

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

AUDIT REPORT

OF

FRANKLIN COMMUNITY SCHOOL CORPORATION

JOHNSON COUNTY, INDIANA

July 1, 2006 to June 30, 2008



**FILED**

06/30/2009



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Steven Millikan	07-01-06 to 12-31-07
	Jeff Mercer	01-01-08 to 06-30-09
Superintendent of Schools	Dr. William Patterson	07-01-06 to 04-21-08
	Dr. Victoria Davis (Interim)	08-01-08 to 06-30-09
President of the School Board	Darren Thompsom	01-01-06 to 12-31-07
	John A. Wales	01-01-08 to 12-31-08
	William A. Maschmeyer	01-01-09 to 12-31-09



**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](http://www.in.gov/sboa)

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

TO: THE OFFICIALS OF THE FRANKLIN COMMUNITY SCHOOL  
CORPORATION, JOHNSON 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 Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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, 2007 and 2008, 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 June 16, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

The 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 Combining Schedules, as listed in the Table of Contents, 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 Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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

June 16, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE FRANKLIN COMMUNITY SCHOOL  
CORPORATION, JOHNSON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated June 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

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

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

June 16, 2009

FRANKLIN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	Program Receipts			Net (Disbursement) Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Operating Grants and Contributions	Totals
	Disbursements	Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 21,205,339	\$ -	\$ 194,258	\$ (21,011,081)
Support services	16,277,372	1,206,312	830,348	(14,240,712)
Community services	333,771	-	-	(333,771)
Nonprogrammed charges	951,872	-	-	(951,872)
Debt service	<u>10,860,896</u>	<u>-</u>	<u>-</u>	<u>(10,860,896)</u>
Total government	<u>\$ 49,629,250</u>	<u>\$ 1,206,312</u>	<u>\$ 1,024,606</u>	<u>(47,398,332)</u>
General receipts:				
Property taxes				11,695,920
Other local sources				3,457,724
State aid				18,056,697
Bonds and loans				10,160,517
Grants and contributions not restricted to specific programs				781,750
Sale of property, adjustments, and refunds				511,027
Investment earnings				<u>340,476</u>
Total general receipts				<u>45,004,111</u>
Change in net assets				(2,394,221)
Net assets - beginning				<u>9,984,836</u>
Net assets - ending				<u>\$ 7,590,615</u>
<u>Assets</u>				
Cash and investments				\$ 7,225,389
Restricted assets:				
Cash and investments				<u>365,226</u>
Total assets				<u>\$ 7,590,615</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 365,226
Unrestricted				<u>7,225,389</u>
Total net assets				<u>\$ 7,590,615</u>

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 21,048,839	\$ -	\$ 279,604	\$ (20,769,235)
Support services	17,294,539	1,258,489	1,089,558	(14,946,492)
Community services	344,773	-	-	(344,773)
Nonprogrammed charges	1,046,452	-	-	(1,046,452)
Debt service	<u>16,385,084</u>	<u>-</u>	<u>-</u>	<u>(16,385,084)</u>
Total government	<u>\$ 56,119,687</u>	<u>\$ 1,258,489</u>	<u>\$ 1,369,162</u>	<u>(53,492,036)</u>
General receipts:				
Property taxes				26,936,594
Other local sources				3,720,156
State aid				18,358,163
Bonds and loans				8,669,655
Grants and contributions not restricted to specific programs				850,136
Sale of property, adjustments, and refunds				30,212
Investment earnings				<u>230,345</u>
Total general receipts				<u>58,795,261</u>
Change in net assets				5,303,225
Net assets - beginning				<u>7,590,615</u>
Net assets - ending				<u>\$ 12,893,840</u>
<u>Assets</u>				
Cash and investments				\$ 12,453,364
Restricted assets:				
Cash and investments				<u>440,476</u>
Total assets				<u>\$ 12,893,840</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 440,476
Unrestricted				<u>12,453,364</u>
Total net assets				<u>\$ 12,893,840</u>

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 5,723,042	\$ 921,303	\$ -	\$ 5,689,963	\$ 2,446,103	\$ 352,983	\$ -	\$ 1,564,756	\$ 16,698,150
Intermediate sources	276	-	-	-	-	-	-	2,006	2,282
State sources	18,230,776	-	-	-	-	-	-	310,696	18,541,472
Federal sources	-	-	-	-	-	-	-	1,321,581	1,321,581
Bonds and loans	5,113,936	919,167	-	11,787	-	-	4,115,627	-	10,160,517
Sale of property, adjustments and refunds	-	2,780	-	-	-	-	506,707	1,540	511,027
Interfund loans	-	-	-	-	310,000	-	-	-	310,000
<b>Total receipts</b>	<b>29,068,030</b>	<b>1,843,250</b>	<b>-</b>	<b>5,701,750</b>	<b>2,756,103</b>	<b>352,983</b>	<b>4,622,334</b>	<b>3,200,579</b>	<b>47,545,029</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	20,148,820	-	545,995	-	-	-	-	510,524	21,205,339
Support services	6,192,284	1,723,832	-	-	3,311,084	905,416	1,844,893	2,299,863	16,277,372
Community services	333,396	-	-	-	-	-	-	375	333,771
Nonprogrammed charges	798,979	-	-	-	-	-	-	152,893	951,872
Debt services	1,857,732	464,450	-	8,538,714	-	-	-	-	10,860,896
Interfund loans	310,000	-	-	-	-	-	-	-	310,000
<b>Total disbursements</b>	<b>29,641,211</b>	<b>2,188,282</b>	<b>545,995</b>	<b>8,538,714</b>	<b>3,311,084</b>	<b>905,416</b>	<b>1,844,893</b>	<b>2,963,655</b>	<b>49,939,250</b>
Excess (deficiency) of receipts over disbursements	(573,181)	(345,032)	(545,995)	(2,836,964)	(554,981)	(552,433)	2,777,441	236,924	(2,394,221)
<b>Other financing sources (uses):</b>									
Transfers in	91,676	15,333	253,000	53,862	29,175	5,768	-	7,586	456,400
Transfers out	-	-	-	-	(253,000)	-	-	(203,400)	(456,400)
<b>Total other financing sources (uses)</b>	<b>91,676</b>	<b>15,333</b>	<b>253,000</b>	<b>53,862</b>	<b>(223,825)</b>	<b>5,768</b>	<b>-</b>	<b>(195,814)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(481,505)	(329,699)	(292,995)	(2,783,102)	(778,806)	(546,665)	2,777,441	41,110	(2,394,221)
Cash and investments - beginning	2,368,748	651,487	1,105,500	3,148,328	974,889	653,506	35,617	1,046,761	9,984,836
Cash and investments - ending	\$ 1,887,243	\$ 321,788	\$ 812,505	\$ 365,226	\$ 196,083	\$ 106,841	\$ 2,813,058	\$ 1,087,871	\$ 7,590,615
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ 1,887,243	\$ 321,788	\$ 812,505	\$ -	\$ 196,083	\$ 106,841	\$ 2,813,058	\$ 1,087,871	\$ 7,225,389
Restricted assets:									
Cash and investments	-	-	-	365,226	-	-	-	-	365,226
<b>Total cash and investment assets - ending</b>	<b>\$ 1,887,243</b>	<b>\$ 321,788</b>	<b>\$ 812,505</b>	<b>\$ 365,226</b>	<b>\$ 196,083</b>	<b>\$ 106,841</b>	<b>\$ 2,813,058</b>	<b>\$ 1,087,871</b>	<b>\$ 7,590,615</b>
<b>Cash and Investment Fund Balance - Ending</b>									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 365,226	\$ -	\$ -	\$ -	\$ -	\$ 365,226
Unrestricted	1,887,243	321,788	812,505	-	196,083	106,841	2,813,058	1,087,871	7,225,389
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,887,243</b>	<b>\$ 321,788</b>	<b>\$ 812,505</b>	<b>\$ 365,226</b>	<b>\$ 196,083</b>	<b>\$ 106,841</b>	<b>\$ 2,813,058</b>	<b>\$ 1,087,871</b>	<b>\$ 7,590,615</b>

