B29201

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

AUDIT REPORT
OF

NEW ALBANY-FLOYD COUNTY CONSOLIDATED
SCHOOL CORPORATION
FLOYD COUNTY, INDIANA

July 1, 2004 to June 30, 2006

FILED
01/09/2007

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Fred McWhorter II	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Dennis E. Brooks	07-01-04 to 06-30-08
President of the School Board	K. Lee Kotner	07-01-04 to 06-30-05
	John R. Willman	07-01-05 to 06-30-06
	Donald Sakel	07-01-06 to 06-30-07

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION, FLOYD COUNTY, INDIANA

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 27, 2006, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

November 27, 2006

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

TO: THE OFFICIALS OF THE NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION, FLOYD COUNTY, INDIANA

We have audited the financial statements of the New Albany-Floyd County Consolidated School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

STATE BOARD OF ACCOUNTS

November 27, 2006

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

Assets	Governmental Activities
Current assets:	
Cash and investments	$ 29,910,538
Restricted assets:	
Cash and investments	6,766,561
Total assets	$ 36,677,099
Net Assets	
Restricted for:	
Debt service	$ 6,766,561
Unrestricted	29,910,538
Total net assets	$ 36,677,099

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

Assets	Governmental Activities
Current assets:	
Cash and investments	$ 17,949,008
Restricted assets:	
Cash and investments	6,695,542
Total assets	$ 24,644,550
Net Assets	
Restricted for:	
Debt service	$ 6,695,542
Unrestricted	17,949,008
Total net assets	$ 24,644,550

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts: Total
Governmental activities:				
Instruction	$ 42,086,015	$ -	$ 609,349	$ (41,476,666)
Support services	60,678,300	3,572,839	2,991,261	(54,114,200)
Community services	1,054,152	-	-	(1,054,152)
Nonprogrammed charges	751,948	-	-	(751,948)
Debt service	29,132,872	-	-	(29,132,872)
Total governmental activities	$ 133,703,287	$ 3,572,839	$ 3,600,610	(126,529,838)
General receipts:				
Property taxes				61,340,346
Other local sources				18,263,154
State aid				41,810,517
Grants and contributions not restricted				6,287,835
Bonds and loans				7,321,072
Sale of property, adjustments, and refunds				2,408,135
Investment earnings				1,122,420
Intergovernmental transfers				672,714
Total general receipts and intergovernmental transfers				139,226,193
Change in cash and investments				12,696,355
Net assets - beginning				23,980,744
Net assets - ending				$ 36,677,099

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts: Total
Governmental activities:				
Instruction	$ 44,206,231	$ -	$ 540,258	$ (43,665,973)
Support services	67,116,060	3,834,816	2,469,681	(60,811,563)
Community services	1,029,646	-	-	(1,029,646)
Nonprogrammed charges	1,759,543	-	-	(1,759,543)
Debt service	22,385,124	-	-	(22,385,124)
Total governmental activities	$ 136,496,604	$ 3,834,816	$ 3,009,939	(129,651,849)

General receipts:	
Property taxes	45,247,007
Other local sources	17,307,007
State aid	44,028,319
Grants and contributions not restricted	5,839,268
Bonds and loans	1,400,076
Sale of property, adjustments, and refunds	1,010,811
Investment earnings	1,119,225
Intergovernmental transfers	1,667,587
Total general receipts and intergovernmental transfers	117,619,300
Change in cash and investments	(12,032,549)
Net assets - beginning	36,677,099
Net assets - ending	$ 24,644,550

