

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, 2008 to June 30, 2010



FILED
03/14/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeff Mercer	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Victoria Davis (Interim) Dr. David E. Clendening	07-01-08 to 06-30-09 07-01-09 to 06-30-11
President of the School Board	John A Wales William A. Maschmeyer Danny D. Vaught Darren G. Thompson	07-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-10 01-01-11 to 12-31-11



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

TO: THE OFFICIALS OF THE FRANKLIN 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, 2009 and 2010, 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, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 20, 2011, 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 integral part of 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 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

January 20, 2011



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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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 20, 2011. 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.

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

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.

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)

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.

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

January 20, 2011

FRANKLIN COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 19,927,822	\$ -	\$ 267,204	\$ (19,660,618)
Support services	16,744,677	1,286,822	1,284,852	(14,173,003)
Noninstructional services	2,425,492	-	-	(2,425,492)
Facilities acquisition and construction	3,458,162	-	-	(3,458,162)
Debt service	21,019,361	-	-	(21,019,361)
Nonprogrammed charges	1,041,453	-	-	(1,041,453)
Total governmental activities	<u>\$ 64,616,967</u>	<u>\$ 1,286,822</u>	<u>\$ 1,552,056</u>	<u>(61,778,089)</u>
General receipts:				
Property taxes				22,813,090
Other local sources				3,125,349
State aid				22,606,074
Bonds and loans				2,811,300
Grants and contributions not restricted to specific programs				3,897,272
Investment earnings				45,828
Other				104,252
Total general receipts				<u>55,403,165</u>
Change in net assets				(6,374,924)
Net assets - beginning				<u>12,893,791</u>
Net assets - ending				<u>\$ 6,518,867</u>
<u>Assets</u>				
Cash and investments				\$ 5,906,126
Restricted assets:				
Cash and investments				<u>612,741</u>
Total assets				<u>\$ 6,518,867</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 612,741
Unrestricted				<u>5,906,126</u>
Total net assets				<u>\$ 6,518,867</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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 21,042,848	\$ -	\$ 302,041	\$ (20,740,807)
Support services	15,709,124	1,221,655	1,455,920	(13,031,549)
Noninstructional services	2,552,751	-	-	(2,552,751)
Facilities acquisition and construction	1,499,122	-	-	(1,499,122)
Debt service	15,121,347	-	-	(15,121,347)
Nonprogrammed charges	611,903	-	-	(611,903)
Total governmental activities	<u>\$ 56,537,095</u>	<u>\$ 1,221,655</u>	<u>\$ 1,757,961</u>	<u>(53,557,479)</u>
General receipts:				
Property taxes				23,763,220
Other local sources				3,691,968
State aid				28,482,036
Bonds and loans				683,483
Grants and contributions not restricted to specific programs				2,945,509
Sale of property				67,695
Investment earnings				82,706
Other				21,178
				<u>59,737,795</u>
Total general receipts, interfund loans, transfers, and special items				<u>59,737,795</u>
Change in net assets				6,180,316
Net assets - beginning				<u>6,518,862</u>
Net assets - ending				<u><u>\$ 12,699,178</u></u>
<u>Assets</u>				
Cash and investments				\$ 6,962,794
Restricted assets:				
Cash and investments				<u>5,736,384</u>
Total assets				<u><u>\$ 12,699,178</u></u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 5,736,384
Unrestricted				<u>6,962,794</u>
Total net assets				<u><u>\$ 12,699,178</u></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, 2009

	General	Rainy Day	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 7,569,452	\$ -	\$ 12,455,489	\$ 3,769,490	\$ 3,464,269	\$ 27,258,700
Intermediate sources	10,776	-	-	-	1,613	12,389
State sources	22,810,787	-	-	-	598,534	23,409,321
Federal sources	-	-	-	-	4,646,081	4,646,081
Temporary loans	-	-	-	1,727,030	1,072,600	2,799,630
Interfund loans	2,497,712	500,000	-	500,000	34,600	3,532,312
Other	1,640	-	-	90,966	11,646	104,252
Total receipts	32,890,367	500,000	12,455,489	6,087,486	9,829,343	61,762,685
Disbursements:						
Current:						
Instruction	19,495,108	-	-	-	432,714	19,927,822
Support services	10,296,102	227,500	-	2,652,063	3,569,012	16,744,677
Noninstructional services	352,245	-	-	-	2,073,247	2,425,492
Facilities acquisition and construction	-	-	-	1,260,742	2,197,420	3,458,162
Debt services	7,370,033	-	12,237,277	-	1,412,051	21,019,361
Nonprogrammed charges	883,951	-	-	-	157,502	1,041,453
Interfund loans	-	534,600	-	500,000	2,497,712	3,532,312
Total disbursements	38,397,439	762,100	12,237,277	4,412,805	12,339,658	68,149,279
Excess (deficiency) of receipts over disbursements	(5,507,072)	(262,100)	218,212	1,674,681	(2,510,315)	(6,386,594)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	11,670	-	-	11,670
Transfers in	100,000	822,151	-	-	187,886	1,110,037
Transfers out	-	(200,000)	(57,617)	(722,151)	(130,269)	(1,110,037)
Total other financing sources (uses)	100,000	622,151	(45,947)	(722,151)	57,617	11,670
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,407,072)	360,051	172,265	952,530	(2,452,698)	(6,374,924)
Cash and investments - beginning	5,883,419	1,162,505	440,476	475,575	4,931,816	12,893,791
Cash and investments - ending	\$ 476,347	\$ 1,522,556	\$ 612,741	\$ 1,428,105	\$ 2,479,118	\$ 6,518,867
Cash and Investment Assets - Ending						
Cash and investments	\$ 476,347	\$ 1,522,556	\$ -	\$ 1,428,105	\$ 2,479,118	\$ 5,906,126
Restricted assets:						
Cash and investments	-	-	612,741	-	-	612,741
Total cash and investment assets - ending	\$ 476,347	\$ 1,522,556	\$ 612,741	\$ 1,428,105	\$ 2,479,118	\$ 6,518,867
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 612,741	\$ -	\$ -	\$ 612,741
Unrestricted	476,347	1,522,556	-	1,428,105	2,479,118	5,906,126
Total cash and investment fund balance - ending	\$ 476,347	\$ 1,522,556	\$ 612,741	\$ 1,428,105	\$ 2,479,118	\$ 6,518,867