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Construction Fund	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 12,364,423	\$ 1,875,589	\$ -	\$ 10,877,026	\$ 4,716,263	\$ 601,174	\$ 123,596	\$ 1,585,997	\$ 32,144,068
Intermediate sources	276	-	-	-	-	-	-	1,238	1,514
State sources	18,576,119	-	-	-	-	-	-	412,064	18,988,183
Federal sources	-	-	-	-	-	-	-	1,589,280	1,589,280
Bonds and loans	7,393,638	1,190,080	-	85,937	-	-	-	-	8,669,655
Sale of property, adjustments and refunds	250	3,032	-	-	-	-	25,572	1,358	30,212
Interfund loans	310,000	-	-	-	-	-	-	-	310,000
<b>Total receipts</b>	<b>38,644,706</b>	<b>3,068,701</b>	<b>-</b>	<b>10,962,963</b>	<b>4,716,263</b>	<b>601,174</b>	<b>149,168</b>	<b>3,589,937</b>	<b>61,732,912</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	20,501,767	-	-	-	-	-	-	547,072	21,048,839
Support services	8,277,966	1,839,679	-	-	3,776,771	494,560	246,186	2,659,377	17,294,539
Community services	336,303	-	-	-	-	-	-	8,470	344,773
Nonprogrammed charges	903,453	-	-	-	-	-	-	142,999	1,046,452
Debt services	4,629,041	918,587	-	10,837,456	-	-	-	-	16,385,084
Interfund loans	-	-	-	-	310,000	-	-	-	310,000
<b>Total disbursements</b>	<b>34,648,530</b>	<b>2,758,266</b>	<b>-</b>	<b>10,837,456</b>	<b>4,086,771</b>	<b>494,560</b>	<b>246,186</b>	<b>3,357,918</b>	<b>56,429,687</b>
Excess (deficiency) of receipts over disbursements	3,996,176	310,435	-	125,507	629,492	106,614	(97,018)	232,019	5,303,225
<b>Other financing sources (uses):</b>									
Transfers in	-	-	350,000	-	-	-	-	80,116	430,116
Transfers out	-	-	-	(50,257)	(350,000)	-	-	(29,859)	(430,116)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>350,000</b>	<b>(50,257)</b>	<b>(350,000)</b>	<b>-</b>	<b>-</b>	<b>50,257</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,996,176	310,435	350,000	75,250	279,492	106,614	(97,018)	282,276	5,303,225
Cash and investments - beginning	1,887,243	321,788	812,505	365,226	196,083	106,841	2,813,058	1,087,871	7,590,615
Cash and investments - ending	\$ 5,883,419	\$ 632,223	\$ 1,162,505	\$ 440,476	\$ 475,575	\$ 213,455	\$ 2,716,040	\$ 1,370,147	\$ 12,893,840
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ 5,883,419	\$ 632,223	\$ 1,162,505	\$ -	\$ 475,575	\$ 213,455	\$ 2,716,040	\$ 1,370,147	\$ 12,453,364
Restricted assets:									
Cash and investments	-	-	-	440,476	-	-	-	-	440,476
<b>Total cash and investment assets - ending</b>	<b>\$ 5,883,419</b>	<b>\$ 632,223</b>	<b>\$ 1,162,505</b>	<b>\$ 440,476</b>	<b>\$ 475,575</b>	<b>\$ 213,455</b>	<b>\$ 2,716,040</b>	<b>\$ 1,370,147</b>	<b>\$ 12,893,840</b>
<b>Cash and Investment Fund Balance - Ending</b>									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 440,476	\$ -	\$ -	\$ -	\$ -	\$ 440,476
Unrestricted	5,883,419	632,223	1,162,505	-	475,575	213,455	2,716,040	1,370,147	12,453,364
<b>Total cash and investment fund balance - ending</b>	<b>\$ 5,883,419</b>	<b>\$ 632,223</b>	<b>\$ 1,162,505</b>	<b>\$ 440,476</b>	<b>\$ 475,575</b>	<b>\$ 213,455</b>	<b>\$ 2,716,040</b>	<b>\$ 1,370,147</b>	<b>\$ 12,893,840</b>

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ 132,965
Investment earnings:	
Interest	<u>384</u>
Total additions	<u>133,349</u>
Deductions:	
Administrative and general	<u>44,921</u>
Excess of total additions over total deductions	88,428
Cash and investment fund balance - beginning	<u>28,440</u>
Cash and investment fund balance - ending	<u>\$ 116,868</u>
Net assets:	
Cash and investments	<u>\$ 116,868</u>
Total net assets - cash and investment basis held in trust	<u>\$ 116,868</u>

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2008

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ 138,677
Investment earnings:	
Interest	<u>1,067</u>
Total additions	<u>139,744</u>
Deductions:	
Administrative and general	<u>121,706</u>
Excess of total additions over total deductions	18,038
Cash and investment fund balance - beginning	<u>116,868</u>
Cash and investment fund balance - ending	<u><u>\$ 134,906</u></u>
Net assets:	
Cash and investments	<u>\$ 134,906</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 134,906</u></u>

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

FRANKLIN 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 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 Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Greenwood Community School Corporation, Nineveh-Hensley-Jackson United School Corporation, and Edinburgh Community School Corporation in a joint venture to operate Special Services – Johnson County Schools which was created to provide instruction for individuals with disabilities. Special Services – Johnson County Schools' continued existence depends on continued funding by the School Corporation. Complete financial statements for Special Services – Johnson County Schools can be obtained from Special Services – Johnson County Schools, 500 Earlywood Drive, Franklin, IN 46131.

The School Corporation is a participant with Beech Grove City Schools, Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Greenwood Community School Corporation, Nineveh-Hensley-Jackson United School Corporation, Metropolitan School District of Perry Township, and Metropolitan School District of Franklin Township in a joint venture to operate Central Nine Career Center which was created to provide instruction for vocational education. Central Nine Career Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for Central Nine Career Center can be obtained from Central Nine Career Center, P.O. Box 426, Greenwood, IN 46142.

The School Corporation is a participant with various school corporations in a joint venture to operate Central Indiana Educational Services Center which was created to provide purchasing opportunities for supplies and the service center's programs and professional development. Central Indiana Educational Services Center continued existence depends on continued funding by the School Corporation. Complete financial statements for Central Indiana Educational Services Center can be obtained from Central Indiana Educational Services Center, 6321 La Pas Trail, Suite 200, Indianapolis, IN 46268.

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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, 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 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 transportation operating fund accounts for financial resources for the transportation of school children to and from school.

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

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with IC 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

The construction fund is used for capital outlay. Disbursements are made from receipts derived from the sale of general obligation bonds or from other outside sources.

Additionally, the School Corporation reports the following fund types:

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental 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. Receipts are recorded when received and disbursements are recorded when paid.

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.

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. However, as in 2008, the property tax rates and levies may not be available by February 15 when counties have not determined Net Taxable Assessed Values. 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. However, due to issues with reassessment, property taxes collected by the County Treasurer and available for distribution to the School Corporation were not timely in 2007 or 2008.

3. Capital Assets

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Long-Term Debt

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

5. 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 Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
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 Activities and Net Assets – Cash and Investment Basis 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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

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 COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$13,028,742.

