

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
MADISON COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
03/21/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Hall	07-01-10 to 06-30-13
Superintendent of Schools	Bobby Fields	07-01-10 to 06-30-13
President of the School Board	Nancy Likens Joseph Kelich	07-01-10 to 06-30-11 07-01-11 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

We have audited the accompanying financial statement of the Frankton-Lapel Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 28, 2013, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

February 28, 2013



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

TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

We have audited the financial statement of the Frankton-Lapel Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 28, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is 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.

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



Bruce Hartman
State Examiner

February 28, 2013

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 2,601	\$ 15,624,763	\$ 14,291,591	\$ (1,254,043)	\$ 81,730	\$ 16,978,793	\$ 15,367,575	\$ (1,692,849)	\$ 99
Debt Service	782	8,127,897	5,101,966	(1,506,000)	1,520,713	5,012,963	6,088,090	-	445,586
Retirement/Severance Bond Debt Service	403	394,674	253,373	(136,000)	5,704	231,342	251,371	14,422	97
Capital Projects	414	2,012,157	1,633,548	(373,000)	6,023	1,249,178	1,054,719	(145,834)	54,648
School Transportation	524	2,053,191	1,325,264	(635,000)	93,451	1,335,636	1,413,230	(15,759)	98
School Bus Replacement	22,086	544,854	337,112	-	229,828	242,305	424,363	(26,269)	21,501
Rainy Day	-	-	-	418,900	418,900	-	-	(418,900)	-
Retirement/Severance Bond	7,766	954	158,773	401,000	250,947	200	224,565	(24,739)	1,843
School Lunch	12,364	1,073,438	961,298	599,939	724,443	1,146,388	1,116,870	-	753,961
Textbook Rental	165,274	326,273	199,047	111,015	403,515	388,300	601,069	(190,645)	101
Self-Insurance	906,539	2,571	2,357,917	2,373,042	924,235	2,794	2,581,421	2,556,815	902,423
Levy Excess	26,262	-	-	-	26,262	-	-	-	26,262
Early Intervention Grant	-	1,400	-	-	1,400	-	1,400	-	-
School Intervention and Career Counseling	1,475	15,000	15,845	-	630	-	630	-	-
Lapel Elementary Music Grant	-	100	100	-	-	-	-	-	-
LES PTG Technology Fund	9,504	9,374	27,996	-	(9,118)	9,298	180	-	-
LES Grade 1 Grant	1,923	-	1,923	-	-	-	-	-	-
FJSHS Kids in Need Grant/McCue	-	500	-	-	500	-	-	-	500
FJSHS Science Grant/J. Smith	-	500	-	-	500	-	-	-	500
LES/Charlotte's Web Grant	-	250	250	-	-	-	-	-	-
FES PTG Technology Fund	-	-	-	-	-	13,708	13,900	-	(192)
Alexs Project/Willis	-	-	-	-	-	11,124	13,643	-	(2,519)
2011-2012 Special Ed. Tech Grant	-	-	-	-	-	23,180	23,180	-	-
LMS Library Grant	700	-	700	-	-	-	-	-	-
LMS Library Fund	5,000	-	4,994	-	6	-	6	-	-
Character Counts Program/LHS	-	-	-	-	-	500	500	-	-
Autism Grant/FJSHS	-	-	-	-	-	3,000	-	-	3,000
Elementary Library Gift	508	-	-	-	508	-	8	-	500
Full Day Kindergarten Grant	72,578	157,507	280,935	-	(50,850)	222,207	64,028	(67,083)	40,246
Child Care	(29,501)	110,083	97,391	(55)	(16,864)	109,737	98,447	-	(5,574)
All Day Kindergarten	162,980	161,495	82,438	-	242,037	170,276	289,465	-	122,848
Age 4 Pre-School	(129,883)	160,047	75,390	215	(45,011)	138,538	1,129	-	92,398
ISTEP	1,200	-	-	-	1,200	-	-	-	1,200
Dickison Scholarship/FJSHS	7,461	-	-	-	7,461	-	-	-	7,461
Copeland Reading Scholarship	1,865	295	300	-	1,860	235	300	-	1,795
Anderson-Huffman/LHS Scholarship	10,000	10,000	10,000	-	10,000	10,000	10,000	-	10,000