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, 2010

	General	Rainy Day	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 708,368	\$ -	\$ 17,486,167	\$ 5,880,054	\$ 4,684,191	\$ 28,758,780
Intermediate sources	53	-	-	-	713	766
State sources	28,772,737	-	192,350	218,436	510,830	29,694,353
Federal sources	-	-	-	-	3,491,156	3,491,156
Temporary loans	-	-	-	2,101	679,825	681,926
Interfund loans	-	34,600	-	-	2,501,376	2,535,976
Other	170	-	-	4,480	16,528	21,178
Total receipts	29,481,328	34,600	17,678,517	6,105,071	11,884,619	65,184,135
Disbursements:						
Current:						
Instruction	16,469,851	-	-	-	4,572,997	21,042,848
Support services	9,483,679	-	-	2,967,994	3,257,451	15,709,124
Noninstructional services	392,385	-	-	-	2,160,366	2,552,751
Facilities acquisition and construction	-	-	-	964,440	534,682	1,499,122
Debt services	-	-	12,309,524	1,729,131	1,082,692	15,121,347
Nonprogrammed charges	526,439	-	-	-	85,464	611,903
Interfund loans	2,497,712	3,664	-	-	34,600	2,535,976
Total disbursements	29,370,066	3,664	12,309,524	5,661,565	11,728,252	59,073,071
Excess (deficiency) of receipts over disbursements	111,262	30,936	5,368,993	443,506	156,367	6,111,064
Other financing sources (uses):						
Proceeds of long-term debt	-	-	1,557	-	-	1,557
Sale of capital assets	67,695	-	-	-	-	67,695
Transfers in	213,184	653,966	474,833	518,453	226,891	2,087,327
Transfers out	(216,050)	(375,147)	(721,740)	(598,305)	(176,085)	(2,087,327)
Total other financing sources (uses)	64,829	278,819	(245,350)	(79,852)	50,806	69,252
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	176,091	309,755	5,123,643	363,654	207,173	6,180,316
Cash and investments - beginning	476,347	1,522,556	612,741	1,428,105	2,479,113	6,518,862
Cash and investments - ending	\$ 652,438	\$ 1,832,311	\$ 5,736,384	\$ 1,791,759	\$ 2,686,286	\$ 12,699,178
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 652,438	\$ 1,832,311	\$ -	\$ 1,791,759	\$ 2,686,286	\$ 6,962,794
Restricted assets:						
Cash and investments	-	-	5,736,384	-	-	5,736,384
Total cash and investment assets - ending	\$ 652,438	\$ 1,832,311	\$ 5,736,384	\$ 1,791,759	\$ 2,686,286	\$ 12,699,178
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 5,736,384	\$ -	\$ -	\$ 5,736,384
Unrestricted	652,438	1,832,311	-	1,791,759	2,686,286	6,962,794
Total cash and investment fund balance - ending	\$ 652,438	\$ 1,832,311	\$ 5,736,384	\$ 1,791,759	\$ 2,686,286	\$ 12,699,178

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, 2009

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ <u>74,073</u>
Investment earnings:	
Interest	<u>458</u>
Total additions	<u>74,531</u>
Deductions:	
Administrative and general	<u>111,558</u>
Deficiency of total additions over total deductions	(37,027)
Cash and investment fund balance - beginning	<u>147,236</u>
Cash and investment fund balance - ending	<u>\$ 110,209</u>
Net assets:	
Cash and investments	<u>\$ 110,209</u>
Total net assets - cash and investment basis held in trust	<u>\$ 110,209</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, 2010

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ <u>42,782</u>
Investment earnings:	
Interest	<u>142</u>
Total additions	<u>42,924</u>
Deductions:	
Administrative and general	<u>61,085</u>
Deficiency of total additions over total deductions	(18,161)
Cash and investment fund balance - beginning	<u>97,937</u>
Cash and investment fund balance - ending	<u>\$ 79,776</u>
Net assets:	
Cash and investments	<u>\$ 79,776</u>
Total net assets - cash and investment basis held in trust	<u>\$ 79,776</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 in a joint venture to operate Special Services - Johnson County Schools which was created to provide instruction for individuals with disabilities. The Special Services - Johnson County Schools' continued existence depends on continued funding by the School Corporation. Complete financial statements for the 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 in a joint venture to operate Central Nine Career Center which was created to provide instruction for vocational education. The Central Nine Career Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the 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 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. The Central Indiana Educational Services Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Central Indiana Educational Services Center can be obtained from Central Indiana Educational Services Center, 6321 La Pas Trail, Suite 200, Indianapolis, IN 46268.

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.

FRANKLIN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 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.

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.

C. Measurement Focus and Basis of Accounting

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

FRANKLIN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

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

FRANKLIN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

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

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.

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are 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.

FRANKLIN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements are compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 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. IC 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, 2010, the School Corporation had deposit balances in the amount of \$12,778,953.

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

Statutory Authorization for Investments

IC 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 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.

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, 2009 and 2010, were as follows:

FRANKLIN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ -	\$ 3,229
General Fund	General Fund	-	212,821
Rainy Day Fund	General Fund	100,000	-
Rainy Day Fund	Other Governmental Funds	100,000	18,147
Rainy Day Fund	Capital Projects Fund	-	357,000
Debt Service Fund	Capital Projects Fund	-	161,453
Debt Service Fund	Debt Service Fund	-	474,833
Debt Service Fund	Other Governmental Funds	-	85,454
Capital Projects Fund	Rainy Day Fund	722,151	598,305
Other Governmental Funds	Rainy Day Fund	100,000	55,661
Debt Service Fund	Other Governmental Funds	57,617	-
Other Governmental Funds	General Fund	-	363
Other Governmental Funds	Other Governmental Funds	30,269	120,061
Totals		<u>\$ 1,110,037</u>	<u>\$ 2,087,327</u>

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; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance 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 a capital lease with 1996 Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010, totaled \$2,357,500 and \$2,359,500, respectively.

FRANKLIN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation has entered into a capital lease with Franklin Community Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$500,000, and \$250,000 respectively.

The School Corporation has entered into a capital lease with Franklin Community Multi School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010, totaled \$9,014,000 and \$12,075,500, respectively.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$512,816.

FRANKLIN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

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's contributions to the plan during the period were \$1,326,396.

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, 2009

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plate	Alternative Education	SAFE School Haven
Receipts:							
Local sources	\$ 1,425,670	\$ 22,639	\$ 1,207,833	\$ 239,557	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	1,613	-	-
State sources	-	146,828	28,024	177,656	-	-	5,100
Federal sources	-	-	959,226	-	-	-	-
Temporary loans	1,072,600	-	-	-	-	-	-
Interfund loans	34,600	-	-	-	-	-	-
Other	5,179	-	6,189	278	-	-	-
Total receipts	2,538,049	169,467	2,201,272	417,491	1,613	-	5,100
Disbursements:							
Current:							
Instruction	-	-	-	-	1,463	319	-
Support services	1,858,123	-	-	366,231	-	-	5,100
Noninstructional services	-	-	2,052,232	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	1,412,051	-	-	-	-	-	-
Nonprogrammed charges	-	157,502	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	3,270,174	157,502	2,052,232	366,231	1,463	319	5,100
Excess (deficiency) of receipts over disbursements	(732,125)	11,965	149,040	51,260	150	(319)	-
Other financing sources (uses):							
Transfers in	100,000	-	-	57,617	-	-	-
Transfers out	-	(100,000)	-	-	-	-	-
Total other financing sources (uses)	100,000	(100,000)	-	57,617	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(632,125)	(88,035)	149,040	108,877	150	(319)	-
Cash and investments - beginning	632,223	133,683	376,975	230,675	1,088	319	9,036
Cash and investments - ending	\$ 98	\$ 45,648	\$ 526,015	\$ 339,552	\$ 1,238	\$ -	\$ 9,036
Cash and Investment Assets - Ending							
Cash and investments	\$ 98	\$ 45,648	\$ 526,015	\$ 339,552	\$ 1,238	\$ -	\$ 9,036
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 98	\$ 45,648	\$ 526,015	\$ 339,552	\$ 1,238	\$ -	\$ 9,036

