

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

AUDIT REPORT
OF

FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION
FRANKLIN COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

07/03/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Connie J. Lang	07-01-04 to 06-30-07
Superintendent of Schools	Dr. William A. Glentzer	07-01-04 to 06-30-07
President of the School Board	Linda Vaughan	07-01-04 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 FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin County Community 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 May 17, 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 Schedule 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

May 17, 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 FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

We have audited the financial statements of the Franklin County Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated May 17, 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.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the School Corporation on May 17, 2007. These immaterial instances of noncompliance 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

May 17, 2007

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 5,588,243
Restricted assets:	
Cash and investments	<u>1,146,571</u>
Total assets	<u>\$ 6,734,814</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,146,571
Unrestricted	<u>5,588,243</u>
Total net assets	<u>\$ 6,734,814</u>

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

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 10,820,267
Restricted assets:	
Cash and investments	<u>961,428</u>
Total assets	<u>\$ 11,781,695</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 961,428
Unrestricted	<u>10,820,267</u>
Total net assets	<u>\$ 11,781,695</u>

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

FRANKLIN COUNTY COMMUNITY 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	\$ 8,687,049	\$ -	\$ 196,817	\$ (8,490,232)
Support services	14,055,581	838,924	509,034	(12,707,623)
Community services	231,315	-	-	(231,315)
Nonprogrammed charges	2,035,770	-	-	(2,035,770)
Debt service	<u>2,185,459</u>	<u>-</u>	<u>-</u>	<u>(2,185,459)</u>
Total governmental activities	<u>\$ 27,195,174</u>	<u>\$ 838,924</u>	<u>\$ 705,851</u>	<u>(25,650,399)</u>
General receipts:				
Property taxes				8,310,608
Other local sources				1,669,688
State aid				12,181,597
Grants and contributions not restricted				687,425
Sale of property, adjustments, and refunds				170,040
Investment earnings				86,999
Intergovernmental transfers				<u>1,100,813</u>
Total general receipts and intergovernmental transfers				<u>24,207,170</u>
Change in cash and investments				(1,443,229)
Net assets - beginning				<u>8,178,043</u>
Net assets - ending				<u>\$ 6,734,814</u>

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

FRANKLIN COUNTY COMMUNITY 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	\$ 8,895,758	\$ -	\$ 94,938	\$ (8,800,820)
Support services	13,147,653	781,443	553,713	(11,812,497)
Community services	230,201	-	-	(230,201)
Nonprogrammed charges	3,856,169	-	-	(3,856,169)
Debt service	<u>2,522,198</u>	<u>-</u>	<u>-</u>	<u>(2,522,198)</u>
Total governmental activities	<u>\$ 28,651,979</u>	<u>\$ 781,443</u>	<u>\$ 648,651</u>	<u>(27,221,885)</u>
General receipts:				
Property taxes				13,212,525
Other local sources				2,518,638
State aid				12,455,184
Grants and contributions not restricted				927,808
Sale of property, adjustments, and refunds				187,616
Investment earnings				299,665
Intergovernmental transfers				<u>2,667,330</u>
Total general receipts and intergovernmental transfers				<u>32,268,766</u>
Change in cash and investments				5,046,881
Net assets - beginning				<u>6,734,814</u>
Net assets - ending				<u>\$ 11,781,695</u>

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

FRANKLIN COUNTY COMMUNITY 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	\$ 4,188,640	\$ 1,798,361	\$ 2,224,477	\$ 1,618,902	\$ 116,907	\$ 955,762	\$ 10,903,049
Intermediate sources	1,747	-	-	-	-	1,425	3,172
State sources	12,290,508	-	-	-	-	158,833	12,449,341
Federal sources	-	-	-	-	-	1,125,530	1,125,530
Sale of property, adjustments and refunds	158,096	98	-	-	-	11,846	170,040
Intergovernmental transfers	286,009	-	569,861	-	-	244,943	1,100,813
Total receipts	<u>16,925,000</u>	<u>1,798,459</u>	<u>2,794,338</u>	<u>1,618,902</u>	<u>116,907</u>	<u>2,498,339</u>	<u>25,751,945</u>
Disbursements:							
Current:							
Instruction	8,280,514	-	-	-	-	406,535	8,687,049
Support services	9,423,016	2,122,413	-	762,294	104,390	1,643,468	14,055,581
Community services	231,315	-	-	-	-	-	231,315
Nonprogrammed charges	826,266	134,759	-	769,861	-	304,884	2,035,770
Debt services	-	-	2,185,459	-	-	-	2,185,459
Total disbursements	<u>18,761,111</u>	<u>2,257,172</u>	<u>2,185,459</u>	<u>1,532,155</u>	<u>104,390</u>	<u>2,354,887</u>	<u>27,195,174</u>
Excess (deficiency) of total receipts over (under) total disbursements	(1,836,111)	(458,713)	608,879	86,747	12,517	143,452	(1,443,229)
Cash and investments - beginning	2,293,845	1,626,960	401,050	2,950,193	29,515	876,480	8,178,043
Cash and investments - ending	<u>\$ 457,734</u>	<u>\$ 1,168,247</u>	<u>\$ 1,009,929</u>	<u>\$ 3,036,940</u>	<u>\$ 42,032</u>	<u>\$ 1,019,932</u>	<u>\$ 6,734,814</u>