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.

2. Investments

As of June 30, 2008, the School Corporation did not have any investments:

Statutory Authorization for Investments

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

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

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

There were no investments held by the School Corporation that were exposed to custodial credit risks because they were uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Transfer From	Transfer To	2007	2008
Capital Projects Fund	Rainy Day Fund	\$ 253,000	\$ 350,000
Debt Service Fund	Other governmental funds	-	50,257
Other governmental funds	School Bus Replacement	5,768	-
Other governmental funds	Transportation Operating	15,333	-
Other governmental funds	Capital Projects	29,175	-
Other governmental funds	Debt Service	53,862	-
Other governmental funds	General Fund	73,443	-
Other governmental funds	Other governmental funds	25,819	29,859
		<u>\$ 456,400</u>	<u>\$ 430,116</u>
Totals			

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

B. Holding Corporations

The School Corporation has entered into capital leases with the 92/93 Franklin Elementary Holding Corporation, the 1996 Building Corporation, and the 2001-2007 Multi School Corporation. 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. The lessors have been determined to be a related party of the School Corporation. Lease payments during the year totaled \$8,167,500 for 2006-2007 and \$10,232,500 for 2007-2008.

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Pension Plans

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

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

FRANKLIN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 210,324
Interest on net pension obligation	(6,044)
Adjustment to annual required contribution	6,888
Annual pension cost	211,168
Contributions made	216,954
Decrease in net pension obligation	(5,786)
Net pension obligation, beginning of year	(83,368)
Net pension obligation, end of year	\$ (89,154)

	PERF
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	4%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	1.5%

FRANKLIN 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	06-30-06	\$ 158,143	92%	\$ (87,230)
	06-30-07	175,683	98%	(83,368)
	06-30-08	211,168	103%	(89,154)

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, 2008, 2007, and 2006, were \$651,408, \$568,668, and \$460,968, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

FRANKLIN 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)
07-01-06	\$ 2,753,330	\$ 2,789,521	\$ (36,191)	99%	\$ 2,761,920	(1%)
07-01-07	2,938,723	2,989,012	(50,289)	98%	3,250,005	(2%)
07-01-08	3,025,206	3,263,903	(238,697)	93%	3,577,224	(7%)

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Educational License Plate	Alternative Education	SAFE School Haven
<b>Receipts:</b>							
Local sources	\$ 16,766	\$ 1,139,509	\$ 254,024	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	2,006	-	-
State sources	134,227	25,567	72,439	-	-	1,589	-
Federal sources	-	723,922	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	1,540	-	-	-	-
<b>Total receipts</b>	<u>150,993</u>	<u>1,888,998</u>	<u>328,003</u>	<u>-</u>	<u>2,006</u>	<u>1,589</u>	<u>-</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	-	-	3,359	-
Support services	-	1,749,774	284,495	-	-	-	8,465
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	152,625	-	-	-	-	-	-
<b>Total disbursements</b>	<u>152,625</u>	<u>1,749,774</u>	<u>284,495</u>	<u>-</u>	<u>-</u>	<u>3,359</u>	<u>8,465</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(1,632)</u>	<u>139,224</u>	<u>43,508</u>	<u>-</u>	<u>2,006</u>	<u>(1,770)</u>	<u>(8,465)</u>
<b>Other financing sources (uses):</b>							
Transfers in	295	-	-	-	-	-	-
Transfers out	(18,233)	-	-	(177,876)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(17,938)</u>	<u>-</u>	<u>-</u>	<u>(177,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(19,570)</u>	<u>139,224</u>	<u>43,508</u>	<u>(177,876)</u>	<u>2,006</u>	<u>(1,770)</u>	<u>(8,465)</u>
Cash and investments - beginning	<u>144,750</u>	<u>106,891</u>	<u>170,984</u>	<u>177,876</u>	<u>1,425</u>	<u>4,912</u>	<u>17,501</u>
Cash and investments - ending	<u>\$ 125,180</u>	<u>\$ 246,115</u>	<u>\$ 214,492</u>	<u>\$ -</u>	<u>\$ 3,431</u>	<u>\$ 3,142</u>	<u>\$ 9,036</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	<u>\$ 125,180</u>	<u>\$ 246,115</u>	<u>\$ 214,492</u>	<u>\$ -</u>	<u>\$ 3,431</u>	<u>\$ 3,142</u>	<u>\$ 9,036</u>
<b>Total cash and investment assets - ending</b>	<u>\$ 125,180</u>	<u>\$ 246,115</u>	<u>\$ 214,492</u>	<u>\$ -</u>	<u>\$ 3,431</u>	<u>\$ 3,142</u>	<u>\$ 9,036</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	<u>\$ 125,180</u>	<u>\$ 246,115</u>	<u>\$ 214,492</u>	<u>\$ -</u>	<u>\$ 3,431</u>	<u>\$ 3,142</u>	<u>\$ 9,036</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ 125,180</u>	<u>\$ 246,115</u>	<u>\$ 214,492</u>	<u>\$ -</u>	<u>\$ 3,431</u>	<u>\$ 3,142</u>	<u>\$ 9,036</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Early Intervention Grant	Medicaid Reimbursement	Cultural Arts	Non-English Speaking Programs	School Technology	2006 In Youth Tobacco Survey
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 154,457	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	2,500	3,195	-	1,700	-	1,000
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
<b>Total receipts</b>	<u>2,500</u>	<u>3,195</u>	<u>-</u>	<u>1,700</u>	<u>154,457</u>	<u>1,000</u>
Disbursements:						
Current:						
Instruction	-	-	60	7,869	-	-
Support services	11,407	48,742	-	-	45,043	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<u>11,407</u>	<u>48,742</u>	<u>60</u>	<u>7,869</u>	<u>45,043</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(8,907)</u>	<u>(45,547)</u>	<u>(60)</u>	<u>(6,169)</u>	<u>109,414</u>	<u>1,000</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(8,907)</u>	<u>(45,547)</u>	<u>(60)</u>	<u>(6,169)</u>	<u>109,414</u>	<u>1,000</u>
Cash and investments - beginning	<u>8,907</u>	<u>48,742</u>	<u>60</u>	<u>8,899</u>	<u>144,214</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ 2,730</u>	<u>\$ 253,628</u>	<u>\$ 1,000</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ -</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ 2,730</u>	<u>\$ 253,628</u>	<u>\$ 1,000</u>
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ 2,730</u>	<u>\$ 253,628</u>	<u>\$ 1,000</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ -</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ 2,730</u>	<u>\$ 253,628</u>	<u>\$ 1,000</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ 2,730</u>	<u>\$ 253,628</u>	<u>\$ 1,000</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Natl. Governor's Honor Grant	G/T High Ability Grant	Aerospace Education Foundation	Title 1 06 - 07	Title 1 Part D 06 - 07	Title 1 Delinquent 04 - 05
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	50,000	18,479	-	-	-	-
Federal sources	-	-	-	331,271	41,269	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
<b>Total receipts</b>	<b>50,000</b>	<b>18,479</b>	<b>-</b>	<b>331,271</b>	<b>41,269</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	9,277	2	305,031	-	-
Support services	-	-	-	8,000	-	-
Community services	-	-	-	285	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>9,277</b>	<b>2</b>	<b>313,316</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>50,000</b>	<b>9,202</b>	<b>(2)</b>	<b>17,955</b>	<b>41,269</b>	<b>-</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	7,291	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,291</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>50,000</b>	<b>9,202</b>	<b>(2)</b>	<b>25,246</b>	<b>41,269</b>	<b>-</b>
Cash and investments - beginning	-	-	2	-	-	8,767
<b>Cash and investments - ending</b>	<b>\$ 50,000</b>	<b>\$ 9,202</b>	<b>\$ -</b>	<b>\$ 25,246</b>	<b>\$ 41,269</b>	<b>\$ 8,767</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 50,000	\$ 9,202	\$ -	\$ 25,246	\$ 41,269	\$ 8,767
<b>Total cash and investment assets - ending</b>	<b>\$ 50,000</b>	<b>\$ 9,202</b>	<b>\$ -</b>	<b>\$ 25,246</b>	<b>\$ 41,269</b>	<b>\$ 8,767</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ 50,000	\$ 9,202	\$ -	\$ 25,246	\$ 41,269	\$ 8,767
<b>Total cash and investment fund balance - ending</b>	<b>\$ 50,000</b>	<b>\$ 9,202</b>	<b>\$ -</b>	<b>\$ 25,246</b>	<b>\$ 41,269</b>	<b>\$ 8,767</b>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Title 1 Part D 05 - 06	Innovative Education Program Strategies	Title IV Drug Free Schools	Title IV Drug Free Schools	Medicaid Reimbursement Federal	Team Nutrition Mini Grant
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	20,754	-	-	16,992	5,225	500
Sale of property, adjustments and refunds	-	-	-	-	-	-
<b>Total receipts</b>	<b>20,754</b>	<b>-</b>	<b>-</b>	<b>16,992</b>	<b>5,225</b>	<b>500</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	83,295	-	2,550	-	-	500
Support services	-	25	7,532	4,575	68,896	-
Community services	-	-	-	90	-	-
Nonprogrammed charges	-	190	-	-	-	-
<b>Total disbursements</b>	<b>83,295</b>	<b>215</b>	<b>10,082</b>	<b>4,665</b>	<b>68,896</b>	<b>500</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(62,541)</b>	<b>(215)</b>	<b>(10,082)</b>	<b>12,327</b>	<b>(63,671)</b>	<b>-</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(7,291)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(7,291)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(69,832)</b>	<b>(215)</b>	<b>(10,082)</b>	<b>12,327</b>	<b>(63,671)</b>	<b>-</b>
<b>Cash and investments - beginning</b>	<b>73,962</b>	<b>215</b>	<b>10,082</b>	<b>-</b>	<b>68,369</b>	<b>-</b>
<b>Cash and investments - ending</b>	<b>\$ 4,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,327</b>	<b>\$ 4,698</b>	<b>\$ -</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 4,130	\$ -	\$ -	\$ 12,327	\$ 4,698	\$ -
<b>Total cash and investment assets - ending</b>	<b>\$ 4,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,327</b>	<b>\$ 4,698</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ 4,130	\$ -	\$ -	\$ 12,327	\$ 4,698	\$ -
<b>Total cash and investment fund balance - ending</b>	<b>\$ 4,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,327</b>	<b>\$ 4,698</b>	<b>\$ -</b>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
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 For the Year Ended June 30, 2007  
 (Continued)