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, 2009
 (Continued)

	SAFE Haven Grant 07-08	Medicaid Reimbursement	Non-English Speaking Programs	School Technology	Technology Grants	2006 IN Youth Tobacco Survey	East Asian / IN University
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 107,844	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	20,309	15,440	-	157,825	300	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	20,309	15,440	107,844	157,825	300	-
Disbursements:							
Current:							
Instruction	-	-	9,428	-	-	-	172
Support services	2,127	11,588	6,034	313,944	-	6	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	2,127	11,588	15,462	313,944	-	6	172
Excess (deficiency) of receipts over disbursements	(2,127)	8,721	(22)	(206,100)	157,825	294	(172)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	300
Transfers out	-	-	-	-	-	(300)	-
Total other financing sources (uses)	-	-	-	-	-	(300)	300
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,127)	8,721	(22)	(206,100)	157,825	(6)	128
Cash and investments - beginning	2,127	2,710	10,504	260,164	-	6	-
Cash and investments - ending	\$ -	\$ 11,431	\$ 10,482	\$ 54,064	\$ 157,825	\$ -	\$ 128
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 11,431	\$ 10,482	\$ 54,064	\$ 157,825	\$ -	\$ 128
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 11,431	\$ 10,482	\$ 54,064	\$ 157,825	\$ -	\$ 128

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, 2009
 (Continued)

	National Governor's Honor Grant	G/T High Ability Grant	Gifted / Talented 08-09	Title I 06-07	Title I Part D 08-09	Title I Part D 06-07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	47,052	-	-	-
Federal sources	-	-	-	499,470	34,970	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	47,052	499,470	34,970	-
Disbursements:						
Current:						
Instruction	-	25,863	33,938	231,402	5,893	-
Support services	15,194	3,930	-	125,291	-	-
Noninstructional services	-	-	-	3,623	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	15,194	29,793	33,938	360,316	5,893	-
Excess (deficiency) of receipts over disbursements	(15,194)	(29,793)	13,114	139,154	29,077	-
Other financing sources (uses):						
Transfers in	-	-	-	26,334	-	-
Transfers out	-	-	-	(3,635)	-	-
Total other financing sources (uses)	-	-	-	22,699	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,194)	(29,793)	13,114	161,853	29,077	-
Cash and investments - beginning	33,831	29,793	-	3,635	-	-
Cash and investments - ending	\$ 18,637	\$ -	\$ 13,114	\$ 165,488	\$ 29,077	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 18,637	\$ -	\$ 13,114	\$ 165,488	\$ 29,077	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 18,637	\$ -	\$ 13,114	\$ 165,488	\$ 29,077	\$ -

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, 2009
 (Continued)

	Title I School Improvement NW	Title I School Improvement	Title I 07-08	Title I Part D 07-08	Title I Delinquent 04-05	Title I Part D 05-06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	180,000	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	180,000	-	-	-	-
Disbursements:						
Current:						
Instruction	10,866	14,823	81,432	4,160	-	-
Support services	5,472	36,459	-	-	-	-
Noninstructional services	4,369	3,602	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	20,707	54,884	81,432	4,160	-	-
Excess (deficiency) of receipts over disbursements	(20,707)	125,116	(81,432)	(4,160)	-	-
Other financing sources (uses):						
Transfers in	-	-	3,635	-	-	-
Transfers out	-	-	(26,334)	-	-	-
Total other financing sources (uses)	-	-	(22,699)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,707)	125,116	(104,131)	(4,160)	-	-
Cash and investments - beginning	20,707	-	104,131	48,015	8,767	574
Cash and investments - ending	\$ -	\$ 125,116	\$ -	\$ 43,855	\$ 8,767	\$ 574
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 125,116	\$ -	\$ 43,855	\$ 8,767	\$ 574
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 125,116	\$ -	\$ 43,855	\$ 8,767	\$ 574

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, 2009
 (Continued)

	Title V Innovative Programs	Title V, Part A P.L 107-110	McKinney- Vento Education for Homeless	McKinney- Vento 08-09	McKinney- Vento Transportation Grant	Serve America PL 101-610
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	7,633	-	43,346	10,000	5,000
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	7,633	-	43,346	10,000	5,000
Disbursements:						
Current:						
Instruction	-	-	-	-	-	2,128
Support services	7,575	-	24,096	19,509	10,000	2,443
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	7,575	-	24,096	19,509	10,000	4,571
Excess (deficiency) of receipts over disbursements	(7,575)	7,633	(24,096)	23,837	-	429
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,575)	7,633	(24,096)	23,837	-	429
Cash and investments - beginning	7,575	-	26,450	-	-	-
Cash and investments - ending	\$ -	\$ 7,633	\$ 2,354	\$ 23,837	\$ -	\$ 429
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 7,633	\$ 2,354	\$ 23,837	\$ -	\$ 429
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 7,633	\$ 2,354	\$ 23,837	\$ -	\$ 429

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, 2009
 (Continued)

	Safe/Drug Free Alternative Education Program	Title IV Drug Free Schools	Title IV Part A Drug Free Schools	Medicaid Reimbursement Federal	Title II A Prof. Dev.	Title II Part A 06-07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	13,228	-	11,002	46,290	158,716	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	13,228	-	11,002	46,290	158,716	-
Disbursements:						
Current:						
Instruction	-	747	-	-	-	-
Support services	4,066	11,937	-	18,967	125,020	23,954
Noninstructional services	-	441	-	-	1,825	7,155
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	4,066	13,125	-	18,967	126,845	31,109
Excess (deficiency) of receipts over disbursements	9,162	(13,125)	11,002	27,323	31,871	(31,109)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,162	(13,125)	11,002	27,323	31,871	(31,109)
Cash and investments - beginning	1	13,125	-	4,099	-	31,109
Cash and investments - ending	\$ 9,163	\$ -	\$ 11,002	\$ 31,422	\$ 31,871	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 9,163	\$ -	\$ 11,002	\$ 31,422	\$ 31,871	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 9,163	\$ -	\$ 11,002	\$ 31,422	\$ 31,871	\$ -

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, 2009
 (Continued)