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Hazelwood Construction	Other	Totals
Receipts:								
Local sources	$ 34,327,598	$ 6,370,244	$ 18,234,385	$ 12,382,875	$ 1,556,941	$ 571,123	$ 10,390,536	$ 83,833,702
Intermediate sources	1,000	-	-	-	-	-	464,059	465,059
State sources	42,384,080	-	-	-	-	-	1,123,530	43,507,610
Federal sources	10,900	-	-	-	-	-	8,180,450	8,191,350
Bonds and loans	7,316,603	-	-	4,469	-	-	-	7,321,072
Sale of property, adjustments and refunds	14,846	1,696	-	52,068	14,514	70,976	2,254,035	2,408,135
Intergovernmental transfers	327,798	-	-	-	-	-	344,916	672,714
Total receipts	84,382,825	6,371,940	18,234,385	12,439,412	1,571,455	642,099	22,757,526	146,399,642
Disbursements:								
Current:								
Instruction	34,264,292	-	-	-	-	-	7,821,723	42,086,015
Support services	31,390,532	4,395,013	-	9,207,421	1,277,217	4,397,718	10,010,399	60,678,300
Community services	815,865	-	-	-	-	-	238,287	1,054,152
Nonprogrammed charges	26,937	-	327,798	-	22,000	-	375,213	751,948
Debt services	16,559,932	-	12,377,417	-	-	-	195,523	29,132,872
Total disbursements	83,057,558	4,395,013	12,705,215	9,207,421	1,299,217	4,397,718	18,641,145	133,703,287
Excess (deficiency) of total receipts over (under) total disbursements	1,325,267	1,976,927	5,529,170	3,231,991	272,238	(3,755,619)	4,116,381	12,696,355
Cash and investments - beginning	8,475,198	898,083	534,284	30,161	431,401	8,805,071	4,806,546	23,980,744
Cash and investments - ending	$ 9,800,465	$ 2,875,010	$ 6,063,454	$ 3,262,152	$ 703,639	$ 5,049,452	$ 8,922,927	$ 36,677,099

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Hazelwood Construction	Other	Totals
Receipts:								
Local sources	$ 24,533,717	$ 4,606,756	$ 13,345,311	$ 9,372,505	$ 814,315	$ 17	$ 14,534,257	$ 67,206,878
Intermediate sources	-	-	-	-	-	-	301,177	301,177
State sources	44,533,652	-	-	-	-	-	1,030,779	45,564,431
Federal sources	8,978	-	-	-	-	-	7,304,117	7,313,095
Bonds and loans	1,400,076	-	-	-	-	-	-	1,400,076
Sale of property, adjustments and refunds	21,405	39,014	-	1,673	-	15,511	933,208	1,010,811
Intergovernmental transfers	4,199	-	-	-	202,000	-	1,461,388	1,667,587
Total receipts	70,502,027	4,645,770	13,345,311	9,374,178	1,016,315	15,528	25,564,926	124,464,055
Disbursements:								
Current:								
Instruction	36,442,544	-	-	-	-	-	7,763,687	44,206,231
Support services	32,910,880	4,999,546	-	9,989,850	1,719,756	4,298,980	13,197,048	67,116,060
Community services	866,037	-	-	-	-	-	163,609	1,029,646
Nonprogrammed charges	39,562	180,000	75,738	-	-	766,000	698,243	1,759,543
Debt services	7,314,803	-	13,414,858	-	-	-	1,655,463	22,385,124
Total disbursements	77,573,826	5,179,546	13,490,596	9,989,850	1,719,756	5,064,980	23,478,050	136,496,604
Excess (deficiency) of total receipts over (under) total disbursements	(7,071,799)	(533,776)	(145,285)	(615,672)	(703,441)	(5,049,452)	2,086,876	(12,032,549)
Cash and investments - beginning	9,800,465	2,875,010	6,063,454	3,262,152	703,639	5,049,452	8,922,927	36,677,099
Cash and investments - ending	$ 2,728,666	$ 2,341,234	$ 5,918,169	$ 2,646,480	$ 198	$ -	$ 11,009,803	$ 24,644,550

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	$ 841,536	$ 46,595
Intermediate sources	-	50,201
Bonds and loans	13,882,876	-
Sale of property, adjustments and refunds	3,227	-
Total additions	14,727,639	96,796
Deductions:		
Instruction	-	66,863
Support services	11,277,130	84
Nonprogrammed charges	-	925
Debt services	33,796	-
Total deductions	11,310,926	67,872
Excess of total additions over total deductions	3,416,713	28,924
Cash and investments - beginning	736,954	53,101
Cash and investments - ending	$ 4,153,667	$ 82,025

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	$ 909,315	$ 29,189
Intermediate sources	-	41,624
Total additions	909,315	70,813
Deductions:		
Instruction	-	78,119
Support services	12,517	-
Nonprogrammed charges	-	4,480
Total deductions	12,517	82,599
Excess (deficiency) of total additions over (under) total deductions	896,798	(11,786)
Cash and investments - beginning	4,153,667	82,025
Cash and investments - ending	$ 5,050,465	$ 70,239