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012
(Continued)

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
Disaster Related Expenses	1,875	-	-	-	1,875	-	-	-	1,875
LHS Bulldog Statue	(4,631)	-	(4,631)	-	-	-	-	-	-
Pepsi	2,959	16,801	16,238	-	3,522	12,062	13,572	-	2,012
Tuition	(1,518)	5,799	-	-	4,281	10,842	-	-	15,123
Building Corporation	1,363	11,278	186,859	-	(174,218)	-	34,387	-	(208,605)
2004-2005 IndianaNext Grant	251	-	-	-	251	-	-	-	251
Private School Account	-	-	-	-	-	12,087	13,214	-	(1,127)
2010-2011 High Ability Grant	-	35,489	44,672	-	(9,183)	-	(9,183)	-	-
2011-2012 High Ability Grant	-	-	-	-	-	35,736	27,296	-	8,440
Summer School	7,732	16,645	-	-	24,377	16,860	-	-	41,237
Damage/Accidents/Insurance	26,072	101,319	120,123	-	7,268	33,104	34,919	-	5,453
Special Ed. Coop. Grant/Certified	4,891	42,996	45,476	-	2,411	36,756	46,146	-	(6,979)
Special Ed. Coop. Grant/Non-certified	-	67,097	64,685	-	2,412	55,085	68,362	-	(10,865)
Special Ed. Cooperative Funds	-	-	-	-	-	2,226	2,226	-	-
Non-English Speaking Programs P.L. 273-1999	952	-	-	-	952	24	-	-	976
School Technology	-	7,727	7,591	-	136	7,398	-	-	7,534
Access Indiana	5,000	-	5,000	-	-	-	-	-	-
Technology Planning Grant	15	-	-	-	15	-	-	-	15
Technology Advancement Loan	-	-	-	-	-	125,295	55,310	-	69,985
Technology/E-Rates Fund	-	24,296	23,381	-	915	34,576	43,928	-	(8,437)
GQE Remediation Grant	34,312	16,364	8,110	-	42,566	13,934	4,065	-	52,435
Testing/Instructional Assistants	45	135	180	-	-	45	45	-	-
2009-2010 Title I Grant	22,386	-	22,386	-	-	-	-	-	-
2010-2011 Title I Grant	-	159,436	169,590	-	(10,154)	53,454	44,027	-	(727)
2011-2012 Title I Grant	-	-	-	-	-	82,047	197,614	-	(115,567)
2011-2012 Title II Part A Grant	-	-	-	-	-	60,485	68,233	-	(7,748)
2010-2011 Title II Part A Grant	-	65,098	69,498	-	(4,400)	9,170	4,770	-	-
2009-2010 Title II Part A Grant	(7,013)	3,506	(3,507)	-	-	3,507	3,507	-	-
Title I - Grants to LEAs	51,571	11,000	62,254	-	317	58,200	36,331	-	22,186
Special Education - Part B	4,234	84,495	88,731	-	(2)	51,267	65,239	-	(13,974)
Special Education - Part B - Preschool	(25,203)	6,816	(18,387)	-	-	-	-	-	-
Education Jobs	-	215,763	234,931	-	(19,168)	258,633	232,558	-	6,907
Payroll Withholdings	57,927	1,762,443	1,819,122	-	1,248	1,736,615	1,736,620	-	1,243
Totals	\$ 1,444,045	\$ 33,441,826	\$ 30,180,453	\$ 13	\$ 4,705,431	\$ 30,009,110	\$ 32,363,275	\$ (10,841)	\$ 2,340,425

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The School Corporation may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

The Indiana Teacher's Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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.