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

FRANKLIN COUNTY COMMUNITY 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	\$ 7,095,397	\$ 2,927,587	\$ 3,260,557	\$ 2,097,608	\$ 181,375	\$ 1,246,515	\$ 16,809,039
Intermediate sources	1,747	-	-	-	-	1,481	3,228
State sources	12,534,825	-	-	-	-	252,854	12,787,679
Federal sources	-	-	-	-	-	1,243,968	1,243,968
Sale of property, adjustments and refunds	177,927	209	-	-	-	9,480	187,616
Intergovernmental transfers	500,000	-	-	1,965,030	-	202,300	2,667,330
Total receipts	<u>20,309,896</u>	<u>2,927,796</u>	<u>3,260,557</u>	<u>4,062,638</u>	<u>181,375</u>	<u>2,956,598</u>	<u>33,698,860</u>
Disbursements:							
Current:							
Instruction	8,388,303	-	-	-	-	507,455	8,895,758
Support services	8,207,034	2,225,737	-	874,203	115,280	1,725,399	13,147,653
Community services	221,353	-	-	-	-	8,848	230,201
Nonprogrammed charges	1,830,965	33,247	1,302,596	524,928	2,093	162,340	3,856,169
Debt services	-	-	2,121,348	-	-	400,850	2,522,198
Total disbursements	<u>18,647,655</u>	<u>2,258,984</u>	<u>3,423,944</u>	<u>1,399,131</u>	<u>117,373</u>	<u>2,804,892</u>	<u>28,651,979</u>
Excess (deficiency) of total receipts over (under) total disbursements	1,662,241	668,812	(163,387)	2,663,507	64,002	151,706	5,046,881
Cash and investments - beginning	457,734	1,168,247	1,009,929	3,036,940	42,032	1,019,932	6,734,814
Cash and investments - ending	<u>\$ 2,119,975</u>	<u>\$ 1,837,059</u>	<u>\$ 846,542</u>	<u>\$ 5,700,447</u>	<u>\$ 106,034</u>	<u>\$ 1,171,638</u>	<u>\$ 11,781,695</u>

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

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
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:	
Bonds and loans	\$ <u>1,200,000</u>
Deductions:	
Debt services	<u>18,391</u>
Excess of total additions over total deductions	1,181,609
Cash and investments - beginning	<u>-</u>
Cash and investments - ending	<u>\$ 1,181,609</u>

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

FRANKLIN COUNTY COMMUNITY 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>
Cash and investments - beginning	<u>\$ 1,181,609</u>
Cash and investments - ending	<u>\$ 1,181,609</u>

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

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>
Cash and investments	<u>\$ 1,181,609</u>
 <u>Net Assets</u>	
Held in trust for employee benefits and other purposes	<u>\$ 1,181,609</u>

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

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>
Cash and investments	<u>\$ 1,181,609</u>
 <u>Net Assets</u>	
Held in trust for employee benefits and other purposes	<u>\$ 1,181,609</u>

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

FRANKLIN COUNTY COMMUNITY 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 - Franklin County Community 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 Union County/College Corner Joint School District, Northeastern Wayne School Corporation, and Western Wayne Schools in a joint venture to operate East Central Indiana Special Services District which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit an annual amount determined by a funding formula approved by the District Board. Complete financial statements for the East Central Indiana Special Services District can be obtained from the joint venture's administrative office at 519 Queen Street, Pershing, Indiana, 47331.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments 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.

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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 type:

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

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.

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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

School Corporation non-teaching employees earn sick leave at the rate of 1 day per month of service. Unused sick leave may be accumulated to a maximum of 60 days. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Compensatory Leave

School Corporation certified personnel shall be entitled to 15 days each school year to be absent from work without loss of compensation. Unused compensatory leave may be accumulated indefinitely. Upon retirement, the balance of compensatory leave will be paid at the rate of \$45 per day.