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

Assets	Pension Trust Funds	Private-Purpose Trust Funds
Cash and investments	$ 4,153,667	$ 82,025
Net Assets		
Held in trust for employee benefits and other purposes	$ 4,153,667	$ 82,025

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

Assets	Pension Trust Funds	Private-Purpose Trust Funds
Cash and investments	$ 5,050,465	$ 70,239
Net Assets		
Held in trust for employee benefits and other purposes	$ 5,050,465	$ 70,239

The accompanying notes are an integral part of the 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: New Albany-Floyd County Consolidated School Corporation

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

Joint Venture

The School Corporation is a participant with 27 other school corporations in a joint venture to operate the Wilson Education Center (Center) which was created to perform educational planning on a cooperative basis and to assist in meeting specific educational needs of the participating school districts which could be more effectively provided by an education service center than by the school corporations themselves. The School Corporation is obligated by contract to remit an amount, which shall be on a cost per student based on the current years K-12 Average Daily Membership, annually to supplement the Center. The cost per student is established annually by the Center's Board of Directors. Complete financial statements for the Wilson Education Center can be obtained from the Center's administrative offices at 11440 Highway 62, Charlestown, Indiana, 47111.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds,

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

The School Corporation reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the School Corporation reports the following fund types:

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

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the New Albany-Floyd County Consolidated School Corporation's employees and students.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 to 12 days per year based upon employment classification and annual months of employment. Unused sick leave may be accumulated to a maximum of 168 days to 178 days based upon employment classification. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 25 days per year based upon employment classification and the number of years of service. Vacation does not accumulate from year to year, except for some full-time administrators and directors who may accumulate vacation leave to a maximum of 50 days. Accumulated vacation leave is paid to employees through cash payments upon retirement.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 5 days to 7 days based upon employment classification. Accumulated personal leave is paid to employees through cash payments upon retirement.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. 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 Balances and Activities

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

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

III. Detailed Notes on All Funds

A. Deposits

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

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
General Fund	Other governmental	$ -	$ 6,594
Debt Service	General Fund	327,798	-
School Bus Replacement	Other governmental	22,000	22,000
Transportation Operating	Other governmental	-	180,000
Hazelwood Construction	Other governmental	-	766,000
Other governmental	Debt Service	-	75,738
	Other governmental	322,916	613,056
All others	General Fund	-	4,199
Totals		$ 672,714	$ 1,667,587

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

C. Restatements and Reclassifications

For the year ended June 30, 2004, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit:

Opinion Unit	Balance as Reported June 30, 2004	Fund Reclassification	Balance as Restated July 1, 2005
Governmental	$ 23,485,532	$ 495,212	$ 23,980,744
Proprietary - Internal Service	396,969	(396,969)	-
Fiduciary - Private-Purpose Trust	151,344	(98,243)	53,101

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

B. Holding Corporation

The School Corporation has entered into a capital leases with the New Albany-Floyd County 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 audit period totaled $23,807,700.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all certified employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 193 retirees meet these eligibility requirements. The School Corporation provides various premium amounts of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of $784,107 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	$ 609,427
Interest on net pension obligation	(83,898)
Adjustment to annual required contribution	95,608
Annual pension cost	621,137
Contributions made	794,685
Decrease in net pension obligation	(173,548)
Net pension obligation, beginning of year	(1,157,214)
Net pension obligation, end of year	$ (1,330,762)

Contribution rates:	
School Corporation	6.31%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	$ 706,068	119%	$ (894,919)
	06-30-04	546,096	148%	(1,157,214)
	06-30-05	621,137	146%	(1,330,762)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were $1,418,254, $1,162,950, and $1,017,845, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	$ 12,274,216	$ 12,060,816	$ 213,400	102%	$ 11,290,193	2%
07-01-04	12,598,872	12,862,515	(263,643)	98%	11,734,087	(2%)
07-01-05	13,232,171	15,063,372	(1,831,201)	88%	12,661,406	(14%)

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

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

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	$ 5,704,310
Buildings	309,759,055
Improvements other than buildings	17,066,391
Machinery and equipment	18,603,945
Construction in progress	1,681,976
Total governmental activities, capital assets not being depreciated	$ 352,815,677