	Title II Part A 08-09	English Proficiency	Fiscal Stabilization	Title V Innovative Programs	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 448,664	\$ 12,062	\$ 3,464,269
Intermediate sources	-	-	-	-	-	1,613
State sources	-	-	-	-	-	598,534
Federal sources	165,838	13,650	2,497,712	-	-	4,646,081
Temporary loans	-	-	-	-	-	1,072,600
Interfund loans	-	-	-	-	-	34,600
Other	-	-	-	-	-	11,646
Total receipts	165,838	13,650	2,497,712	448,664	12,062	9,829,343
Disbursements:						
Current:						
Instruction	-	10,080	-	-	-	432,714
Support services	-	2,312	-	569,634	-	3,569,012
Noninstructional services	-	-	-	-	-	2,073,247
Facilities acquisition and construction	-	-	-	-	2,197,420	2,197,420
Debt services	-	-	-	-	-	1,412,051
Nonprogrammed charges	-	-	-	-	-	157,502
Interfund loans	-	-	2,497,712	-	-	2,497,712
Total disbursements	-	12,392	2,497,712	569,634	2,197,420	12,339,658
Excess (deficiency) of receipts over disbursements	165,838	1,258	-	(120,970)	(2,185,358)	(2,510,315)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	187,886
Transfers out	-	-	-	-	-	(130,269)
Total other financing sources (uses)	-	-	-	-	-	57,617
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	165,838	1,258	-	(120,970)	(2,185,358)	(2,452,698)
Cash and investments - beginning	-	10,999	-	213,455	2,716,040	4,931,816
Cash and investments - ending	<u>\$ 165,838</u>	<u>\$ 12,257</u>	<u>\$ -</u>	<u>\$ 92,485</u>	<u>\$ 530,682</u>	<u>\$ 2,479,118</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 165,838</u>	<u>\$ 12,257</u>	<u>\$ -</u>	<u>\$ 92,485</u>	<u>\$ 530,682</u>	<u>\$ 2,479,118</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 165,838</u>	<u>\$ 12,257</u>	<u>\$ -</u>	<u>\$ 92,485</u>	<u>\$ 530,682</u>	<u>\$ 2,479,118</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, 2010

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plate	Alternative Education	SAFE School Haven
Receipts:							
Local sources	\$ 2,467,242	\$ -	\$ 1,143,905	\$ 225,028	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	713	-	-
State sources	-	78,375	28,633	195,024	-	12,592	-
Federal sources	-	-	1,108,751	-	-	-	-
Temporary loans	679,825	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	5,059	-	10,989	480	-	-	-
Total receipts	3,152,126	78,375	2,292,278	420,532	713	12,592	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	3,399	-
Support services	1,717,198	-	1,228	361,813	-	-	-
Noninstructional services	-	-	2,137,271	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	1,082,692	-	-	-	-	-	-
Nonprogrammed charges	-	67,998	17,466	-	-	-	-
Interfund loans	34,600	-	-	-	-	-	-
Total disbursements	2,834,490	67,998	2,155,965	361,813	-	3,399	-
Excess (deficiency) of receipts over disbursements	317,636	10,377	136,313	58,719	713	9,193	-
Other financing sources (uses):							
Transfers in	86,258	-	-	-	-	-	-
Transfers out	-	(56,024)	-	-	-	-	-
Total other financing sources (uses)	86,258	(56,024)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	403,894	(45,647)	136,313	58,719	713	9,193	-
Cash and investments - beginning	98	45,648	526,014	339,552	1,238	-	9,036
Cash and investments - ending	\$ 403,992	\$ 1	\$ 662,327	\$ 398,271	\$ 1,951	\$ 9,193	\$ 9,036
Cash and Investment Assets - Ending							
Cash and investments	\$ 403,992	\$ 1	\$ 662,327	\$ 398,271	\$ 1,951	\$ 9,193	\$ 9,036
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 403,992	\$ 1	\$ 662,327	\$ 398,271	\$ 1,951	\$ 9,193	\$ 9,036

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, 2010
 (Continued)

	SAFE Haven Grant 09-10	Medicaid Reimbursement	Non-English Speaking Programs	Non-English Speaking 09-10	School Technology	Technology Grants	East Asian / IN University
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 78,652	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	3,938	19,637	-	11,343	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	3,664	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	7,602	19,637	-	11,343	78,652	-	-
Disbursements:							
Current:							
Instruction	-	-	9,504	7,254	-	-	128
Support services	7,602	-	978	614	30,732	130,361	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	7,602	-	10,482	7,868	30,732	130,361	128
Excess (deficiency) of receipts over disbursements	-	19,637	(10,482)	3,475	47,920	(130,361)	(128)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	19,637	(10,482)	3,475	47,920	(130,361)	(128)
Cash and investments - beginning	-	11,431	10,482	-	54,064	157,825	128
Cash and investments - ending	\$ -	\$ 31,068	\$ -	\$ 3,475	\$ 101,984	\$ 27,464	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 31,068	\$ -	\$ 3,475	\$ 101,984	\$ 27,464	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 31,068	\$ -	\$ 3,475	\$ 101,984	\$ 27,464	\$ -

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, 2010
 (Continued)

	Arts in Education Grant NW	National Governor's Honor Grant	Gifted / Talented 08-09	Excess PTRC Distribution	Title I 06-07	Title I Part D 08-09	Title I 09-10
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	1,521	-	-	159,767	-	-	-
Federal sources	-	-	-	-	-	4,160	489,239
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	1,521	-	-	159,767	-	4,160	489,239
Disbursements:							
Current:							
Instruction	-	-	10,859	-	28,317	76,437	422,166
Support services	-	8,731	2,255	-	48,416	-	15,512
Noninstructional services	-	-	-	-	13,201	-	2,361
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	8,731	13,114	-	89,934	76,437	440,039
Excess (deficiency) of receipts over disbursements	1,521	(8,731)	(13,114)	159,767	(89,934)	(72,277)	49,200
Other financing sources (uses):							
Transfers in	-	-	-	-	-	43,854	73,554
Transfers out	-	-	-	-	(75,554)	(653)	-
Total other financing sources (uses)	-	-	-	-	(75,554)	43,201	73,554
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,521	(8,731)	(13,114)	159,767	(165,488)	(29,076)	122,754
Cash and investments - beginning	-	18,637	13,114	-	165,488	29,077	-
Cash and investments - ending	\$ 1,521	\$ 9,906	\$ -	\$ 159,767	\$ -	\$ 1	\$ 122,754
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,521	\$ 9,906	\$ -	\$ 159,767	\$ -	\$ 1	\$ 122,754
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 1,521	\$ 9,906	\$ -	\$ 159,767	\$ -	\$ 1	\$ 122,754

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, 2010
 (Continued)

