

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

AUDIT REPORT
OF

KOKOMO-CENTER TOWNSHIP
CONSOLIDATED SCHOOL CORPORATION
HOWARD COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
02/06/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Eric Rody	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Thomas J. Little, Jr.	07-01-04 to 06-30-07
President of the School Board	Marsha Bowling Joe Dunbar	07-01-04 to 06-30-05 07-01-05 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE KOKOMO-CENTER TOWNSHIP CONSOLIDATED
SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kokomo-Center Township Consolidated School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, 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 January 4, 2007, 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.

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.

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

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

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 4, 2007



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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 KOKOMO-CENTER TOWNSHIP CONSOLIDATED
SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

We have audited the financial statements of the Kokomo-Center Township Consolidated School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 4, 2007. 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.

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.

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

January 4, 2007

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 15,233,321
Restricted assets:	
Cash and investments	<u>865,705</u>
Total assets	<u>\$ 16,099,026</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 865,705
Unrestricted	<u>15,233,321</u>
Total net assets	<u>\$ 16,099,026</u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 15,007,560
Restricted assets:	
Cash and investments	<u>1,162,641</u>
Total assets	<u>\$ 16,170,201</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,162,641
Unrestricted	<u>15,007,560</u>
Total net assets	<u>\$ 16,170,201</u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
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	\$ 28,833,422	\$ -	\$ 849,326	\$ (27,984,096)
Support services	47,788,507	1,347,829	1,504,333	(44,936,345)
Community services	516,345	-	-	(516,345)
Nonprogrammed charges	182,438	-	-	(182,438)
Debt service	7,944,436	-	-	(7,944,436)
Total governmental activities	\$ 85,265,148	\$ 1,347,829	\$ 2,353,659	(81,563,660)
General receipts:				
Property taxes				35,221,544
Other local sources				4,007,326
State aid				20,342,072
Grants and contributions not restricted				8,729,736
Bonds and loans				4,277,500
Sale of property, adjustments, and refunds				7,077,913
Investment earnings				171,146
Total general receipts				79,827,237
Change in cash and investments				(1,736,423)
Net assets - beginning				17,835,449
Net assets - ending				\$ 16,099,026

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 28,172,896	\$ -	\$ 749,526	\$ (27,423,370)
Support services	47,183,746	1,343,471	1,803,414	(44,036,861)
Community services	493,504	-	-	(493,504)
Nonprogrammed charges	158,740	-	-	(158,740)
Debt service	8,584,511	-	-	(8,584,511)
Total governmental activities	\$ 84,593,397	\$ 1,343,471	\$ 2,552,940	(80,696,986)
General receipts:				
Property taxes				33,223,324
Other local sources				3,908,078
State aid				23,506,750
Grants and contributions not restricted				9,104,879
Bonds and loans				3,625,500
Sale of property, adjustments, and refunds				7,002,933
Investment earnings				396,697
Total general receipts				80,768,161
Change in cash and investments				71,175
Net assets - beginning				16,099,026
Net assets - ending				\$ 16,170,201