NEW ALBANY- FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Capital leases:		
New Albany-Floyd County School Building Corporation	$ 133,640,000	$ 6,805,000
Energy Savings Contracts	1,842,081	716,295
Notes and loans payable	4,048,384	1,494,366
Bonds payable:		
General obligation bonds:		
Pension bonds - Retirement and Severance payments	12,895,000	1,165,000
Total long-term debt	$ 152,425,465	$ 10,180,661

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
OTHER REPORTS

The audit report presented herein was prepared in addition to other official reports prepared for the individual School Corporation offices listed below:

S. Ellen Jones Elementary Extra-Curricular (March 30, 2005 to August 11, 2005)
Floyd Central High School-School Lunch (January 1, 2006 to April 5, 2006)
S. Ellen Jones Elementary Extra-Curricular (July 26, 2004 to March 29, 2005)

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates the number of students receiving academic honors diplomas as reported by the School Corporation to the Indiana Department of Education on Form DOE-GR, Graduate Report, were incorrect for the school year ending June 30, 2005.

School Year	Academic Honors Count as Reported on DOE-GR	Actual Figures	Difference
2004-2005	215	214	1

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

USE OF FORM SA-7, CLAIM FOR PAYMENT (Applies to Green Valley Elementary)

Claim Form SA-7 did not always contain the required signatures necessary to constitute a valid claim.

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

DISBURSEMENT DOCUMENTATION (Applies to Grant Line Elementary and Children's Academy)

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

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

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

EXTRA-CURRICULAR FUNDS (Applies to Fairmont Elementary and Slate Run Elementary)

Separate funds were not being maintained to record the transactions of each class, organization, or activity. Some transactions for activities were being recorded in Extra Curricular Funds specifically designated for other purposes.

A separate fund must me maintained in the ledger to record the transactions of each class, organization or activity so the balance in each fund may be known at all times. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

TRANSACTION RECORDING (Applies to Mt. Tabor Elementary)

Collections in the amount of $366.05 and expenditures in the amount of $70.90 were not posted to the ledger. These amounts were being carried as reconciling items in the monthly bank reconcilements.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ECA DEPOSITS (Applies to S. Ellen Jones Elementary)

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 25 days before depositing.

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

INVESTMENT MATURITY LIMITATIONS (Applies to Highland Hills Middle School)

The School purchased a certificate of deposit from the Canteen Fund on June 18, 2004, for a term of four years.

Indiana Code 5-13-9-5.6 states in part: " . . . investments made under this chapter must have a stated final maturity of not more than . . . two (2) years . . . after the date of purchase . . ."

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION, FLOYD COUNTY, INDIANA

Compliance

We have audited the compliance of the New Albany-Floyd County Consolidated School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. 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 2006-1 and 2006-2.

Internal Control Over Compliance

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

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

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

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

STATE BOARD OF ACCOUNTS

November 27, 2006

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		$ 349,631	$ 412,060
National School Lunch Program	10.555		1,455,361	1,636,882
Summer Food Service Program for Children	10.559		50,990	50,723
Total for cluster			1,855,982	2,099,665
Pass-Through Indiana Department of Education				
Team Nutrition Grants	10.574	CNTN-05-IN-1		
FY 2005-06			-	338
Total for federal grantor agency			1,855,982	2,100,003
U.S. DEPARTMENT OF JUSTICE				
Pass-Through Indiana Criminal Justice Institute				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540			
FY 2004-05		03-JF-023	33,872	-
FY 2005-06		04-JF-006	-	19,792
Total for federal grantor agency			33,872	19,792
OFFICE OF LIBRARY SERVICES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES, NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
Pass-Through Indiana State Library				
Grants to States	45.310			
FY 2005-06		5-1-1	-	2,272
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
FY 2003-04		14201-043-DY08	12,375	-
FY 2003-04		14204-043-PN01	60,165	-
FY 2004-05		14205-043-PN01	2,083,961	368,919
FY 2004-05		14205-043-SN01	38,002	-
FY 2004-05		14204-020-DY03	46,672	23,328
FY 2004-05		14204-038-DY01	960	84,040
FY 2005-06		14206-043-PN01	-	1,997,655
FY 2005-06		14205-043-DY01	-	38,002
FY 2005-06		14205-087-DY04	-	48,028
Total for program			2,242,135	2,559,972
Special Education - Preschool Grants	84.173			
FY 2003-04		45704-043-PN01	14,694	4,481
FY 2004-05		45705-043-PN01	130,743	-
FY 2005-06		45706-043-PN01	-	89,856
Total for program			145,437	94,337
Total for cluster			2,387,572	2,654,309
Direct Grant				
Impact Aid	84.041			
FY 2004-05		SB041B-2004-1638	10,900	-
FY 2005-06		SB041B-2005-1638	-	8,978
Total for program			10,900	8,978