Note 7. Cash Balance Deficits

The financial statement contains funds with deficits in cash. Cash balance deficits are a result of disbursements exceeding the amount of available cash in a particular fund. Funds reporting negative cash balances include reimbursable grant funds as well as other funds. Negative cash balances are common and expected for reimbursable grant funds due to grant requirements that the School Corporation make the disbursements before reimbursements are requested. Common reasons for other funds to have negative cash balances are actual receipts fall short of estimated receipts, actual disbursements exceed estimated disbursements, or a combination of both.

Note 8. Holding Corporation

The School Corporation entered into a capital lease with Frankton-Lapel North 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 ending June 30, 2011 and 2012, totaled \$4,409,500 and \$4,674,500, respectively.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

The School Corporation made transfers for interfund loans between various funds in June 2012 to compensate for depleted cash fund balances. The interfund loans were repaid in July 2012 causing the funds affected to report material increases and decreases in their cash fund balances. The effect on the funds and reported cash balances at July 30, 2012, are noted below:

<u>Fund</u>	<u>Cash Balance June 30, 2012</u>	<u>July 2012 Receipts</u>	<u>July 2012 Disbursements</u>	<u>Receipt/ (Disbursement) for Interfund Loan Repayment</u>	<u>Cash Balance July 30, 2012</u>
General	\$ 99	\$1,250,067	\$ 1,024,634	\$ (2,856,628)	\$ (2,631,096)
Retirement/Severance					
Bond Debt Service	97	-	-	(14,422)	(14,325)
Capital Projects	54,648	866	101,905	144,968	98,577
School Transportation	98	164	26,016	(130,546)	(156,300)
Rainy Day	-	-	-	2,598,900	2,598,900
Textbook Rental	101	108	6,674	190,645	184,180
Full Day Kindergarten Grant	40,246	-	-	67,083	107,329

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,601	\$ 782	\$ 403	\$ 414	\$ 524	\$ 22,086	\$ -	\$ 7,766	\$ 12,364	\$ 165,274
Receipts:										
Local sources	172,354	6,289,297	394,674	2,008,137	2,037,130	544,695	-	954	599,280	265,340
Intermediate sources	244	-	-	-	-	-	-	-	-	-
State sources	14,565,181	134,227	-	-	-	-	-	-	16,528	60,933
Federal sources	-	-	-	-	-	-	-	-	450,265	-
Temporary loans	882,630	1,704,373	-	-	-	-	-	-	-	-
Other	4,354	-	-	4,020	16,061	159	-	-	7,365	-
Total receipts	15,624,763	8,127,897	394,674	2,012,157	2,053,191	544,854	-	954	1,073,438	326,273
Disbursements:										
Current:										
Instruction	9,126,803	-	-	-	-	-	-	-	-	-
Support services	4,042,989	8,899	-	1,106,256	1,325,264	337,112	-	158,773	8,354	199,047
Noninstructional services	139,823	-	-	-	-	-	-	-	952,944	-
Facilities acquisition and construction	-	-	-	527,292	-	-	-	-	-	-
Debt services	851,084	5,093,067	253,373	-	-	-	-	-	-	-
Nonprogrammed charges	130,892	-	-	-	-	-	-	-	-	-
Total disbursements	14,291,591	5,101,966	253,373	1,633,548	1,325,264	337,112	-	158,773	961,298	199,047
Excess (deficiency) of receipts over disbursements	1,333,172	3,025,931	141,301	378,609	727,927	207,742	-	(157,819)	112,140	127,226
Other financing sources (uses):										
Transfers in	3,929,049	981,904	32,579	1,050,693	228,185	67,589	4,837,800	796,400	600,154	445,607
Transfers out	(5,183,092)	(2,487,904)	(168,579)	(1,423,693)	(863,185)	(67,589)	(4,418,900)	(395,400)	(215)	(334,592)
Total other financing sources (uses)	(1,254,043)	(1,506,000)	(136,000)	(373,000)	(635,000)	-	418,900	401,000	599,939	111,015
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	79,129	1,519,931	5,301	5,609	92,927	207,742	418,900	243,181	712,079	238,241
Cash and investments - ending	\$ 81,730	\$ 1,520,713	\$ 5,704	\$ 6,023	\$ 93,451	\$ 229,828	\$ 418,900	\$ 250,947	\$ 724,443	\$ 403,515