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 25,778,796	\$ 1,947,594	\$ 4,547,066	\$ 6,222,348	\$ 302,600	\$ 1,444,589	\$ 40,242,993
Intermediate sources	441,819	-	-	-	-	-	441,819
State sources	20,730,155	-	-	-	-	686,782	21,416,937
Federal sources	-	-	-	-	-	10,008,530	10,008,530
Bonds and loans	3,975,000	302,500	-	-	-	-	4,277,500
Sale of property, adjustments and refunds	94,897	73,292	-	-	-	408,942	577,131
Intergovernmental transfers	-	-	-	-	-	383,601	383,601
Total receipts	<u>51,020,667</u>	<u>2,323,386</u>	<u>4,547,066</u>	<u>6,222,348</u>	<u>302,600</u>	<u>12,932,444</u>	<u>77,348,511</u>
Disbursements:							
Current:							
Instruction	23,432,159	-	-	-	-	5,401,263	28,833,422
Support services	23,928,064	2,127,720	-	6,579,461	349,720	8,839,184	41,824,149
Community services	387,129	-	-	-	-	129,216	516,345
Nonprogrammed charges	61,567	-	-	-	-	504,472	566,039
Debt services	3,926,501	275,500	3,742,435	-	-	-	7,944,436
Total disbursements	<u>51,735,420</u>	<u>2,403,220</u>	<u>3,742,435</u>	<u>6,579,461</u>	<u>349,720</u>	<u>14,874,135</u>	<u>79,684,391</u>
Excess (deficiency) of total receipts over (under) total disbursements	(714,753)	(79,834)	804,631	(357,113)	(47,120)	(1,941,691)	(2,335,880)
Cash and investments - beginning	7,540,444	615,939	61,074	2,931,378	221,169	3,583,914	14,953,918
Cash and investments - ending	<u>\$ 6,825,691</u>	<u>\$ 536,105</u>	<u>\$ 865,705</u>	<u>\$ 2,574,265</u>	<u>\$ 174,049</u>	<u>\$ 1,642,223</u>	<u>\$ 12,618,038</u>

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	\$ (2,335,880)
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>599,457</u>
Change in cash and investments of governmental activities	<u>\$ (1,736,423)</u>

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 22,768,274	\$ 1,941,287	\$ 4,131,339	\$ 7,741,829	\$ 227,612	\$ 1,421,139	\$ 38,231,480
Intermediate sources	474,048	-	-	-	-	-	474,048
State sources	23,730,092	-	-	-	-	746,568	24,476,660
Federal sources	-	-	-	-	-	10,687,909	10,687,909
Bonds and loans	3,145,500	480,000	-	-	-	-	3,625,500
Sale of property, adjustments and refunds	62,238	45,289	-	70	-	201,199	308,796
Intergovernmental transfers	-	-	-	-	-	442,562	442,562
Total receipts	<u>50,180,152</u>	<u>2,466,576</u>	<u>4,131,339</u>	<u>7,741,899</u>	<u>227,612</u>	<u>13,499,377</u>	<u>78,246,955</u>
Disbursements:							
Current:							
Instruction	22,723,099	-	-	-	-	5,449,797	28,172,896
Support services	23,639,910	2,177,650	-	6,951,538	243,311	7,836,867	40,849,276
Community services	409,968	-	-	-	-	83,536	493,504
Nonprogrammed charges	248,909	-	59,332	-	-	293,061	601,302
Debt services	4,506,940	302,500	3,775,071	-	-	-	8,584,511
Total disbursements	<u>51,528,826</u>	<u>2,480,150</u>	<u>3,834,403</u>	<u>6,951,538</u>	<u>243,311</u>	<u>13,663,261</u>	<u>78,701,489</u>
Excess (deficiency) of total receipts over (under) total disbursements	(1,348,674)	(13,574)	296,936	790,361	(15,699)	(163,884)	(454,534)
Cash and investments - beginning	6,825,691	536,105	865,705	2,574,265	174,049	1,642,223	12,618,038
Cash and investments - ending	<u>\$ 5,477,017</u>	<u>\$ 522,531</u>	<u>\$ 1,162,641</u>	<u>\$ 3,364,626</u>	<u>\$ 158,350</u>	<u>\$ 1,478,339</u>	<u>\$ 12,163,504</u>

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	\$ (454,534)
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>525,709</u>
Change in cash and investments of governmental activities	<u>\$ 71,175</u>

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
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	\$ 63,034
Sale of property, adjustments and refunds	<u>6,500,781</u>
Total receipts	<u>6,563,815</u>
Disbursements:	
Support services	<u>5,964,358</u>
Changes in cash and investments	599,457
Cash and investments - beginning	<u>2,881,531</u>
Cash and investments - ending	<u><u>\$ 3,480,988</u></u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2006