	Title II Part A Teach Quality	Title II Part D 05 - 07	English Proficiency	LSTA Tech Mini Grant 04 - 05	Needham Nature Center Donation	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,564,756
Intermediate sources	-	-	-	-	-	2,006
State sources	-	-	-	-	-	310,696
Federal sources	153,409	6,902	21,337	-	-	1,321,581
Sale of property, adjustments and refunds	-	-	-	-	-	1,540
<b>Total receipts</b>	<b>153,409</b>	<b>6,902</b>	<b>21,337</b>	<b>-</b>	<b>-</b>	<b>3,200,579</b>
Disbursements:						
Current:						
Instruction	94,354	-	4,227	-	-	510,524
Support services	54,656	4,188	825	3,240	-	2,299,863
Community services	-	-	-	-	-	375
Nonprogrammed charges	-	78	-	-	-	152,893
<b>Total disbursements</b>	<b>149,010</b>	<b>4,266</b>	<b>5,052</b>	<b>3,240</b>	<b>-</b>	<b>2,963,655</b>
Excess (deficiency) of receipts over disbursements	4,399	2,636	16,285	(3,240)	-	236,924
Other financing sources (uses):						
Transfers in	-	-	-	-	-	7,586
Transfers out	-	-	-	-	-	(203,400)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(195,814)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,399	2,636	16,285	(3,240)	-	41,110
Cash and investments - beginning	43,022	3,891	-	3,240	50	1,046,761
Cash and investments - ending	<u>\$ 47,421</u>	<u>\$ 6,527</u>	<u>\$ 16,285</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,087,871</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ 47,421</u>	<u>\$ 6,527</u>	<u>\$ 16,285</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,087,871</u>
Total cash and investment assets - ending	<u>\$ 47,421</u>	<u>\$ 6,527</u>	<u>\$ 16,285</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,087,871</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ 47,421</u>	<u>\$ 6,527</u>	<u>\$ 16,285</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,087,871</u>
Total cash and investment fund balance - ending	<u>\$ 47,421</u>	<u>\$ 6,527</u>	<u>\$ 16,285</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,087,871</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
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	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plate	Alternative Education	SAFE School Haven
<b>Receipts:</b>						
Local sources	\$ 31,973	\$ 1,221,182	\$ 248,903	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	1,238	-	-
State sources	119,529	27,596	185,125	-	319	-
Federal sources	-	827,573	-	-	-	-
Sale of property, adjustments and refunds	-	-	1,358	-	-	-
<b>Total receipts</b>	<u>151,502</u>	<u>2,076,351</u>	<u>435,386</u>	<u>1,238</u>	<u>319</u>	<u>-</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	3,581	3,142	-
Support services	-	1,945,491	469,460	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	142,999	-	-	-	-	-
<b>Total disbursements</b>	<u>142,999</u>	<u>1,945,491</u>	<u>469,460</u>	<u>3,581</u>	<u>3,142</u>	<u>-</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>8,503</u>	<u>130,860</u>	<u>(34,074)</u>	<u>(2,343)</u>	<u>(2,823)</u>	<u>-</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	50,257	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>50,257</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>8,503</u>	<u>130,860</u>	<u>16,183</u>	<u>(2,343)</u>	<u>(2,823)</u>	<u>-</u>
<b>Cash and investments - beginning</b>	<u>125,180</u>	<u>246,115</u>	<u>214,492</u>	<u>3,431</u>	<u>3,142</u>	<u>9,036</u>
<b>Cash and investments - ending</b>	<u>\$ 133,683</u>	<u>\$ 376,975</u>	<u>\$ 230,675</u>	<u>\$ 1,088</u>	<u>\$ 319</u>	<u>\$ 9,036</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 133,683	\$ 376,975	\$ 230,675	\$ 1,088	\$ 319	\$ 9,036
<b>Total cash and investment assets - ending</b>	<u>\$ 133,683</u>	<u>\$ 376,975</u>	<u>\$ 230,675</u>	<u>\$ 1,088</u>	<u>\$ 319</u>	<u>\$ 9,036</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ 133,683	\$ 376,975	\$ 230,675	\$ 1,088	\$ 319	\$ 9,036
<b>Total cash and investment fund balance - ending</b>	<u>\$ 133,683</u>	<u>\$ 376,975</u>	<u>\$ 230,675</u>	<u>\$ 1,088</u>	<u>\$ 319</u>	<u>\$ 9,036</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
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 For the Year Ended June 30, 2008  
 (Continued)