	Title I Part D 09-10	Title I School Improvement	Title I Part D 07-08	Title I Delinquent 04-05	Title I Part D 05-06	Title V, Part A P.L. 107-110	McKinney- Vento Education for Homeless
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	51,633	-	-	-	-	2,977	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	51,633	-	-	-	-	2,977	-
Disbursements:							
Current:							
Instruction	36,256	54,328	-	-	-	-	-
Support services	-	68,648	-	-	-	10,610	2,354
Noninstructional services	-	2,140	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	36,256	125,116	-	-	-	10,610	2,354
Excess (deficiency) of receipts over disbursements	15,377	(125,116)	-	-	-	(7,633)	(2,354)
Other financing sources (uses):							
Transfers in	653	-	-	-	-	-	-
Transfers out	-	-	(43,854)	-	-	-	-
Total other financing sources (uses)	653	-	(43,854)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,030	(125,116)	(43,854)	-	-	(7,633)	(2,354)
Cash and investments - beginning	-	125,116	43,855	8,767	573	7,633	2,354
Cash and investments - ending	\$ 16,030	\$ -	\$ 1	\$ 8,767	\$ 573	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 16,030	\$ -	\$ 1	\$ 8,767	\$ 573	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 16,030	\$ -	\$ 1	\$ 8,767	\$ 573	\$ -	\$ -

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, 2010
 (Continued)

	McKinney- Vento 08-09	McKinney- Vento 09-10	Serve America PL 101-610	Learn and Serve 09-10	Safe/Drug Free Alternative Education Program	Title IV Part A Drug Free Schools
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	52,000	-	25,000	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	52,000	-	25,000	-	-
Disbursements:						
Current:						
Instruction	-	-	429	17,583	-	-
Support services	23,837	20,711	-	5,453	8,571	3,273
Noninstructional services	-	-	-	-	591	439
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	23,837	20,711	429	23,036	9,162	3,712
Excess (deficiency) of receipts over disbursements	(23,837)	31,289	(429)	1,964	(9,162)	(3,712)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(23,837)	31,289	(429)	1,964	(9,162)	(3,712)
Cash and investments - beginning	23,837	-	429	-	9,162	11,002
Cash and investments - ending	\$ -	\$ 31,289	\$ -	\$ 1,964	\$ -	\$ 7,290
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 31,289	\$ -	\$ 1,964	\$ -	\$ 7,290
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 31,289	\$ -	\$ 1,964	\$ -	\$ 7,290

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, 2010
 (Continued)

	Title IV Save/Drug Free 09-10	Medicaid Reimbursement Federal	21st Century Learning	Title II A Prof. Dev.	Title II Part A 08-09	Title II D Technology
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 3,219	\$ 237	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	15,036	51,875	47,000	-	-	112,710
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	15,036	51,875	47,000	3,219	237	112,710
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	7,534	1,965	30,915	103,478	102,522
Noninstructional services	-	-	-	4,175	14	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	7,534	1,965	35,090	103,492	102,522
Excess (deficiency) of receipts over disbursements	15,036	44,341	45,035	(31,871)	(103,255)	10,188
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,036	44,341	45,035	(31,871)	(103,255)	10,188
Cash and investments - beginning	-	31,421	-	31,871	165,838	-
Cash and investments - ending	\$ 15,036	\$ 75,762	\$ 45,035	\$ -	\$ 62,583	\$ 10,188
Cash and Investment Assets - Ending						
Cash and investments	\$ 15,036	\$ 75,762	\$ 45,035	\$ -	\$ 62,583	\$ 10,188
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 15,036	\$ 75,762	\$ 45,035	\$ -	\$ 62,583	\$ 10,188

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, 2010
 (Continued)

	English Proficiency	Title III 09-10	Main. Of Effort Stimulus	Fiscal Stabilization	Title I Grants to LEA Stimulus	Special Ed Part B B Stimulus
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	13,390	-	1,016,690	186,110	271,438
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	2,497,712	-	-
Other	-	-	-	-	-	-
Total receipts	-	13,390	-	3,514,402	186,110	271,438
Disbursements:						
Current:						
Instruction	11,730	13,390	-	3,514,402	129,740	221,310
Support services	526	-	3,229	-	-	46,474
Noninstructional services	-	-	-	-	174	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	12,256	13,390	3,229	3,514,402	129,914	267,784
Excess (deficiency) of receipts over disbursements	(12,256)	-	(3,229)	-	56,196	3,654
Other financing sources (uses):						
Transfers in	-	-	3,229	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	3,229	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,256)	-	-	-	56,196	3,654
Cash and investments - beginning	12,256	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 56,196	\$ 3,654
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 56,196	\$ 3,654
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 56,196	\$ 3,654

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, 2010
 (Continued)

	McKinney- Vento Stimulus	School Lunch Equipment Stimulus	Title I Part D Stimulus	Title V Innovative Programs	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 765,908	\$ -	\$ 4,684,191
Intermediate sources	-	-	-	-	-	713
State sources	-	-	-	-	-	510,830
Federal sources	14,321	4,000	24,826	-	-	3,491,156
Temporary loans	-	-	-	-	-	679,825
Interfund loans	-	-	-	-	-	2,501,376
Other	-	-	-	-	-	16,528
Total receipts	14,321	4,000	24,826	765,908	-	11,884,619
Disbursements:						
Current:						
Instruction	-	-	15,765	-	-	4,572,997
Support services	14,321	-	2,689	474,901	-	3,257,451
Noninstructional services	-	-	-	-	-	2,160,366
Facilities acquisition and construction	-	4,000	-	-	530,682	534,682
Debt services	-	-	-	-	-	1,082,692
Nonprogrammed charges	-	-	-	-	-	85,464
Interfund loans	-	-	-	-	-	34,600
Total disbursements	14,321	4,000	18,454	474,901	530,682	11,728,252
Excess (deficiency) of receipts over disbursements	-	-	6,372	291,007	(530,682)	156,367
Other financing sources (uses):						
Transfers in	-	-	-	19,343	-	226,891
Transfers out	-	-	-	-	-	(176,085)
Total other financing sources (uses)	-	-	-	19,343	-	50,806
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	6,372	310,350	(530,682)	207,173
Cash and investments - beginning	-	-	-	92,485	530,682	2,479,113
Cash and investments - ending	\$ -	\$ -	\$ 6,372	\$ 402,835	\$ -	\$ 2,686,286
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 6,372	\$ 402,835	\$ -	\$ 2,686,286
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 6,372	\$ 402,835	\$ -	\$ 2,686,286

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, 2009

	Lilly-Creativity Fellowship	Northwood Outdoor Ed. Program	Change Our World Donation	Fast Track - School Supplies	FACS Donations FCHS	CBIS Family Consumer Science
Additions:						
Contributions:						
Other	\$ 3,000	\$ 18,179	\$ 300	\$ 350	\$ 250	\$ 150
Investment earnings:						
Interest	-	-	-	-	-	-
Total additions	3,000	18,179	300	350	250	150
Deductions:						
Administrative and general	3,000	5,136	633	-	250	151
Excess (deficiency) of total additions over total deductions	-	13,043	(333)	350	-	(1)
Cash and investment fund balance - beginning	-	-	633	-	-	1
Cash and investments - June 30	\$ -	\$ 13,043	\$ 300	\$ 350	\$ -	\$ -
Net assets:						
Cash and investments	\$ -	\$ 13,043	\$ 300	\$ 350	\$ -	\$ -
Total net assets - cash and investment basis held in trust	\$ -	\$ 13,043	\$ 300	\$ 350	\$ -	\$ -