	Internal Service Fund
Receipts:	
Local sources	\$ 166,042
Sale of property, adjustments and refunds	<u>6,694,137</u>
Total receipts	<u>6,860,179</u>
Disbursements:	
Support services	<u>6,334,470</u>
Changes in cash and investments	525,709
Cash and investments - beginning	<u>3,480,988</u>
Cash and investments - ending	<u><u>\$ 4,006,697</u></u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Private-Purpose Trust Funds</u>
Additions:	
Local sources	<u>\$ 14,008</u>
Deductions:	
Instruction	4,079
Community services	233
Nonprogrammed charges	<u>13,800</u>
Total deductions	<u>18,112</u>
Deficiency of total additions under total deductions	(4,104)
Cash and investments - beginning	<u>112,362</u>
Cash and investments - ending	<u>\$ 108,258</u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 28,400
Bonds and loans	4,202,550	-
Sale of property, adjustments and refunds	<u>-</u>	<u>500</u>
Total additions	<u>4,202,550</u>	<u>28,900</u>
Deductions:		
Instruction	-	1,797
Nonprogrammed charges	<u>-</u>	<u>13,750</u>
Total deductions	<u>-</u>	<u>15,547</u>
Excess of total additions over total deductions	4,202,550	13,353
Cash and investments - beginning	<u>-</u>	<u>108,258</u>
Cash and investments - ending	<u>\$ 4,202,550</u>	<u>\$ 121,611</u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 108,258	\$ 196,115
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 108,258	

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 4,202,550	\$ 121,611	\$ 191,773
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 4,202,550	\$ 121,611	

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Kokomo-Center Township Consolidated School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Eastern Howard School Corporation, Maconaquah School Corporation, Northern Community Schools of Tipton County, Northwestern School Corporation, Taylor Community Schools, Tipton Community Schools, and Western School Corporation in a joint venture to operate Kokomo Area Career Center which was created to provide instruction for vocational education students. Complete financial statements for the Kokomo Area Career Center can be obtained from Kokomo-Center Township Consolidated School Corporation.

The School Corporation is a participant with Eastern Howard School Corporation, Maconaquah School Corporation, Northern Community Schools of Tipton County, Northwestern School Corporation, Taylor Community Schools, Southeastern Community Schools, Clinton Central School Corporation, and Western School Corporation in a joint venture to operate Kokomo Area Special Education Cooperative which was created to provide instruction for handicapped children. Complete financial statements for the Kokomo Area Special Education Cooperative can be obtained from Kokomo-Center Township Consolidated School Corporation.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

Government-wide financial statements (i.e., the Statement of Cash and Investment and the Statement of Cash Activities) display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The capital projects fund accounts for planned construction, repair, replacement or remodeling; 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.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the pension fund, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the individuals who receive the awards.

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

C. Measurement Focus and Basis of Accounting

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 5 to 10 days per year, based on position and length of service. Unused sick leave may be accumulated to a maximum of between 145 and 246 days, depending on position. Accumulated sick leave is not paid to employees upon termination, but may be paid on a pro-rated basis upon retirement when employees meet certain requirements as established by negotiated contract provisions, for classified employees only.

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 28 days per year based upon the position and number of years of service. Vacation leave does not accumulate from year to year for classified employees, but may accumulate to a maximum of 42 days for administrative employees.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Personal leave does accumulate to 5 days; however, unused personal leave at year end is added to sick leave.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. General receipts include all taxes.

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following fund reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

<u>Fund</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Textbook Rental	\$ (5,409)	\$ (99,050)
Federal Grant No. 621	(10,365)	-
Federal Grant No. 623	-	(32,317)
Federal Grant No. 691	(22,354)	-
Federal Grant No. 692	-	(69,577)
Federal Grant No. 703	(36,313)	-

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

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004-2005</u>	<u>2005-2006</u>
General Fund	Other governmental	\$ 13,475	\$ 204,000
Other governmental	Other governmental	370,126	238,562
Totals		<u>\$ 383,601</u>	<u>\$ 442,562</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding post-employment benefits). The risk financing fund is accounted for in the Self-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 \$100,000 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 based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with Kokomo-Center Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the 2005-2006 school year totaled \$3,666,140.