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Self- Insurance	Levy Excess	Early Intervention Grant	School Intervention and Career Counseling	Lapel Elementary Music Grant	LES PTG Technology Fund	LES Grade 1 Grant	FJSHS Kids in Need Grant/McCue	FJSHS Science Grant/J. Smith	LES Charlotte's Web Grant
Cash and investments - beginning	\$ 906,539	\$ 26,262	\$ -	\$ 1,475	\$ -	\$ 9,504	\$ 1,923	\$ -	\$ -	\$ -
Receipts:										
Local sources	2,571	-	-	-	100	9,374	-	500	500	250
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	1,400	15,000	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	2,571	-	1,400	15,000	100	9,374	-	500	500	250
Disbursements:										
Current:										
Instruction	-	-	-	-	100	27,996	1,923	-	-	250
Support services	2,357,917	-	-	15,845	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,357,917	-	-	15,845	100	27,996	1,923	-	-	250
Excess (deficiency) of receipts over disbursements	(2,355,346)	-	1,400	(845)	-	(18,622)	(1,923)	500	500	-
Other financing sources (uses):										
Transfers in	3,259,942	-	-	-	-	-	-	-	-	-
Transfers out	(886,900)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,373,042	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	17,696	-	1,400	(845)	-	(18,622)	(1,923)	500	500	-
Cash and investments - ending	\$ 924,235	\$ 26,262	\$ 1,400	\$ 630	\$ -	\$ (9,118)	\$ -	\$ 500	\$ 500	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	FES PTG Technology Fund	Alexs Project/Willis	2011-2012 Special Ed. Tech Grant	LMS Library Grant	LMS Library Fund	Character Counts Program/LHS	Autism Grant/FJSHS	Elementary Library Gift	Full Day Kindergarten Grant	Child Care
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 700	\$ 5,000	\$ -	\$ -	\$ 508	\$ 72,578	\$ (29,501)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	110,083
Intermediate sources	-	-	-	-	-	-	-	-	157,507	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	-	157,507	110,083
Disbursements:										
Current:										
Instruction	-	-	-	700	4,994	-	-	-	280,935	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	97,391
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	700	4,994	-	-	-	280,935	97,391
Excess (deficiency) of receipts over disbursements	-	-	-	(700)	(4,994)	-	-	-	(123,428)	12,692
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	70,000	85
Transfers out	-	-	-	-	-	-	-	-	(70,000)	(140)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	(55)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(700)	(4,994)	-	-	-	(123,428)	12,637
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ 508	\$ (50,850)	\$ (16,864)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	All Day Kindergarten	Age 4 Pre-School	ISTEP	Dickinson Scholarship/FJSHS	Copeland Reading Scholarship	Anderson-Huffman LHS Scholarship	Disaster Related Expenses	LHS Bulldog Statue	Pepsi	Tuition
Cash and investments - beginning	\$ 162,980	\$ (129,883)	\$ 1,200	\$ 7,461	\$ 1,865	\$ 10,000	\$ 1,875	\$ (4,631)	\$ 2,959	\$ (1,518)
Receipts:										
Local sources	161,495	-	-	-	295	10,000	-	-	-	5,799
Intermediate sources	-	160,047	-	-	-	-	-	-	16,801	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	161,495	160,047	-	-	295	10,000	-	-	16,801	5,799
Disbursements:										
Current:										
Instruction	80,638	-	-	-	300	10,000	-	-	-	-
Support services	-	-	-	-	-	-	-	(4,631)	16,238	-
Noninstructional services	1,800	75,390	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	82,438	75,390	-	-	300	10,000	-	(4,631)	16,238	-
Excess (deficiency) of receipts over disbursements	79,057	84,657	-	-	(5)	-	-	4,631	563	5,799
Other financing sources (uses):										
Transfers in	193,000	215	-	-	-	-	-	-	-	-
Transfers out	(193,000)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	215	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	79,057	84,872	-	-	(5)	-	-	4,631	563	5,799
Cash and investments - ending	\$ 242,037	\$ (45,011)	\$ 1,200	\$ 7,461	\$ 1,860	\$ 10,000	\$ 1,875	\$ -	\$ 3,522	\$ 4,281