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, 2009
 (Continued)

	Support Staff Awards Donation	CS Elem 1st Franklin Lion Club	Walking Track Union Elem	Community Outreach Program	I.U. Aisa Grant - Karon Cheek	Union Library Donation
Additions:						
Contributions:						
Other	\$ 200	\$ 300	\$ -	\$ 100	\$ -	\$ -
Investment earnings:						
Interest	-	-	-	-	-	-
Total additions	<u>200</u>	<u>300</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>
Deductions:						
Administrative and general	<u>718</u>	<u>297</u>	<u>2,000</u>	<u>1,915</u>	<u>174</u>	<u>254</u>
Excess (deficiency) of total additions over total deductions	(518)	3	(2,000)	(1,815)	(174)	(254)
Cash and investment fund balance - beginning	<u>618</u>	<u>45</u>	<u>2,000</u>	<u>1,815</u>	<u>174</u>	<u>288</u>
Cash and investments - June 30	<u>\$ 100</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>
Net assets:						
Cash and investments	<u>\$ 100</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>
Total net assets - cash and investment basis held in trust	<u>\$ 100</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</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, 2009
 (Continued)

	Union Elementary Donation	Payne Recreation Fund	E. Jones Memorial Scholarship	Needham Nature Center	One Room School House	Northwood Outdoor Ed Program
Additions:						
Contributions:						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings:						
Interest	-	-	165	-	-	293
Total additions	-	-	165	-	-	293
Deductions:						
Administrative and general	5,798	7,367	7,148	50	512	-
Excess (deficiency) of total additions over total deductions	(5,798)	(7,367)	(6,983)	(50)	(512)	293
Cash and investment fund balance - beginning	10,000	7,367	6,983	50	5,109	11,035
Cash and investments - June 30	<u>\$ 4,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,597</u>	<u>\$ 11,328</u>
Net assets:						
Cash and investments	\$ 4,202	\$ -	\$ -	\$ -	\$ 4,597	\$ 11,328
Total net assets - cash and investment basis held in trust	<u>\$ 4,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,597</u>	<u>\$ 11,328</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, 2009
 (Continued)

	Franklin Baseball Donation	Coke Fund Money	Cape Grant 2007-2008	Cape Grant 2008-2009	Cape Grant - Franklin College	Totals
Additions:						
Contributions:						
Other	\$ 1,700	\$ 24,794	\$ -	\$ -	\$ 24,750	\$ 74,073
Investment earnings:						
Interest	-	-	-	-	-	458
Total additions	1,700	24,794	-	-	24,750	74,531
Deductions:						
Administrative and general	1,700	35,764	5,581	32,390	720	111,558
Excess (deficiency) of total additions over total deductions	-	(10,970)	(5,581)	(32,390)	24,030	(37,027)
Cash and investment fund balance - beginning	-	48,121	8,615	44,382	-	147,236
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 37,151</u>	<u>\$ 3,034</u>	<u>\$ 11,992</u>	<u>\$ 24,030</u>	<u>\$ 110,209</u>
Net assets:						
Cash and investments	\$ -	\$ 37,151	\$ 3,034	\$ 11,992	\$ 24,030	\$ 110,209
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 37,151</u>	<u>\$ 3,034</u>	<u>\$ 11,992</u>	<u>\$ 24,030</u>	<u>\$ 110,209</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, 2010

	FCTV Donation From Dewees	Drug Awareness/Prev. Donation	Small Victories Writing Team	Change Our World Donation	Fast Track - School Supplies	FACS Donations FCHS	CBIS Family Consumer Science
Additions:							
Contributions:							
Other	\$ 4,000	\$ 200	\$ 110	\$ -	\$ 1,570	\$ 250	\$ 150
Investment earnings:							
Interest	-	-	-	-	-	-	-
Total additions	<u>4,000</u>	<u>200</u>	<u>110</u>	<u>-</u>	<u>1,570</u>	<u>250</u>	<u>150</u>
Deductions:							
Administrative and general	2,300	-	-	300	885	250	142
Excess (deficiency) of total additions over total deductions	1,700	200	110	(300)	685	-	8
Cash and investment fund balance - beginning	-	-	-	300	1,117	-	-
Cash and investments - June 30	<u>\$ 1,700</u>	<u>\$ 200</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 1,802</u>	<u>\$ -</u>	<u>\$ 8</u>
Net assets:							
Cash and investments	\$ 1,700	\$ 200	\$ 110	\$ -	\$ 1,802	\$ -	\$ 8
Total net assets - cash and investment basis held in trust	<u>\$ 1,700</u>	<u>\$ 200</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 1,802</u>	<u>\$ -</u>	<u>\$ 8</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, 2010
 (Continued)

	Support Staff Awards Donation	CS Elem 1st Franklin Lion Club	Community Outreach Program	Union Library Donation	Union Elementary Donation	One Room School House	Northwood Outdoor Ed Program
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ 1,800	\$ -	\$ -	\$ -	\$ -
Investment earnings:							
Interest	-	-	-	-	-	-	142
Total additions	-	-	1,800	-	-	-	142
Deductions:							
Administrative and general	100	-	1,094	34	959	-	-
Excess (deficiency) of total additions over total deductions	(100)	-	706	(34)	(959)	-	142
Cash and investment fund balance - beginning	100	48	-	34	4,202	4,597	11,328
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 3,243</u>	<u>\$ 4,597</u>	<u>\$ 11,470</u>
Net assets:							
Cash and investments	\$ -	\$ 48	\$ 706	\$ -	\$ 3,243	\$ 4,597	\$ 11,470
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 3,243</u>	<u>\$ 4,597</u>	<u>\$ 11,470</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, 2010
 (Continued)