The holding corporation bonds were refinanced on December 15, 2005, at a savings of \$703,293.25. The bond amortization schedule did not change but the savings amount was put in an escrow account (money market account) and the school is authorized to use it for other capital projects. The balance in the escrow account at June 30, 2006, was \$737,616.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 451,053
Interest on net pension obligation	(30,784)
Adjustment to annual required contribution	35,081
Annual pension cost	455,350
Contributions made	499,754
Decrease in net pension obligation	(44,404)
Net pension obligation, beginning of year	(424,606)
Net pension obligation, end of year	\$ (469,010)
Contribution rates:	
School Corporation	5%
Plan members	3%
Actuarial valuation date	07-01-05
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	75% of expected actuarial value plus 25% of market value

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 484,704	91%	\$ (354,747)
	06-30-04	396,065	118%	(424,606)
	06-30-05	455,350	126%	(469,010)

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,014,253, \$973,830, and \$862,072, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 8,682,990	\$ 7,789,661	\$ 893,329	111%	\$ 9,279,133	10%
07-01-04	8,831,855	8,332,469	499,386	106%	9,637,125	5%
07-01-05	9,235,324	10,013,259	(777,935)	92%	10,340,625	(8%)

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 992,754
Buildings	78,943,724
Improvements other than buildings	2,927,752
Machinery and equipment	<u>12,220,937</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u><u>95,085,167</u></u>

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

The School Corporation has entered into the following capital lease and long-term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital Leases:		
Buildings - Phase I	\$ 26,640,000	\$ 1,685,000
Buildings - Phase II	4,940,000	330,000
Horizon Food Service Equipment Lease	75,300	41,613
Bonds payable:		
General obligations bonds:		
2006 Pension Bonds	4,245,000	-
Total governmental activities long-term debt	<u>\$ 35,900,300</u>	<u>\$ 2,056,613</u>

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TRANSFER TUITION

Students who were not legal residents and paid transfer tuition their junior year, were not charged transfer tuition their senior year.

Indiana Code 20-26-11-6 states: "A transfer may not be accepted unless the requesting parents or student pays transfer in an amount determined under the formula established in section 13 of this chapter for the payment of transfer tuition by a transfer school corporation."

PUBLIC WORKS PROJECTS

Kokomo-Center Township Consolidated School Corporation did not invite quotes for public works costing less than \$25,000 during July 1, 2004 to June 30, 2006.

Indiana Code 36-1-12-5(b)(1) states: "The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes."

OVERDRAWN CASH BALANCES

The cash balance of several funds was overdrawn at June 30, 2005 and 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONDITION OF RECORDS (Applies to Bon Air Middle School)

The following deficiencies relating to the recordkeeping were noted.

- (1) Record balances were not reconciled to depository balances in a timely manner.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

- (2) Posting of records was not done in a timely manner during the audit period.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 KOKOMO-CENTER TOWNSHIP CONSOLIDATED
SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

Compliance

We have audited the compliance of the Kokomo-Center Township Consolidated School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. 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; 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, 2005 and 2006.