	SAFE Haven Grant 07 - 08	Medicaid Reimbursement	Non-English Speaking Programs	School Technology	Tech. Plan Buddy	2006 In Youth Tobacco Survey
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ 83,939	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	10,635	2,710	14,598	-	4,500	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
<b>Total receipts</b>	<b>10,635</b>	<b>2,710</b>	<b>14,598</b>	<b>83,939</b>	<b>4,500</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	6,789	-	2,900	-
Support services	8,508	3,195	35	77,403	1,600	994
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>8,508</b>	<b>3,195</b>	<b>6,824</b>	<b>77,403</b>	<b>4,500</b>	<b>994</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>2,127</b>	<b>(485)</b>	<b>7,774</b>	<b>6,536</b>	<b>-</b>	<b>(994)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>2,127</b>	<b>(485)</b>	<b>7,774</b>	<b>6,536</b>	<b>-</b>	<b>(994)</b>
Cash and investments - beginning	-	3,195	2,730	253,628	-	1,000
Cash and investments - ending	<u>\$ 2,127</u>	<u>\$ 2,710</u>	<u>\$ 10,504</u>	<u>\$ 260,164</u>	<u>\$ -</u>	<u>\$ 6</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ 2,127</u>	<u>\$ 2,710</u>	<u>\$ 10,504</u>	<u>\$ 260,164</u>	<u>\$ -</u>	<u>\$ 6</u>
<b>Total cash and investment assets - ending</b>	<b><u>\$ 2,127</u></b>	<b><u>\$ 2,710</u></b>	<b><u>\$ 10,504</u></b>	<b><u>\$ 260,164</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6</u></b>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ 2,127</u>	<u>\$ 2,710</u>	<u>\$ 10,504</u>	<u>\$ 260,164</u>	<u>\$ -</u>	<u>\$ 6</u>
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 2,127</u></b>	<b><u>\$ 2,710</u></b>	<b><u>\$ 10,504</u></b>	<b><u>\$ 260,164</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6</u></b>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
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 For the Year Ended June 30, 2008  
 (Continued)

	Natl. Governor's Honor Grant	G/T High Ability Grant	Title 1 06 - 07	Title 1 Part D 06 - 07	Title 1 School Improvement	Title 1 07 - 08
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	47,052	-	-	-	-
Federal sources	-	-	-	-	28,478	410,401
Sale of property, adjustments and refunds	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>47,052</b>	<b>-</b>	<b>-</b>	<b>28,478</b>	<b>410,401</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	26,461	4,925	38,376	5,960	309,959
Support services	16,169	-	20,946	-	1,741	1,835
Community services	-	-	740	-	70	926
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>16,169</b>	<b>26,461</b>	<b>26,611</b>	<b>38,376</b>	<b>7,771</b>	<b>312,720</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(16,169)</b>	<b>20,591</b>	<b>(26,611)</b>	<b>(38,376)</b>	<b>20,707</b>	<b>97,681</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	5,000	3,556	-	6,450
Transfers out	-	-	-	(6,450)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>(2,894)</b>	<b>-</b>	<b>6,450</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(16,169)</b>	<b>20,591</b>	<b>(21,611)</b>	<b>(41,270)</b>	<b>20,707</b>	<b>104,131</b>
Cash and investments - beginning	50,000	9,202	25,246	41,269	-	-
Cash and investments - ending	<u>\$ 33,831</u>	<u>\$ 29,793</u>	<u>\$ 3,635</u>	<u>\$ (1)</u>	<u>\$ 20,707</u>	<u>\$ 104,131</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ 33,831	\$ 29,793	\$ 3,635	\$ (1)	\$ 20,707	\$ 104,131
<b>Total cash and investment assets - ending</b>	<b><u>\$ 33,831</u></b>	<b><u>\$ 29,793</u></b>	<b><u>\$ 3,635</u></b>	<b><u>\$ (1)</u></b>	<b><u>\$ 20,707</u></b>	<b><u>\$ 104,131</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Unrestricted	\$ 33,831	\$ 29,793	\$ 3,635	\$ (1)	\$ 20,707	\$ 104,131
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 33,831</u></b>	<b><u>\$ 29,793</u></b>	<b><u>\$ 3,635</u></b>	<b><u>\$ (1)</u></b>	<b><u>\$ 20,707</u></b>	<b><u>\$ 104,131</u></b>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
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	Title 1 Part D 07 - 08	Title 1 Delinquent 04 - 05	Title 1 Part D 05 - 06	Title V Innovative Programs	McKinney-Vento Education For Homeless	Title IV Drug Free Schools
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	71,486	-	-	22,696	42,000	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
<b>Total receipts</b>	<b>71,486</b>	<b>-</b>	<b>-</b>	<b>22,696</b>	<b>42,000</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	23,471	-	-	-	-	-
Support services	-	-	-	14,591	15,550	1,728
Community services	-	-	-	530	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>23,471</b>	<b>-</b>	<b>-</b>	<b>15,121</b>	<b>15,550</b>	<b>1,728</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>48,015</b>	<b>-</b>	<b>-</b>	<b>7,575</b>	<b>26,450</b>	<b>(1,728)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	1,728
Transfers out	-	-	(3,556)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(3,556)</b>	<b>-</b>	<b>-</b>	<b>1,728</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>48,015</b>	<b>-</b>	<b>(3,556)</b>	<b>7,575</b>	<b>26,450</b>	<b>-</b>
Cash and investments - beginning	-	8,767	4,130	-	-	-
<b>Cash and investments - ending</b>	<b>\$ 48,015</b>	<b>\$ 8,767</b>	<b>\$ 574</b>	<b>\$ 7,575</b>	<b>\$ 26,450</b>	<b>\$ -</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 48,015	\$ 8,767	\$ 574	\$ 7,575	\$ 26,450	\$ -
<b>Total cash and investment assets - ending</b>	<b>\$ 48,015</b>	<b>\$ 8,767</b>	<b>\$ 574</b>	<b>\$ 7,575</b>	<b>\$ 26,450</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ 48,015	\$ 8,767	\$ 574	\$ 7,575	\$ 26,450	\$ -
<b>Total cash and investment fund balance - ending</b>	<b>\$ 48,015</b>	<b>\$ 8,767</b>	<b>\$ 574</b>	<b>\$ 7,575</b>	<b>\$ 26,450</b>	<b>\$ -</b>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Title IV Drug Free Schools	Title IV Drug Free Schools	Title IV Drug Free Schools	Medicaid Reimbursement Federal	Title II Part A Teach Quality
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	13,125	4,554	105,000
Sale of property, adjustments and refunds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>13,125</u>	<u>4,554</u>	<u>105,000</u>
Total receipts	<u>-</u>	<u>-</u>	<u>13,125</u>	<u>4,554</u>	<u>105,000</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	2,800	-	-	100,000
Support services	-	7,321	-	5,153	42,027
Community services	-	477	-	-	5,394
Nonprogrammed charges	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>-</u>	<u>10,598</u>	<u>-</u>	<u>5,153</u>	<u>147,421</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(10,598)</u>	<u>13,125</u>	<u>(599)</u>	<u>(42,421)</u>
<b>Other financing sources (uses):</b>					
Transfers in	13,125	-	-	-	-
Transfers out	<u>-</u>	<u>(1,728)</u>	<u>(13,125)</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>13,125</u>	<u>(1,728)</u>	<u>(13,125)</u>	<u>-</u>	<u>(5,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,125	(12,326)	-	(599)	(47,421)
Cash and investments - beginning	<u>-</u>	<u>12,327</u>	<u>-</u>	<u>4,698</u>	<u>47,421</u>
Cash and investments - ending	<u>\$ 13,125</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 4,099</u>	<u>\$ -</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	<u>\$ 13,125</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 4,099</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 13,125</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 4,099</u>	<u>\$ -</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Unrestricted	<u>\$ 13,125</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 4,099</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 13,125</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 4,099</u>	<u>\$ -</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Title II A 06 - 07	Title II Part D 05 - 07	English Proficiency	Needham Nature Center Donation	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 1,585,997
Intermediate sources	-	-	-	-	1,238
State sources	-	-	-	-	412,064
Federal sources	49,104	-	14,863	-	1,589,280
Sale of property, adjustments and refunds	-	-	-	-	1,358
<b>Total receipts</b>	<b>49,104</b>	<b>-</b>	<b>14,863</b>	<b>-</b>	<b>3,589,937</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	18,708	-	547,072
Support services	17,995	6,194	1,441	-	2,659,377
Community services	-	333	-	-	8,470
Nonprogrammed charges	-	-	-	-	142,999
<b>Total disbursements</b>	<b>17,995</b>	<b>6,527</b>	<b>20,149</b>	<b>-</b>	<b>3,357,918</b>
Excess (deficiency) of receipts over disbursements	31,109	(6,527)	(5,286)	-	232,019
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	80,116
Transfers out	-	-	-	-	(29,859)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,257</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,109	(6,527)	(5,286)	-	282,276
Cash and investments - beginning	-	6,527	16,285	50	1,087,871
Cash and investments - ending	<u>\$ 31,109</u>	<u>\$ -</u>	<u>\$ 10,999</u>	<u>\$ 50</u>	<u>\$ 1,370,147</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	<u>\$ 31,109</u>	<u>\$ -</u>	<u>\$ 10,999</u>	<u>\$ 50</u>	<u>\$ 1,370,147</u>
Total cash and investment assets - ending	<u>\$ 31,109</u>	<u>\$ -</u>	<u>\$ 10,999</u>	<u>\$ 50</u>	<u>\$ 1,370,147</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Unrestricted	<u>\$ 31,109</u>	<u>\$ -</u>	<u>\$ 10,999</u>	<u>\$ 50</u>	<u>\$ 1,370,147</u>
Total cash and investment fund balance - ending	<u>\$ 31,109</u>	<u>\$ -</u>	<u>\$ 10,999</u>	<u>\$ 50</u>	<u>\$ 1,370,147</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2007