	Franklin Baseball Donation	Coke Fund Money	Cape Grant 2007-2008	Cape Grant 2008-2009	Cape Grant - Franklin College	Totals
Additions:						
Contributions:						
Other	\$ 8,158	\$ 26,544	\$ -	\$ -	\$ -	\$ 42,782
Investment earnings:						
Interest	-	-	-	-	-	142
Total additions	<u>8,158</u>	<u>26,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,924</u>
Deductions:						
Administrative and general	<u>8,158</u>	<u>26,721</u>	<u>2,650</u>	<u>140</u>	<u>17,352</u>	<u>61,085</u>
Excess (deficiency) of total additions over total deductions	-	(177)	(2,650)	(140)	(17,352)	(18,161)
Cash and investment fund balance - beginning	<u>-</u>	<u>37,151</u>	<u>3,035</u>	<u>11,994</u>	<u>24,031</u>	<u>97,937</u>
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 36,974</u>	<u>\$ 385</u>	<u>\$ 11,854</u>	<u>\$ 6,679</u>	<u>\$ 79,776</u>
Net assets:						
Cash and investments	<u>\$ -</u>	<u>\$ 36,974</u>	<u>\$ 385</u>	<u>\$ 11,854</u>	<u>\$ 6,679</u>	<u>\$ 79,776</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 36,974</u>	<u>\$ 385</u>	<u>\$ 11,854</u>	<u>\$ 6,679</u>	<u>\$ 79,776</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated	
Land	\$ 6,119,423
Buildings	152,787,886
Improvements other than buildings	7,196,755
Machinery and equipment	<u>3,960,410</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 170,064,473</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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	\$ 11,285,000.00	\$ 2,352,375.00
Custer Baker Intermediate School	17,520,000.00	1,408,750.00
High School	93,260,000.00	4,548,900.00
Middle School Remodel (Old High School)	<u>30,245,000.00</u>	<u>2,450,106.26</u>
 Total Government Activities Debt	 <u>\$ 152,310,000.00</u>	 <u>\$ 10,760,131.26</u>

FRANKLIN COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

DEPOSITS (Applies to Webb Elementary School)

Receipts, in numerous instances, were not always deposited within a reasonable time. Receipts are not always written at the time the money is remitted, instead receipts are written on the date of deposit. There are instances where collections are taken in classrooms, four of these collection reports were dated four to twelve days prior to deposit. A similar comment was in the prior three audit reports and many deposits are still not timely.

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

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)

DEPOSITS (Applies to Franklin Community High School)

Receipts in numerous instances were not always deposited within a reasonable time. A deposit in August 2009 was allowed to accumulate for seven days to \$31,627.25 before being deposited on August 29, 2009. Collections were allowed in October 2009, to accumulate eleven days to \$24,433.49 before deposit was made on October 28, 2009. In April 2010, collections were allowed to accumulate seven days to \$24,006.87 before deposit was made on April 22, 2010. A similar comment was in the prior audit report.

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

FUND SOURCES AND USES (Applies to Union Elementary School)

Funds disbursed from the Wellness Fund were for items other than the purpose of the 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)

DEPOSITS (Applies to Franklin Community High School)

Receipts in numerous instances were not always deposited within a reasonable time. One athletic event, amounting to \$8,105 in cash, was deposited 28 days after the event was held. Another event, amounting to \$3,062 in cash, was deposited 12 days after the event was held.

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

FRANKLIN COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL DEPOSITS

Textbook rental receipts in one instance at the High School were deposited later than the next business day. A similar comment was in prior audit report.

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. . ."

TEXTBOOK RENTAL FEES

Textbook rental fees charged, at the Franklin Community High School, were not always for the School Board approved amounts.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records were not presented for audit to support the ADM claimed by the School Corporation.

The Report of Average Daily Membership (ADM) was not always signed by the School Principal certifying that the reports are true and accurate.

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."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE 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, 2009 and 2010. 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, 2009 and 2010. 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 items 2010-1, 2010-2, and 2010-3.

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

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

effect on 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 items 2010-1, 2010-2, and 2010-3 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 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

January 20, 2011

FRANKLIN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
National Breakfast Program	10.553			
School Year 2008-2009		None	\$ 179,818	\$ -
School Year 2009-2010		None	-	370,644
National School Lunch Program	10.555		-	-
School Year 2008-2009		None	870,332	-
School Year 2009-2010		None	-	812,711
Summer Food Service Program For Children	10.559		-	-
Summer Food Service for Children		None	13,720	25,763
Total for cluster			1,063,870	1,209,118
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579		-	-
		None	-	4,000
Total for federal grantor agency			1,063,870	1,213,118
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
Title I Basic Funds	84.010	08-4225	111,926	43,854
Title I Basic Funds		09-4225	369,844	242,579
Title I Basic Funds		10-4225	-	476,295
Title I School Improvement Grant FY 08		None	20,707	-
Title I School Improvement Grant FY 09		None	54,884	125,116
Total for program			557,361	887,844
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	None	-	148,368
Total for cluster			557,361	1,036,212
Education for Homeless Children and Youth Cluster				
Education for Homeless Children and Youth				
2007-2008	84.196	None	24,096	2,354
2008-2009		None	19,509	23,837
2009-2010		None	-	20,711
Transportation		None	10,000	-
Total for program			53,605	46,902
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	None	-	14,321
Total for cluster			53,605	61,223
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Education State Grants, Recovery Act	84.394	None	-	3,514,402
Total for cluster			-	3,514,402

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, 2009 and 2010
(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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Special Services Johnson County Schools Special Education Cluster (IDEA)				
ARRA - Special Education Grants to States, Recovery Act Special Education Part B Maintenance of Effort	84.391	None None	- -	267,785 3,229
Total for program			-	271,014
Total for cluster			-	271,014
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities-State Grants	84.186			
Project 06-4225		06-4225	4,066	9,162
Project 08-4225		08-4225	13,125	-
Project 09-4225		09-4225	-	3,712
Total for program			17,191	12,874
Twenty-First Century Community Learning Centers	84.287	None	-	1,965
Title V Innovative Education Program Strategies	84.298	None	7,575	10,610
Educational Technology State Grants	84.318	None	-	102,522
English Language Acquisition Grants	84.365			
Title III 08/09		None	12,393	12,256
Title III 09/10		None	-	13,390
Total for program			12,393	25,646
Improving Teacher Quality State Grants	84.367			
Title II, Part A		None	126,845	35,090
Title II, Part A 06-07		None	31,109	-
Title II, Part A 08-09		None	-	103,492
Total for program			157,954	138,582
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004			
2008-2009		None	4,571	429
2009-2010		None	-	23,036
Total for program			4,571	23,465
Total for federal grantor agency			610,966	4,611,837
Total federal awards expended			\$ 1,874,520	\$ 6,411,633

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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with 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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 17,918	\$ 31,436
National School Lunch Program	10.555	86,725	68,930

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1, TITLE I – CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Title I Grants
to Local Educational Agencies, Recovery Act
CFDA Numbers: 84.010; 84.389

The School Corporation was not effectively monitoring the cash balance of the grant in order to ensure that the time between the receipt and disbursement of federal funds was minimized. The School Corporation did not have proper procedures or controls in place which allow 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 the audit period.

The 2008-2009 Title I Grants to Local Educational Agencies had an excessive cash balance, based on estimated future requirements, for 6 of the 12 months during the audit period. The cash balance at June 30, 2009, was 33% of the total grant awarded for the 2008-2009 school year. An excessive cash balance was kept in the 2008-2009 Title I Grants to Local Educational Agencies Fund after the grant period ended. The balance of the approved carryover of \$73,553.83 was not transferred to the 2009-2010 Title I Grants to Local Educational Agencies Fund until June 2010.