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
U.S. DEPARTMENT OF EDUCATION (continued)				
Pass-Through Indiana Department of Education				
Adult Education - State Grant Program	84.002			
FY 2003-04		04-4700-2400	59,553	-
FY 2004-05		05-4700-2400	204,749	20,357
FY 2005-06		06-4700-2400	-	270,537
Total for program			264,302	290,894
Title I Grants to Local Educational Agencies	84.010			
FY 2003-04		04-2400	389,701	-
FY 2004-05		05-2400	1,409,823	187,843
FY 2005 School Improvement Funds		05-2400	29,766	82,493
FY 2005-06		06-2400	-	1,171,893
FY 2006 School Improvement Funds		06-2400	-	19,486
Total for program			1,829,290	1,461,715
Vocational Education - Basic Grants to States	84.048			
FY 2003-04		04-4700-45-2400	45,966	-
FY 2004-05		05-4700-45-2400	557,713	91,465
FY 2005-06		06-4700-45-2400	-	564,090
Total for program			603,679	655,555
Safe and Drug Free Schools and Communities - State Grants	84.186			
FY 2002-03		02-266	2,535	-
FY 2003-04		03-213	22,989	33,113
FY 2004-05		04-154	4,407	40,050
FY 2005-06		05-133	-	20,664
Total for program			29,931	93,827
Twenty-First Century Community Learning Centers	84.287			
FY 2003-07		S287C020014	115,706	134,006
State Grants for Innovative Programs	84.298			
FY 2002-03		02-188	32,087	-
FY 2003-04		03-123	82,583	22,111
FY 2004-05		04-080	8,232	81,308
FY 2005-06		05-174	-	3,996
Total for program			122,902	107,415
Education Technology State Grants	84.318			
FY 2002-03		S318X020014	6,165	-
FY 2003-04		S318X030014	14,855	-
FY 2004-05		S318X040014	23,125	14,400
FY 2005-06		S318X050014	-	12,983
Total for program			44,145	27,383
Comprehensive School Reform Demonstration	84.332			
FY 2004-05		05-2400	97,521	32,335
FY 2005-06		06-2400	-	83,077
Total for program			97,521	115,412

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
U.S. DEPARTMENT OF EDUCATION (continued)				
Pass-Through Indiana Department of Education (continued)				
Reading Excellence	84.338			
S. Ellen Jones Elementary		I-Read 2002-04	25,707	-
Lillian Emery Elementary		I-Read 2002-04	39,498	-
Fairmont Elementary		I-Read 2002-04	54,350	-
Total for program			119,555	-
Reading First State Grants	84.357			
FY 2004-05		S357A020015	57,775	13,622
FY 2005-06		S357A040015	-	61,518
Total for program			57,775	75,140
English Language Acquisition Grants	84.365			
FY 2003-04		P.L. 107-110, Title III Part A	3,047	-
FY 2004-05		P.L. 107-110, Title III Part A	707	13,653
FY 2005-06		P.L. 107-110, Title III Part A	-	9,922
Total for program			3,754	23,575
Improving Teacher Quality State Grants	84.367			
FY 2002-03		02-148	34,136	-
FY 2003-04		03-175	265,909	18,143
FY 2004-05		04-058	189,218	299,885
FY 2005-06		05-137	-	270,537
Total for program			489,263	588,565
Total for federal grantor agency			6,176,295	6,236,774
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Pass-Through Indiana Department of Family and Social Services Administration				
Learn and Serve America - School and Community Based Programs	94.004			
FY 2004-05		P.L. 101-610	5,948	15,901
Total federal awards expended			$ 8,072,097	$ 8,374,742

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

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2005 and 2006:

Program Title	Federal CFDA Number	2005	2006
Vocational Education - Basic Grants to States	84.048	$ 103,347	$ 103,344

III. Noncash Assistance

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

Program Title	Federal CFDA Number	2005	2006
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	$ 33,621	$ 48,781
National School Lunch Program	10.555	124,433	168,494

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weaknesses identified? no
Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
Material weaknesses identified? no
Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
84.002	Adult Education-State Grant Program
84.010	Title I Grants to Local Educational Agencies
84.048	Vocational Education-Basic Grants to States
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: $493,405

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Numbers: 03-175, 04-058
Pass-Through Entity: Indiana Department of Education

The School Corporation maintained cash balances in excess of current needs for nine months during the period audited for the Improving Teacher Quality State Grants.