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Building Corporation	2004-2005 IndianaNext Grant	Private School Account	2010-2011 High Ability Grant	2011-2012 High Ability Grant	Summer School	Damage/ Accidents/ Insurance	Special Ed. Coop. Grant/ Certified	Special Ed. Coop. Grant/ Non-Certified	Special Ed. Cooperative Funds
Cash and investments - beginning	\$ 1,363	\$ 251	\$ -	\$ -	\$ -	\$ 7,732	\$ 26,072	\$ 4,891	\$ -	\$ -
Receipts:										
Local sources	11,278	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	101,319	42,996	67,097	-
State sources	-	-	-	35,489	-	16,645	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	11,278	-	-	35,489	-	16,645	101,319	42,996	67,097	-
Disbursements:										
Current:										
Instruction	-	-	-	44,672	-	-	-	45,476	64,685	-
Support services	-	-	-	-	-	-	120,123	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	186,859	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	186,859	-	-	44,672	-	-	120,123	45,476	64,685	-
Excess (deficiency) of receipts over disbursements	(175,581)	-	-	(9,183)	-	16,645	(18,804)	(2,480)	2,412	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	24,300	-	-	-	-
Transfers out	-	-	-	-	-	(24,300)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(175,581)	-	-	(9,183)	-	16,645	(18,804)	(2,480)	2,412	-
Cash and investments - ending	\$ (174,218)	\$ 251	\$ -	\$ (9,183)	\$ -	\$ 24,377	\$ 7,268	\$ 2,411	\$ 2,412	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Access Indiana	Technology Planning Grant	Technology Advancement Loan	Technology/ E-Rates/ Fund	GQE Remediation Grant	Testing/ Instructional Assistants	2009-2010 Title I Grant	2010-2011 Title I Grant
Cash and investments - beginning	\$ 952	\$ -	\$ 5,000	\$ 15	\$ -	\$ -	\$ 34,312	\$ 45	\$ 22,386	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	135	-	-
State sources	-	7,727	-	-	-	24,296	16,364	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	159,436
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	7,727	-	-	-	24,296	16,364	135	-	159,436
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	8,110	-	22,386	167,197
Support services	-	7,591	5,000	-	-	23,381	-	180	-	2,303
Noninstructional services	-	-	-	-	-	-	-	-	-	90
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	7,591	5,000	-	-	23,381	8,110	180	22,386	169,590
Excess (deficiency) of receipts over disbursements	-	136	(5,000)	-	-	915	8,254	(45)	(22,386)	(10,154)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	26,000	-	-	-
Transfers out	-	-	-	-	-	-	(26,000)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	136	(5,000)	-	-	915	8,254	(45)	(22,386)	(10,154)
Cash and investments - ending	\$ 952	\$ 136	\$ -	\$ 15	\$ -	\$ 915	\$ 42,566	\$ -	\$ -	\$ (10,154)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	2011-2012 Title I Grant	2011-2012 Title II Part A Grant	2010-2011 Title II Part A Grant	2009-2010 Title II Part A Grant	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (7,013)	\$ 51,571	\$ 4,234	\$ (25,203)	\$ -	\$ 57,927	\$ 1,444,045
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	12,624,106
Intermediate sources	-	-	-	-	-	-	-	-	-	546,146
State sources	-	-	-	-	-	-	-	-	-	14,893,790
Federal sources	-	-	65,098	3,506	11,000	84,495	6,816	215,763	-	996,379
Temporary loans	-	-	-	-	-	-	-	-	-	2,587,003
Other	-	-	-	-	-	-	-	-	1,762,443	1,794,402
Total receipts	-	-	65,098	3,506	11,000	84,495	6,816	215,763	1,762,443	33,441,826
Disbursements:										
Current:										
Instruction	-	-	69,498	(3,507)	55,274	87,487	(18,387)	234,931	-	10,312,461
Support services	-	-	-	-	8,982	1,244	-	-	-	9,740,867
Noninstructional services	-	-	-	-	(2,002)	-	-	-	-	1,265,436
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	714,151
Debt services	-	-	-	-	-	-	-	-	-	6,197,524
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,819,122	1,950,014
Total disbursements	-	-	69,498	(3,507)	62,254	88,731	(18,387)	234,931	1,819,122	30,180,453
Excess (deficiency) of receipts over disbursements	-	-	(4,400)	7,013	(51,254)	(4,236)	25,203	(19,168)	(56,679)	3,261,373
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	16,543,502
Transfers out	-	-	-	-	-	-	-	-	-	(16,543,489)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	13
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(4,400)	7,013	(51,254)	(4,236)	25,203	(19,168)	(56,679)	3,261,386
Cash and investments - ending	\$ -	\$ -	\$ (4,400)	\$ -	\$ 317	\$ (2)	\$ -	\$ (19,168)	\$ 1,248	\$ 4,705,431