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

January 4, 2007

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through the Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 324,769	\$ 403,377
National School Lunch Program	10.555		1,090,915	1,356,676
Summer Food Service Program For Children	10.559		<u>10,634</u>	<u>8,006</u>
Total for Child Nutrition Cluster			<u>1,426,318</u>	<u>1,768,059</u>
Child and Adult Care Food Program	10.558		<u>7,969</u>	<u>10,123</u>
Total for federal grantor agency			<u>1,434,287</u>	<u>1,778,182</u>
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass-Through Indiana Department of Workforce Development				
WIA Youth Activities	17.259		<u>6,787</u>	<u>-</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through the Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027	14204-035-PN01	245,456	-
		14203-035-PY02	321,172	-
		14203-035-DY08	8,592	-
		14204-035-SN01	18,084	-
		14205-035-SN01	52,551	13,431
		14205-035-PN01	1,448,246	381,447
		14204-035-PY02	1,526,119	445,259
		14206-035-PN01	-	1,510,486
		14205-035-PY02	-	1,497,992
		14204-035-DY01	-	<u>51,143</u>
Total for program			<u>3,620,220</u>	<u>3,899,758</u>
Special Education - Preschool Grants	84.173	45704-035-PY02	169,146	51,246
		45703-035-PY02	53,677	-
		45705-035-PY02	-	<u>169,683</u>
Total for program			<u>222,823</u>	<u>220,929</u>
Total for cluster			<u>3,843,043</u>	<u>4,120,687</u>
Adult Education - State Grant Program	84.002	04-8018	18,636	-
		05-8018	70,294	13,390
		06-8018	-	<u>78,610</u>
Total for program			<u>88,930</u>	<u>92,000</u>
Title I Grants to Local Educational Agencies	84.010			
05-3500			1,246,018	385,743
05-3500 Kinsey Youth Center			11,739	25,588
03-04-05 CSR Darrough Chapel			129,491	73,251
03-04-05 CSR Pettit Park			133,608	54,429
04-05 CSR Elwood Haynes			108,293	178,254
03-04-05-06 CSR Bon Air Middle School			143,265	119,665
04-3500			373,301	-
04-3500 Kinsey Youth Center			25,944	-
03-04-05-06 CSRD Bon Air Elem. School			183,294	183,379
05-06 CSR Sycamore			-	90,508
05-06 CSR Elwood Haynes			-	13,922
06-3500			-	1,132,934
06-3500 Kinsey Youth Center			-	<u>12,095</u>
Total for program			<u>2,354,953</u>	<u>2,269,768</u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Workforce Development Vocational Education - Basic Grants to States	84.048			
05-4700-3500			205,929	54,835
06-4700-3500			-	230,558
04-4700-20-3500			45,616	-
2003-04 School/Program Improvement Grant			<u>3,000</u>	<u>-</u>
Total for program			<u>254,545</u>	<u>285,393</u>
Pass-Through the Indiana Department of Education Safe and Drug Free Schools and Communities - State Grants	84.186			
		05-259	20	22,868
		02-270	39,681	-
		03-074	<u>29,101</u>	<u>35,993</u>
Total for program			<u>68,802</u>	<u>58,861</u>
Pass-Through Indiana Department of Workforce Development Tech-Prep Education	84.243			
		TP-4-95 (DWD)	14,995	14,427
		TP-3-95 (DWD)	43,057	76,543
		TP-5-95 (DWD)	<u>-</u>	<u>27,795</u>
Total for program			<u>58,052</u>	<u>118,765</u>
Pass-Through the Indiana Department of Education State Grants for Innovative Programs	84.298			
		02-290	28,148	-
		03-106	55,680	36,318
		04-160	<u>-</u>	<u>43,051</u>
Total for program			<u>83,828</u>	<u>79,369</u>
Education Technology State Grants	84.318			
		2002-03	57,323	-
		2003-04	49,526	42,759
		2004-05	<u>-</u>	<u>25,924</u>
Total for program			<u>106,849</u>	<u>68,683</u>
Improving Teacher Quality State Grants	84.367			
		04-235	397,641	151,527
		05-104	<u>-</u>	<u>259,943</u>
Total for program			<u>397,641</u>	<u>411,470</u>
Total for federal grantor agency			<u>7,256,643</u>	<u>7,504,996</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Grant				
Head Start	93.600			
		05CH4043/14	1,030,735	-
		05CH4043/15	724,372	1,025,657
		05CH4043/16	<u>-</u>	<u>701,188</u>
Total for federal grantor agency			<u>1,755,107</u>	<u>1,726,845</u>
Total federal awards expended			<u>\$ 10,452,824</u>	<u>\$ 11,010,023</u>

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

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2004-2005	2005-2006
School Breakfast Program	10.553	\$ 17,806	\$ 24,779
National School Lunch Program	10.555	59,811	83,339

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
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
84.367	Child Nutrition Cluster
93.600	Special Education Cluster
	Improving Teacher Quality State Grants
	Headstart

Dollar threshold used to distinguish between Type A and Type B programs: \$643,885

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

KOKOMO-CENTER TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 4, 2007, with Dr. Thomas J. Little, Jr., Superintendent of Schools; Eric Rody, Treasurer; Geralynn Smalling, Deputy Treasurer; and Joe Dunbar, President of the School Board. The official response has been made a part of this report and may be found on pages 42 and 43.