	<u>FCTV Donation From Dewees</u>	<u>Summer Reading Program</u>	<u>FCSC Bookmobile Donations</u>	<u>Johnson County Community Fund</u>	<u>Payne Recreation Fund</u>	<u>E. Jones Memorial Scholarship</u>
Additions:						
Contributions:						
Other	\$ 6,000	\$ 1,000	\$ 21	\$ -	\$ -	\$ -
Investment earnings:						
Interest	-	-	-	-	-	-
Total additions	<u>6,000</u>	<u>1,000</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deductions:						
Administrative and general	<u>5,758</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of total additions over total deductions	242	1,000	21	(13)	-	-
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>50</u>	<u>13</u>	<u>6,695</u>	<u>6,983</u>
Cash and investments - June 30	<u>\$ 242</u>	<u>\$ 1,000</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 6,695</u>	<u>\$ 6,983</u>
Net assets:						
Cash and investments	<u>\$ 242</u>	<u>\$ 1,000</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 6,695</u>	<u>\$ 6,983</u>
Total net assets - cash and investment basis held in trust	<u>\$ 242</u>	<u>\$ 1,000</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 6,695</u>	<u>\$ 6,983</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	One Room School House	Northwood Outdoor Ed. Program	FACS Donations FCHS	CBIS Family Consumer Science	Community Meeting Donation	Support Staff Awards Donation
Additions:						
Contributions:						
Other	\$ 300	\$ -	\$ 200	\$ 250	\$ 800	\$ 1,600
Investment earnings:						
Interest	-	384	-	-	-	-
Total additions	<u>300</u>	<u>384</u>	<u>200</u>	<u>250</u>	<u>800</u>	<u>1,600</u>
Deductions:						
Administrative and general	-	-	200	-	235	1,318
Excess (deficiency) of total additions over total deductions	300	384	-	250	565	282
Cash and investment fund balance - beginning	<u>4,309</u>	<u>10,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - June 30	<u>\$ 4,609</u>	<u>\$ 10,640</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 565</u>	<u>\$ 282</u>
Net assets:						
Cash and investments	<u>\$ 4,609</u>	<u>\$ 10,640</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 565</u>	<u>\$ 282</u>
Total net assets - cash and investment basis held in trust	<u>\$ 4,609</u>	<u>\$ 10,640</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 565</u>	<u>\$ 282</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	CS Elem 1st Franklin Lion Club	IU Asia Grant Karen Cheek	Payne Recreation Fund	Coke Fund Money	Cape Grant 2007 - 2008	Totals
Additions:						
Contributions:						
Other	\$ 100	\$ 32,342	\$ 62,401	\$ 27,951	\$ -	\$ 132,965
Investment earnings:						
Interest	-	-	-	-	-	384
Total additions	<u>100</u>	<u>32,342</u>	<u>62,401</u>	<u>27,951</u>	<u>-</u>	<u>133,349</u>
Deductions:						
Administrative and general	-	32,342	4,921	-	134	44,921
Excess (deficiency) of total additions over total deductions	100	-	57,480	27,951	(134)	88,428
Cash and investment fund balance - beginning	-	-	-	-	134	28,440
Cash and investments - June 30	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 57,480</u>	<u>\$ 27,951</u>	<u>\$ -</u>	<u>\$ 116,868</u>
Net assets:						
Cash and investments	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 57,480</u>	<u>\$ 27,951</u>	<u>\$ -</u>	<u>\$ 116,868</u>
Total net assets - cash and investment basis held in trust	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 57,480</u>	<u>\$ 27,951</u>	<u>\$ -</u>	<u>\$ 116,868</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2008

	<u>FCTV Donation From Dewees</u>	<u>Summer Reading Program</u>	<u>FCSC Bookmobile Donations</u>	<u>Payne Recreation Fund</u>	<u>E. Jones Memorial Scholarship</u>	<u>One Room School House</u>	<u>Northwood Outdoor Ed. Program</u>
Additions: Contributions: Other Investment earnings: Interest  Total additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>212</u>
Deductions: Administrative and general	<u>242</u>	<u>1,000</u>	<u>71</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of total additions over total deductions	(242)	(1,000)	(71)	-	-	500	212
Cash and investment fund balance - beginning	<u>242</u>	<u>1,000</u>	<u>71</u>	<u>6,695</u>	<u>6,983</u>	<u>4,609</u>	<u>10,640</u>
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,695</u>	<u>\$ 6,983</u>	<u>\$ 5,109</u>	<u>\$ 10,852</u>
Net assets: Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,695</u>	<u>\$ 6,983</u>	<u>\$ 5,109</u>	<u>\$ 10,852</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,695</u>	<u>\$ 6,983</u>	<u>\$ 5,109</u>	<u>\$ 10,852</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Change Our World Donation	FACS Donations FCHS	CBIS Family Consumer Science	Community Meeting Donation	Support Staff Awards Donation	CS Elem Ist Franklin Lion Club	Waliking Track Union Elem
Additions:							
Contributions:							
Other	\$ 633	\$ 375	\$ 250	\$ -	\$ 1,600	\$ 250	\$ 2,000
Investment earnings:							
Interest	-	-	-	-	-	-	-
Total additions	<u>633</u>	<u>375</u>	<u>250</u>	<u>-</u>	<u>1,600</u>	<u>250</u>	<u>2,000</u>
Deductions:							
Administrative and general	-	375	499	565	1,264	305	-
Excess (deficiency) of total additions over total deductions	633	-	(249)	(565)	336	(55)	2,000
Cash and investment fund balance - beginning	-	-	250	565	282	100	-
Cash and investments - June 30	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 618</u>	<u>\$ 45</u>	<u>\$ 2,000</u>
Net assets:							
Cash and investments	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 618</u>	<u>\$ 45</u>	<u>\$ 2,000</u>
Total net assets - cash and investment basis held in trust	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 618</u>	<u>\$ 45</u>	<u>\$ 2,000</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Payne Recreation Fund	Northwood Outdoor Ed. Program	Coke Fund Money	Cape Grant 2007 - 2008	Cape Grant 2008 - 2009	Totals
Additions:						
Contributions:						
Other	\$ 9,800	\$ -	\$ 78,442	\$ 27	\$ 44,800	\$ 138,677
Investment earnings:						
Interest	672	183	-	-	-	1,067
Total additions	<u>10,472</u>	<u>183</u>	<u>78,442</u>	<u>27</u>	<u>44,800</u>	<u>139,744</u>
Deductions:						
Administrative and general	57,612	-	58,273	1,082	418	121,706
Excess (deficiency) of total additions over total deductions	(47,140)	183	20,169	(1,055)	44,382	18,038
Cash and investment fund balance - beginning	57,480	-	27,951	-	-	116,868
Cash and investments - June 30	<u>\$ 10,340</u>	<u>\$ 183</u>	<u>\$ 48,120</u>	<u>\$ (1,055)</u>	<u>\$ 44,382</u>	<u>\$ 134,906</u>
Net assets:						
Cash and investments	\$ 10,340	\$ 183	\$ 48,120	\$ (1,055)	\$ 44,382	\$ 134,906
Total net assets - cash and investment basis held in trust	<u>\$ 10,340</u>	<u>\$ 183</u>	<u>\$ 48,120</u>	<u>\$ (1,055)</u>	<u>\$ 44,382</u>	<u>\$ 134,906</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2008