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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit 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 the 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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

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. 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.

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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. 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:

Transfer From	Transfer To	FY 04/05	FY 05/06
General Fund	Capital Projects	\$ -	\$ 700,000
	Other governmental	3,439	79,794
Capital Projects	General Fund	200,000	500,000
	Debt Service	569,861	-
	Other governmental	-	24,928
Transportation Operating	Other governmental	134,760	33,247
	Capital Projects	-	1,265,030
Debt Service	Other governmental	-	37,566
	Other governmental	-	2,093
School Bus Replacement	Other governmental	-	2,093
Other governmental	General Fund	85,940	-
	Other governmental	106,745	24,672
Totals		<u>\$ 1,100,745</u>	<u>\$ 2,667,330</u>

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

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; 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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The School Corporation has entered into a capital lease with Franklin County High School Building Corporation and with Franklin County Middle School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the 2004-2005 year totaled \$1,242,100 and during the 2005-2006 year totaled \$1,668,400.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life insurance benefits and salary replacement, 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, 26 retirees meet these eligibility requirements. The School Corporation provides 100%, less \$1 or more, of these postemployment benefits. Disbursements for those post-employment benefits are recognized on a pay-as-you-go basis. During the years ended June 30, 2005 and 2006, disbursements of \$547,280 and \$519,214, respectively, were recognized for post-employment benefits.

These funds are held in reserve to pay health insurance premiums or qualified retirees for a limited time, in accordance with various governmental regulations.

D. 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 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

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 56,097
Interest on net pension obligation	(8,419)
Adjustment to annual required contribution	9,594
Annual pension cost	57,272
Contributions made	64,872
Decrease in net pension obligation	(7,600)
Net pension obligation, beginning of year	(116,127)
Net pension obligation, end of year	\$ (123,727)
Contribution rates:	
School Corporation	6.10%
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

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%

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 71,698	96%	\$ (104,066)
	06-30-04	52,452	123%	(116,127)
	06-30-05	57,272	124%	(123,727)

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.

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 \$234,296, \$221,591, and \$206,184, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

FRANKLIN COUNTY COMMUNITY 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	\$ 1,295,572	\$ 1,284,602	\$ 10,970	101%	\$ 1,063,794	1%
07-01-04	1,312,802	1,299,759	13,043	101%	1,117,961	1%
07-01-05	1,362,268	1,502,917	(140,649)	91%	1,094,720	(13%)

FRANKLIN COUNTY COMMUNITY 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 cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land and Buildings	\$ 38,157,501
Improvements other than buildings	759,813
Machinery and equipment	<u>8,479,171</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 47,396,485</u>

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Franklin County High School Building Corporation	\$ 2,389,937	\$ 760,000
Franklin County Middle School Building Corporation	8,268,345	285,206
Notes and loans payable	3,960,328	254,199
Bonds payable:		
Revenue bonds:		
Pension Bonds	<u>865,000</u>	<u>115,000</u>
Total governmental activities long-term debt	<u>\$ 15,483,610</u>	<u>\$ 1,414,405</u>

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE - Applies to Mount Carmel Elementary

The Art Fund was overdrawn in 2006.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OFFICIAL BONDS

The official bonds that were filed in the Office of the County Recorder for the school years, July 1, 2004 through June 30, 2005, and July 1, 2005 through June 30, 2006, were position schedule bonds. The position schedule bonds included coverage for the position of the School Corporation Treasurer, and Assistant Treasurers, as well as all the Extra-Curricular Treasurers and other employees serving as cashiers in the individual schools.

The position schedule bond covering the current school year was not obtained until December 15, 2006, leaving a six month period not insured by bond coverage.

Indiana Code 20-26-4-5 states in part: "For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance . . ."

Indiana Code 20-41-1-6 states in part (a): " The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. . . ."

Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. We recommended bond coverage for any employee handling funds. A blanket bond should not include any officer, deputy or employee for whom an individual bond is required by statute. Individual bonds are required for the school corporation treasurer and the deputy treasurer. (The School Administrator and Uniform Compliance Guidelines for School Corporations, Volume 149, Page 3)

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

The information presented for audit indicates honors diploma figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2004.

The enrollment count dates for 2004-2005 and 2005-2006 were September 17, 2004, and September 16, 2005, respectively. The difference between the honors diplomas reported on the ADM and the verified figures are shown below:

School Year	Grade	Count as Reported on Form Number 30A	Actual Figures	Difference
2004-2005	Honors	60	58	2

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

INDEBTEDNESS (Applies to Laurel Elementary School)

Laurel Elementary owed \$31,944 to textbook rental companies at June 30, 2006. The School Board authorized the financing arrangements. The textbook rental funds are part of the extra-curricular account at Laurel Elementary and all other schools. A similar comment appeared in the prior two reports covering the periods July 1, 2000 to June 30, 2002, and July 1, 2002 to June 30, 2004.

