear Mr. Hartman:

Fort Wayne Community Schools responds to the comments contained in the 2003-2005 State Board of Accounts Audit Results and Comments as follows:

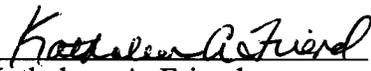
Corporation Comments

None

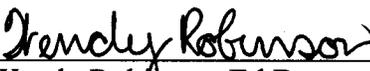
Extracurricular Account Comments

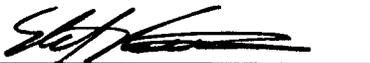
We understand the field examiners discuss the Audit Results and Comments with principals and extracurricular treasurers, when possible, for each school. We consider these findings a serious matter and will also refer them to the Area Administrators responsible for the schools. Although we will not respond to these comments in this report, we will ask principals to write responses to the findings for our internal purposes. The Business Office will follow-up with the individual schools to determine if corrective actions have been taken where necessary.

We appreciate the efforts and recommendations of the field examiners during this audit. They conducted themselves in a professional manner and provided valuable input.


Kathaleen A. Friend
Chief Financial Officer


Sherry Nidlinger
Treasurer


Wendy Robinson, Ed.D.
Superintendent


Stefan Pittenger
Director of Fiscal Affairs

Fort Wayne Community Schools



Chief Financial Officer
1200 South Clinton Street
Fort Wayne, Indiana 46802
Phone (260) 467-2000 FAX (260) 467-1981

July 6, 2006

Mr. Bruce A. Hartman
State Examiner
Indiana State Board of Accounts
302 W. Washington Street
4th floor, Room E418
Indianapolis, IN 46204

Dear Mr. Hartman:

This letter is in response to a conference held on June 27, 2006 where an audit result and comment was presented to us. This comment was regarding Fort Wayne Community Schools' practices regarding students at Crossroad – Fort Wayne Children's Home. The document presented outlines our current practices, and it does not suggest that there is anything incorrect. The comment instructs us to contact the Indiana Department of Education (DOE), Division of School Finance to determine if there are any payment issues. When questions from the DOE first arose regarding Crossroad, we attempted to address them, but the matter was forwarded to the State Board of Accounts. Now it appears that the matter is placed back with the DOE and FWCS to resolve. We will initiate a meeting with the DOE and report back any conclusions that may result.

We look forward to receiving our June 30, 2005 financial statement.

Sincerely,

A handwritten signature in cursive script that reads "Kathy Friend".

Kathy Friend