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	\$ 6,119,422
Buildings	71,584,887
Improvements other than buildings	2,829,551
Machinery and equipment	<u>7,141,715</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 87,675,575</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2008

The School Corporation has entered into the following debt:

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Government activities:		
Capital Leases:		
Northwood Elementary Remodel, Creekside Elementary, Transportation Facility	\$ 15,635,000	\$ 2,355,587
Needham Elementary	300,795	495,000
Custer Baker Intermediate School	18,805,000	1,370,950
High School	95,195,000	4,944,401
Middle School Remodel (Old High School)	<u>31,745,000</u>	<u>1,469,231</u>
Total government activities debt	<u>\$ 161,680,795</u>	<u>\$ 10,635,169</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

DEPOSITS (Applies to Webb Elementary School)

Receipts, in numerous instances, were deposited later than the next business day. A similar comment appeared in the prior two reports and, although improvement has been made, many deposits are still not timely. Additionally, as reported in previous reports, receipts are not always written at the time the money is remitted. Receipts are written on the date of deposit, however, one notable exception is a deposit made on February 21, 2008 for \$908.42. All receipts in this deposit were written on February 8, 2008; a ledger entry was made on February 8, 2008; however, the \$908.42 was not deposited until 13 days later.

IC 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

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

GIFT AND GIFT CARD PURCHASES (Applies to Custer Baker Intermediate School)

Several purchases were made for gifts (TVs, DVD players, CD players, etc.) and gift cards. These purchases were made as prizes for student contests and parties as well as in appreciation to coaches and club sponsors. However, not all of the claims were adequately supported by acceptable documentation such as original receipts, bills, and invoices. Additionally, no list of prize winners and receiver signatures were presented to confirm that the gifts and gift cards were properly distributed for the purposes intended.

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

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

OVERDRAWN FUND BALANCES (Applies to Franklin Community High School)

The Driver's Ed Fund was overdrawn \$640 at June 30, 2007, and the Book Rental Fund was overdrawn \$470.78 at June 30, 2008.

The 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 Extra-Curricular Accounts, Chapter 7)

FRANKLIN COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

DISBURSEMENT DOCUMENTATION (Applies to Franklin Community High School)

Payments were observed which did not contain adequate supporting documentation such as original receipts, invoices, and bills. A staff member in at least one instance was reimbursed for a purchase on the basis of a non-itemized credit card slip with no supporting invoice. We also noted that gift cards and other gifts and awards were being purchased and presented to recipients who were not signing as to the receipt of these items.

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

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

FUND SOURCES AND USES (Applies to Franklin Community High School)

Funds were disbursed from the Student Activity Fund, an extra-curricular account, for curricular purposes. Purchases of office supplies such as envelopes and postage were made. Student monies were also expended to purchase gifts for principals that were visiting from Taiwan as well as the mileage reimbursed to the staff member making the purchase. Two microwave ovens were purchased from the Student Activity Fund for placement in the cafeteria.

At least one instance was noted in which student monies were expended from the Student Activity Fund for the benefit of teachers and staff. A purchase was made from the Franklin Community School Corporation Food Service department for a teacher holiday luncheon and three days of continental breakfasts totaling \$348.

Instances were noted of drug screenings being paid for from the Student Activity Fund. Drug screenings are conducted at the request of parents, parole officers, and other authorized outside sources. Those requesting the screenings are required to pay a \$15 fee, which is the cost paid to the lab. The \$15 is receipted to the Drug Screening Fund and expended from the fund for the lab work performed. Drug screenings conducted for the purposes of the school are paid from the Student Activity Fund.

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

EXCESSIVE OR UNREASONABLE COSTS (Applies to Franklin Community High School)

The school paid \$831.79 for a retirement party for a staff member from the Investment Income Fund.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FRANKLIN COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

IC 20-41-1-9 concerning the school extra-curricular account provides in part:

"(b) The money in the school extracurricular account may be invested under the conditions specified in IC 5-13-10 and IC 5-13-10.5 for investment of state money. However, investments under this section are at the discretion of the principal. The interest earned from any investment may be credited to the school extracurricular account and need not be credited proportionately to each separate extracurricular fund. The interest earned from the investment may be used for any of the following:

- (1) Any school purpose approved by the principal
- (2) An extra curricular purpose approved by the principal.

(c) Amounts expended under this section for the purposes described in this section are in addition to the appropriation under IC 20-26-5-4(3)."

DEPOSITS (Applies to Franklin Community High School)

Receipts in numerous instances were deposited later than the next business day. A deposit in September of 2008 was allowed to accumulate for 9 days to \$51,428.01 before being deposited on September 27. Collections in February of 2008 were allowed to accumulate 18 days to \$18,419.79 before deposit was made on February 26. Only 38 deposits were made from July 1, 2007 to June 30, 2008. A similar comment appeared in the prior report.

IC 20-41-1-9 states in part: "The receipts shall be deposited without unreasonable delay."

TEXTBOOK RENTAL DEPOSITS

Textbook rental receipts were, in most instances, not deposited by the next business day. Textbook rental receipts for the period 2006-2007 and 2007-2008 were collected by the individual schools, TBR-2 Receipts were prepared, and then collections were forwarded to the School Corporation for deposit. Once the collections were received by the School Corporation, the collections were counted and verified, receipts written, batch reports prepared, and deposit made. This process would take, according to testing performed, anywhere from one to ten days to complete. New procedures have been implemented whereby deposit into the School Corporation account is made directly by the individual schools.