Indiana Code 20-41-2-5 states in part (a): "A governing body in operating a textbook rental program under IC 20-26-5-4(12) may use either of the following accounting methods: (1) The governing body may supervise and control the program through the school corporation account, establishing a textbook rental fund. (2) If textbooks have not been purchased and financial commitments or guarantees for the purchases have not been made by the school corporation, the governing body may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1."

TEMPORARY LOAN

A temporary loan of \$134,759.49 was made on June 17, 2005, from the Transportation Operating Fund to the Retirement/Severance Bond Fund and not repaid.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the Department of Local Government Finance."

GUARANTEED ENERGY SAVINGS CONTRACTS

The Franklin County Community School Corporation entered into a guaranteed energy savings contract with Landis and Gyr Powers, Inc. (Siemens Building Technologies, Inc.) on November 23, 1994. The total amount of the contract was \$355,936. The total amount of guaranteed energy savings was \$207,340. The total amount of guaranteed stipulated or agreed upon operational savings was \$255,670. The contract provides operational cost savings projections and included capital expenditures as "agreed upon" Operational Cost Savings. The "agreed upon" savings were "deemed realized upon execution" of the contract. No information was presented for audit to document the stipulated or agreed upon operational savings.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The contract states in part "Operational cost savings exist when an improvement implemented under this Program reduces future repair or replacement labor and/or material that would have otherwise been expended if the improvement was not implemented. By signing this document the Owner is agreeing to these operational savings. . . ." No information was presented for audit to document any "stipulated savings" that resulted in actual energy or operating cost savings from energy conservation measures.

Stipulated Savings is further described in the contract as "Operational Savings - Includes any labor and material costs associated with the repair of unplanned maintenance of the equipment being replaced in the scope of work" and "Capital Offset - Includes cost avoidance from future planned equipment upgrades or replacement with the cost amortized over the ten years of the agreement." No information was presented for audit to document any "stipulated savings" that resulted in actual energy or operating cost savings from energy conservation measures.

The project includes per the contract, "Lighting Upgrades, Boiler Plant Replacement, Exhaust Fan Control, and Administration Rooftop Unit."

The final payment on the 10 year contract was made on December 13, 2004.

Statutory and Other Compliance Guideline Provisions

The Public Works Law, Indiana Code 36-1-12-1(e), states in part: "As an alternative to this chapter, the governing body . . . may . . . enter into a guaranteed energy savings contract as permitted under IC 36-1-12.5."

Effective March 21, 2002, Indiana Code 36-1-12.5-1 states in part: "As used in this chapter, 'energy conservation measure' means a school facility alteration or an alteration of a structure (as defined in IC 36-1-10-2) designed to reduce energy consumption costs or other operating costs . . . including future:

- (A) labor costs;
- (B) costs for contracted services; and
- (C) related capital expenditures."

Indiana Code 36-1-12.5-5(a) concerning energy savings contracts states in part: "The governing body may enter into . . . a guaranteed energy savings contract with a qualified provider to reduce the school corporation's or the political subdivision's energy consumption costs or operating costs if, after review of the report described in section 6 of this chapter, the governing body finds: (1) that the amount the governing body would spend on the energy conservation measures under the contract and that are recommended in the report is not likely to exceed the amount to be saved in energy consumption costs and other operating costs over ten (10) years from the date of installation if the recommendations in the report were followed; and (2) in the case of a guaranteed energy savings contract, the qualified provider provides a written guarantee as described in subsection (d)(2)."

Indiana Code 36-1-12.5-5(d) states in part: "An agreement to participate in . . . guaranteed energy savings contract under this section must provide that: . . . (2) in the case of the guaranteed energy savings contract: (A) the savings in energy and operating costs due to the energy conservation measures are guaranteed to cover the costs of the payments for the measures; and (B) the qualified provider will reimburse the school corporation or political subdivision for the difference between the guaranteed savings and the actual savings . . ."

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Effective March 21, 2002, Indiana Code 36-1-12.5-0.5 states: "As used in this chapter, 'actual savings' includes stipulated savings."

Indiana Code 36-1-12.5-0.7 states: "As used in this chapter, 'causally connected work' means work that is required to properly implement an energy conservation measure."