Kokomo-Center Township
Consolidated School Corporation
Where Potential Becomes Reality

Erody@kokomo.k12.in.us P.O. Box 2188 Kokomo, Indiana 46904-2188 (765) 455-8000 Fax (765) 455-8018

January 8, 2007

Mr. Charles Nemeth
Indiana State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

Re: OFFICIAL RESPONSE

Dear Mr. Nemeth:

The Kokomo-Center Schools Business Office offers the following response to our recent audit completed by James Reed, Lead Auditor. The comments were discussed with the administration on January 4, 2007, with the Board President, Superintendent, Treasurer, and Deputy Treasurer present. Following are our comments regarding the audit results and comments discussed with us and shown in the report.

Transfer Tuition

The Kokomo-Center School Corporation has had a practice of offering the senior year free of transfer tuition. The school corporation will re-examine this position with our corporation attorney and adopt a new policy and administrative guideline commencing with the 2007-08 school year.

Public Works Projects

The Kokomo-Center School Corporation discovered this practice discrepancy in August 2006. Upon discovery of the discrepancy, we contacted your office informing you of our non-compliant practice. In the Fall of 2006 a new administrative guideline was put in place and our practices changed to meet compliance with the public works law. Mr. Reed reviewed this guideline.

Overdrawn Cash Balances

Mr. Reed pointed out in the report that a few federal funds had overdrawn balances. He further pointed out that the Textbook Rental Fund (TBR Fund) had an overdrawn balance on the dates indicated.

Our mission is to provide a quality education for all students in a safe and secure environment.

The federal funds in question were all reimbursable grants. This means that after authorization is obtained for the grant, the corporation must pay the expenses authorized and apply for the cash reimbursement in the next month. There is thus a negative cash position that is carried through the duration of the grant. However, the grant is never over-expended.

The TBR Fund has experienced much lower than normal reimbursements from the State of Indiana for the annual claims for free-reduced students. Further, we experience a normal percentage of non-payment by non-free-reduced students as well. Those non-payments are pursued through small claims court. Periodically, the TBR Fund is supplemented with cash from the General Fund. While we feel that collection efforts are strong on the part of the school corporation, the timing of those collections does not always match the necessary expenses in the fund.

In all cases, the school corporation accepts the recommendation of Mr. Reed and will continue to monitor the cash position of each of these funds in an effort to minimize and possibly eliminate the overdrawn positions.

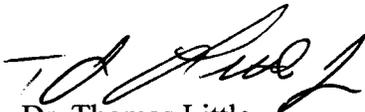
Condition of Records (Applies to Bon Air Middle School)

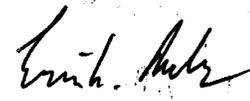
The school corporation discovered in April 2006 that financial records from Bon Air Middle School were not being kept on a timely basis. Upon our discovery, business office personnel examined the BAMS records and found the records not up to date. Our efforts in bringing those records up to date were fruitful, and the school year was closed in a positive manner. In the process of updating the records and posting all information properly it was discovered that approximately \$132.58 of money due the funds could not be accounted for properly. The school treasurer and principal were approached about this position. At the end of the school year, the treasurer decided to seek other employment. Upon her departure she did repay the \$132.58 to the school and the fund was made whole.

The school corporation contacted your office about this issue as well when discovering it. We do feel that we have adequate controls in place to monitor the efforts of all the schools on a monthly basis. In fact, it was through these efforts that these discrepancies were found. We will continue to monitor these funds activities as well.

Please accept this letter as response to the audit results and comments as noted in the 2004-2006 audit report. Thank you.

Sincerely,


Dr. Thomas Little
Superintendent


Eric L. Rody
Director of Business Affairs

Cc: Dean Gerlach, Area Supervisor (via email)

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