IC 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

OVERPAYMENT COLLECTIONS

Overpayments of \$490 were made to Petro's Water Conditioning. A refund was never received because the School Corporation was not aware an overpayment had been made. Petro's applied future invoices against the \$490 credit balance.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FRANKLIN COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

PUBLIC RECORDS RETENTION

The winning bid package for the security system at Franklin Community High School was not presented for audit.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
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 COMMUNITY SCHOOL  
CORPORATION, JOHNSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Franklin 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, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

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

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)

a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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

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

June 16, 2009

FRANKLIN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	None	\$ 120,956	\$ 148,884
Child Nutrition Cluster National School Lunch Program	10.555	None	659,912	755,997
Child Nutrition Cluster Summer Food Service Program for Children	10.559	None	7,922	2,934
Total for cluster			788,790	907,815
Child Nutrition Team Nutrition Grants	10.574	None	500	-
Total for federal grantor agency			789,290	907,815
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Pass-Through Indiana State Library School Library Instructional	45.310	5-1-1	3,240	-
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title 1 Grants to Local Educational Agencies	84.010			
Title 1 Basic Funds 05/06, Part A		06-4225	90,587	-
Title 1 Basic Funds 05/06, Part D		06-4225	-	3,556
Title 1 Basic Funds 06/07, Part A		07-4225	313,316	26,611
Title 1 Basic Funds 06/07, Part D		07-4225	-	44,825
Title 1 Schools Identified For Improvement		08-4225	-	7,771
Title 1 Basic Funds 07/08, Part A		08-4225	-	312,720
Title 1 Basic Funds 07/08, Part D		08-4225	-	23,471
Total for program			403,903	418,954
Safe and Drug Free Schools and Communities - State Grants	84.186			
Title IV, 04/05, Part A		04-120	10,082	1,728
Title IV, 05/06, Part A		05-292	4,665	12,327
Total for program			14,747	14,055

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

FRANKLIN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2007 and 2008  
(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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Education for Homeless Children and Youth Stewart Homeless Assistance Act	84.196	FY 07-08	-	15,550
State Grants for Innovative Programs	84.298			
Title V, Part A, Innovative Programs		04-245	215	-
Title V, Part A, Innovative Programs		05-301	-	15,121
Total for program			215	15,121
Education Technology State Grants	84.318			
Enhancing Education Through Technology		FY 04-05	3,891	-
Enhancing Education Through Technology		FY 05-06	375	6,527
Total For Program			4,266	6,527
English Language Acquisition Grants	84.365			
Title III Limited English Proficiency		06 - 07	5,052	16,285
		07 - 08	-	3,864
Total For Program			5,052	20,149
Improving Teacher Quality State Grants	84.367			
Title II, Part A, Improving Teacher Quality		04-224	43,021	-
Title II, Part A, Improving Teacher Quality		05-301	105,988	41,074
Title II, Part A, Improving Teacher Quality		06-4225	-	111,347
Title II, Part A, Improving Teacher Quality			-	17,995
Total For Program			149,009	170,416
Total for federal grantor agency			577,192	660,772
Total federal awards expended			<u>\$ 1,369,722</u>	<u>\$ 1,568,587</u>

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

FRANKLIN 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 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, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
Child Nutrition Cluster:			
National School Lunch Program	10.555	\$ 9,532	\$ 12,524
School Breakfast Program	10.553	52,398	63,217

FRANKLIN 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  
 Significant deficiencies 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  
 Significant deficiencies identified that are not considered to be material weaknesses? yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.367	Child Nutrition Cluster Improving Teacher Quality State Grants

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.

FRANKLIN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, INTERNAL CONTROL REPORTABLE CONDITION - CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Pass-Through Entity: Indiana Department of Education

EDGAR 80.20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used."

The School Corporation is not effectively monitoring the cash balance of the grant in order to ensure that the time between the receipt and disbursement of federal funds is minimized. The School Corporation does not have proper procedures or controls in place which allows for the cash requests to be modified when excess cash is on hand in the grant fund. Due to the lack of proper procedures and controls, the cash balance for the grant was excessive for many months during our audit period.

The 2005-2006 grant had an excessive cash balance, based on estimated future requirements, for 7 of the 10 months during the audit period. The cash balance at June 30, 2007, was \$0.

The 2006-2007 grant had an excessive cash balance, based on estimated future requirements, for 8 of the 11 months during the audit period. The cash balance at June 30, 2007, was 45% of the total grant awarded for the 2006-2007 school year.

The 2007-2008 grant had an excessive cash balance, based on estimated future requirements, for 8 of the 12 months during the audit period. The cash balance at June 30, 2008, was 15% of the total grant awarded for the 2007-2008 school year.

Surplus cash indicates noncompliance with the cash management requirement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

FRANKLIN COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

# **F**ranklin Community School Corporation

## SCHOOL BOARD OF TRUSTEES

Dr. Victoria S. Davis, Interim Superintendent  
Mr. Jeffrey Mercer, Director of Business and Operations  
Ms. Janey Trout, Director of Human Resources  
Mrs. Lanett Stewart, Director of Academic Services

Mr. William A. Maschmeyer, President  
Mr. Danny D. Vaught, Vice-President  
Mr. Alan Sundheimer, Secretary  
Mr. Darren G. Thompson, Member  
Mr. John A. Wales, Member

June 16, 2009

### CORRECTIVE ACTION PLAN

#### **Finding 2008-1: Internal Control Reportable Condition – Cash Management**

Contact Person: Jeffrey R. Mercer

Title of Contact Person: Director of Business and Operations

Contact Number: (317) 738-5800

Anticipated Completion Date: July 2009

#### Corrective Action Plan

The Franklin Community School Corporation will institute a series of internal controls on all federal grant programs to insure compliance with cash management regulations. Included in those internal controls will be the assignment of a grant liaison to coordinate effective management practices, mandated pre-planning activities designed to identify accurate and timely cash requests. In addition, monthly grant reports and meetings will be instituted to assist with planning and implementation efficiency.

Sincerely yours,

  
\_\_\_\_\_  
Jeffrey R. Mercer  
Director of Business and Operations

998 Grizzly Cub Drive, Franklin, IN 46131 (317) 738-5800 Fax (317) 738-5812



[www.fcsc.k12.in.us](http://www.fcsc.k12.in.us)

FRANKLIN COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 16, 2009, with Jeff Mercer, Treasurer; Terry Vandivier, Deputy Treasurer; Dawn Burton, Business Services Assistant; and Danny Vaught, School Board member. The official response has been made a part of this report and may be found on page 60.

# Franklin Community School Corporation

## SCHOOL BOARD OF TRUSTEES

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Mr. Danny D. Vaught, Vice-President  
Mr. Alan Sundheimer, Secretary  
Mr. Darren G. Thompson, Member  
Mr. John A. Wales, Member

June 22, 2009

State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, IN. 46204-2765  
(OFFICIAL RESPONSE)

Dear Sirs,

This letter is in reference to the official response of Franklin Community School Corporation as mandated by Option 4 in our Exit Conference.

Our clarification and response is listed for each of the items below:

1. Textbook Rental Deposits Delay – A change in procedure since the last audit period has resulted in this issue being corrected.
2. Overpayment Collection – Additional safeguards have been put in place with the addition of a new accounts payable position, and a supervisory oversight through our new Business Services position.
3. Public Records Retention – This issued arose from our former architect not retaining the winning security bid package for our high school project. The architect conducted the analysis with input from the school corporation, but apparently has lost the bid package. In the future, we will insure that all bid packages are retained on site.
4. Excess Cash Balance in Title II Funds – The corporation will institute a series of internal controls on all federal grant programs to insure compliance with cash management regulations. Included in those controls will be the assignment of a grant liaison, mandated pre-planning meetings, as well as monthly grant meetings and reports.

Respectfully submitted,



Jeff Mercer

998 Grizzly Cub Drive, Franklin, IN 46131 (317) 738-5800 Fax (317) 738-5812



[www.fsc.k12.in.us](http://www.fsc.k12.in.us)