Indiana Code 36-1-12.5-3.7 states in part: "As used in this chapter, 'stipulated savings' are assumed savings that are documented by industry engineering standards."

Indiana Code 36-1-12.5-11 states in part: "(a) A guaranteed energy savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards. (b) Stipulated savings may be used for energy conservation measures including . . . (9) Any work that is causally connected to the energy conservation measures listed in subdivisions (1) through (8). (c) The guaranteed energy savings contract shall: (1) describe stipulated savings for: (A) energy conservation measures; and (B) work causally connected to the energy conservation measures; and (2) document assumptions by industry engineering standards."

Repayment of Costs in Excess of Savings

Franklin County Community School Corporation Officials conveyed that the items shown as "agreed upon" or "stipulated savings" have been predetermined. Furthermore, Franklin County Community School Corporation Officials do not have available for audit and conveyed they do not plan in the future to have any additional information to document actual operating or energy savings. The Franklin County Community School Corporation should request reimbursement from Landis and Gyr Powers, Inc., for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by "industry engineering standards") at the end of the contract term in accordance with IC 36-1-12.5-5(d)(2)(B).

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Page 9-4)

Annual Savings Reports

Savings summary reports relative to guaranteed energy savings contracts that are required to be filed with the Indiana Department of Commerce, Energy Policy Division, were filed for each of the ten (10) years of the contract.

Information forwarded to the Indiana Department of Commerce, Energy Policy Division by the Franklin County Community School Corporation did not include documentation using industry engineering standards for stipulated savings; and related capital expenditures.

Effective March 21, 2002, Indiana Code 36-1-12.5-10 states:

"The governing body shall:

(1) provide to the department of commerce not more than sixty (60) days after the date of execution of the guaranteed energy savings contract:

(A) a copy of the executed guaranteed energy savings contract;

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (B) the energy consumption costs before the date of execution of the guaranteed energy savings contract; and
- (C) the documentation using industry engineering standards for:
 - (i) stipulated savings; and
 - (ii) related capital expenditures; and
- (2) annually report to the department of commerce, in accordance with procedures established by the department of commerce, the savings resulting in the previous year from the guaranteed energy savings contract or utility energy efficiency program."

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 FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

Compliance

We have audited the compliance of the Franklin County Community 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

May 17, 2007

FRANKLIN COUNTY COMMUNITY 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 Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 64,689	\$ 67,887
National School Lunch Program	10.555		<u>328,785</u>	<u>339,945</u>
Total for cluster			<u>393,474</u>	<u>407,832</u>
Total for federal grantor agency			<u>393,474</u>	<u>407,832</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010	FY05	403,499	-
		FY06	-	355,425
04/05 LEA Sch Imprv			18,768	-
05/06 LEA Sch Imprv			-	28,863
Title I National Conference			<u>1,994</u>	<u>2,340</u>
Total for program			<u>424,261</u>	<u>386,628</u>
Safe and Drug Free Schools and Communities				
	84.186	03-236	10,327	1,784
		04-072	-	<u>8,893</u>
Total for program			<u>10,327</u>	<u>10,677</u>
State Grants for Innovative Programs				
	84.298	03-042	8,553	-
		04-240	-	<u>7,055</u>
Total for program			<u>8,553</u>	<u>7,055</u>
Enhancing Education Through Technology				
	84.318		<u>9,067</u>	<u>227</u>
Comprehensive School Reform Demonstration				
	84.332A	CSR2475	172,633	-
		2475-2125	-	<u>133,895</u>
Total for program			<u>172,633</u>	<u>133,895</u>
Improving Teacher Quality State Grants				
	84.367	03-022	120,004	-
		04-230	<u>41,444</u>	<u>85,748</u>
Total for program			<u>161,448</u>	<u>85,748</u>
Total for federal grantor agency			<u>786,289</u>	<u>624,230</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Family and Social Services Administration				
Family Preservation and Support Services	93.556		<u>2,883</u>	<u>609</u>
Total federal awards expended			<u>\$ 1,182,646</u>	<u>\$ 1,032,671</u>

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

FRANKLIN COUNTY COMMUNITY 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 Franklin County Community 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	2005	2006
School Breakfast Program	10.553	\$ 5,256	\$ 5,689
National School Lunch Program	10.555	27,349	28,587

FRANKLIN COUNTY COMMUNITY 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:

Name of Federal Program or Cluster

Child Nutrition Cluster

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

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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2007, with Dr. William A. Glentzer, Superintendent of Schools; Connie J. Lang, Treasurer; and Linda Vaughan, President of the School Board. The officials concurred with our audit findings.