34CFR 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 subgrantees must be followed whenever advance payment procedures are used. . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to adhere to this requirement could cause the School Corporation to be deemed ineligible to receive federal awards in the future.

We recommended that the School Corporation design and properly monitor procedures that would ensure that federal funds be disbursed in a timely manner.

FINDING 2006-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 05-2400, 06-2400
Pass-Through Entity: Indiana Department of Education

The School Corporation maintained cash balances in excess of current needs for ten months during the period audited for the Title I Grants to Local Educational Agencies.

34CFR 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 subgrantees must be followed whenever advance payment procedures are used. . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to adhere to this requirement could cause the School Corporation to be deemed ineligible to receive federal awards in the future.

We recommended that the School Corporation design and properly monitor procedures that would ensure that federal funds be disbursed in a timely manner.

NEW ALBANY-FLOYD COUNTY
CONSOLIDATED SCHOOL CORPORATION
P.O. Box 1087 • New Albany, IN 47151-1087

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Dennis E. Brooks
Superintendent

Bradley J. Snyder
Deputy Superintendent

Tony Bennett
Assistant Superintendent for Administration and Operations

Teresa Perkins
Assistant to the Superintendent for Curriculum and Instruction

BOARD OF SCHOOL TRUSTEES

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Member

Lee Ann Wiseheart
Member

James Zoeller
Member

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2004-1, Cash Management

Original SBA Audit Report Number:	B25116
Fiscal Year	July 1, 2002 to June 30, 2004
Auditee Contact Person	Fred McWhorter
Title of Contact Person	Director of Business/Treasurer
Phone Number	812-949-4200
Status of Finding:	Complete

Grant had been closed out and no corrective action was warranted. No further Reading Excellence grants have been obtained.

Finding Number 2004-2, Cash Management

Original SBA Audit Report Number:	B25116
Fiscal Year	July 1, 2002 to June 30, 2004
Auditee Contact Person	Fred McWhorter
Title of Contact Person	Director of Business/Treasurer
Phone Number	812-949-4200
Status of Finding:	In Transition

Notification of this finding was officially discussed on April, 28, 2005 a full year into this current audit report period. Therefore, corrective action in the first year of this report was not possible due to the fact it was not known. Future draw downs will be monitored in order to facilitate the necessary cash flow requirements under the grant in the future.

November 14, 2006

Fred McWhorter II
Director of Business/Treasurer

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Member

November 3, 2006

Indiana State Board of Accounts
302 West Washington Street
Room E418, 4th Floor
Indianapolis, IN 46204-2765

Dear Sir:

We are in receipt of two federal findings for the audit period July 1, 2004 to June 30, 2006. The following are our proposed corrective action plans:

Finding No. 2006-1, Cash Management

Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Numbers: 03-175, 04-058
Pass-Through Entity: Indiana Department of Education
Title of Contact Person: Director of Human Resources
Phone Number: 812-949-4200
Expected Completion Date: January 1, 2007

Corrective Action Planned:
To the extent possible, we will request draw downs for those amounts that will meet the current needs of federally funded projects.

Finding No 2006-2, Cash Management

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 05-2400, 06-2400
Pass-Through Entity: Indiana Department of Education
Title of Contact Person: Director of Elementary Education
Phone Number: 812-949-4200
Expected Completion Date: January 1, 2007

Corrective Action Planned:
During the audit period we requested the Indiana Department of Education to reduce Title I distributions and they did not which contributed to this finding. To the extent possible, we will request draw downs for those amounts that will meet the current needs of federally funded projects.

Sincerely,

Fred McWhorter II,
Director of Business/Treasurer

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2006, with Dr. Dennis E. Brooks, Superintendent of Schools; Dr. Bradley J. Snyder, Deputy Superintendent; Fred McWhorter II, Treasurer; and Donald Sakel, President of the School Board.