The 2009-2010 Title I Grants to Local Educational Agencies had an excessive cash balance, based on estimated future requirements, for 2 of the 12 months during the audit period. The cash balance at June 30, 2010, was 23% of the total grant awarded for the 2009-2010 school year.

The 2009-2010 Title I Grants to Local Educational Agencies, Recovery Act had an excessive cash balance, based on estimated future requirements, for 11 of the 12 months during the audit period. The cash balance at June 30, 2010, was 17% of the total grant awarded for the 2009-2010 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.

EDGAR 80.20(b)(7) states in part: "Cash management. 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."

We recommended that the Franklin Community School Corporation try to match their budgeted expenditures with the drawdown requests included in the Title I application with the goal to minimize the amount of cash on hand at the end of the month.

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

FINDING 2010-2, IMPROVING TEACHER QUALITY STATE GRANTS – CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367

The School Corporation was not effectively monitoring the cash balance of the grant in order to ensure that the time between the receipt and disbursement of federal funds was minimized. The School Corporation did not have proper procedures or controls in place which allow 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 2007-2008 Improving Teacher Quality State Grant had an excessive cash balance, based on estimated future requirements, for 9 of the 12 months during the audit period. The cash balance at June 30, 2009, was 20% of the total grant awarded for the 2007-2008 school year.

The 2008-2009 Improving Teacher Quality State Grant had an excessive cash balance, based on estimated future requirements, for 12 of the 12 months it functioned during the audit period. The cash balance at June 30, 2010, was 38% of the total grant awarded for the 2008-2009 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.

EDGAR 80.20(b)(7) states in part: "Cash management. 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."

We recommended that the Franklin Community School Corporation try to match their budgeted expenditures with the drawdown requests included in the Improving Teacher Quality State Grant application with the goal to minimize the amount of cash on hand at the end of the month.

FINDING 2010-3, PERIOD OF AVAILABILITY OF FUNDS

Federal Agency: U.S. Department of Education
Federal Program: ARRA State Fiscal Stabilization Fund – Education State Grants, Recovery Act
CFDA Number: 84.394
Pass-Through Entity: Indiana Department of Education

School Corporation Officials transferred Fiscal Stabilization grant funds in the amount of \$2,497,712.16 to the General Fund on June 30, 2009, to cover the General Fund's deficit balance as of June 30, 2009. The entire amount was transferred back on July 19, 2009, to the Fiscal Stabilization Fund. These transactions were recorded as interfund loans on the School's financial accounting system.

EDGAR 80.23 (a) states: "General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

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

EDGAR 74.2 states in part: "Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period."

As a result of the interfund loan, the Fiscal Stabilization grant funds were not readily available to be used as intended for grant expenditures.

We recommended that federal grant funds not be used for interfund loans.

Franklin Community School Corporation

Dr. David E. Clendening, Superintendent
Dr. Victoria S. Davis, Assistant Superintendent
Mr. Jeffrey Mercer, Director of Business and Operations
Ms. Lanett Stewart, Director of Academic Services
Mr. Matt Sprout, Director of Technology

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

January 14, 2011

Federal Agency **Federal Program, CFDA, Pass through Entity**

Contact Person: Jeffrey R. Mercer

Title of Contact Person: Director of Business and Operations

Contact Number: (317) 738-5800

Summary Schedule of Prior Audit Findings

As a result of our prior audit findings the Franklin Community School Corporation has assigned Terry Vandivier (Deputy Treasurer) to work as a grant liaison to assist in coordinating effective management practices. When setting up grants, Terry makes contact with the grant writer and maintains regular communication throughout the life of the grant. In addition, all grant writers receive from the Business Office a monthly report detailing current financials and upcoming key benchmark dates. It is our expectation that while grants may be administered outside of the administration office, the safeguards put in place by the administration office will minimize the potential for inefficiency.

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.fsc.k12.in.us

Franklin Community School Corporation

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Dr. Victoria S. Davis, Assistant Superintendent
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Mr. Danny D. Vaught, Member

February 10, 2011

Finding No. 2010-1 - Title I – Cash Management

Federal Agency: U.S. Department of Education

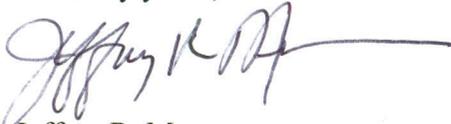
Federal Program: Title I Grants to Local Educational Agencies, Title I Grants to Local Educational Agencies, Recovery Act

CFDA Number: 84.010; 84.389

Corrective Action Plan

In order to insure compliance, the Franklin Community School Corporation has begun the process of altering our internal controls regarding our Title I Grants to Local Educational Agencies, and Title I Grants to Local Educational Agencies, Recovery Act. Included in those controls is the implementation of a Grants team to assess past and current practices, as well as, developing a revised workflow for Grant management moving forward. In addition, the new requirement regarding the reimbursable nature of these grants should also prove to assist in all compliance issues.

Sincerely yours,



Jeffrey R. Mercer
Director of Business and Operations

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February 10, 2011

Finding No. 2010-2 - Improving Teacher Quality State Grants – Cash Management

Federal Agency: U.S. Department of Education

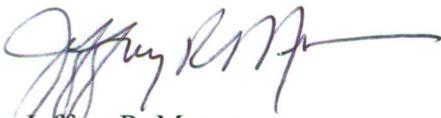
Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Corrective Action Plan

In order to insure compliance, the Franklin Community School Corporation has begun the process of altering our internal controls regarding our Teacher Quality State Grants – Cash Management. Included in those controls is the implementation of a Grants team to assess past and current practices, as well as, developing a revised workflow for Grant management moving forward. In addition, the new requirement regarding the reimbursable nature of these grants should also prove to assist in all compliance issues.

Sincerely yours,



Jeffrey R. Mercer
Director of Business and Operations

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Franklin Community School Corporation

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BOARD OF SCHOOL TRUSTEES
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Mr. John A. Wales, Vice-President
Mr. Alan Sundheimer, Secretary
Mr. William A. Maschmeyer, Member
Mr. Danny D. Vaught, Member

February 24, 2011

Finding No. 2010-3 – Period of Availability of Funds

Federal Agency: U.S. Department of Education

Federal Program: ARRA State Fiscal Stabilization Fund – Education State Grants, Recovery Act

CFDA Number: 84.394

Corrective Action Plan

In order to insure compliance, the Franklin Community School Corporation has requested that future updates to our accounting software be sent to multiple individuals in our Business Office. Due to a delay in receiving the Stabilization Fund update from our accounting software provider we did temporarily loan those funds to our General Fund in order to make payments. Future Stabilization Fund accounting software will now have multiple entry points and that will enable us to handle those funds in a timely fashion.

Sincerely yours,



Jeffrey R. Mercer
Director of Business and Operations

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FRANKLIN COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2011, with Dr. David E. Clendening, Superintendent of Schools; Jeffery Mercer, Treasurer; and Terry Vandivier, Deputy Treasurer.