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 81,730	\$ 1,520,713	\$ 5,704	\$ 6,023	\$ 93,451	\$ 229,828	\$ 418,900	\$ 250,947	\$ 724,443	\$ 403,515
Receipts:										
Local sources	169,546	4,623,348	231,342	1,249,178	1,335,636	242,305	-	200	598,745	303,772
Intermediate sources	98	-	-	-	-	-	-	-	-	-
State sources	14,902,338	-	-	-	-	-	-	-	18,321	84,528
Federal sources	-	-	-	-	-	-	-	-	525,725	-
Temporary loans	1,904,183	389,615	-	-	-	-	-	-	-	-
Other	2,628	-	-	-	-	-	-	-	3,597	-
Total receipts	<u>16,978,793</u>	<u>5,012,963</u>	<u>231,342</u>	<u>1,249,178</u>	<u>1,335,636</u>	<u>242,305</u>	<u>-</u>	<u>200</u>	<u>1,146,388</u>	<u>388,300</u>
Disbursements:										
Current:										
Instruction	8,895,369	-	-	-	-	-	-	-	-	-
Support services	4,323,439	11,427	-	1,130,876	1,413,230	424,363	-	224,565	8,530	601,069
Noninstructional services	131,856	-	-	-	-	-	-	-	1,108,340	-
Facilities acquisition and construction	-	-	-	(76,157)	-	-	-	-	-	-
Debt services	1,885,354	6,076,663	251,371	-	-	-	-	-	-	-
Nonprogrammed charges	131,557	-	-	-	-	-	-	-	-	-
Total disbursements	<u>15,367,575</u>	<u>6,088,090</u>	<u>251,371</u>	<u>1,054,719</u>	<u>1,413,230</u>	<u>424,363</u>	<u>-</u>	<u>224,565</u>	<u>1,116,870</u>	<u>601,069</u>
Excess (deficiency) of receipts over disbursements	<u>1,611,218</u>	<u>(1,075,127)</u>	<u>(20,029)</u>	<u>194,459</u>	<u>(77,594)</u>	<u>(182,058)</u>	<u>-</u>	<u>(224,365)</u>	<u>29,518</u>	<u>(212,769)</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	3,695	3,731	-	-	-	-
Transfers in	4,945,494	691,000	44,422	11,000	295,546	83,000	4,598,000	-	-	-
Transfers out	<u>(6,638,343)</u>	<u>(691,000)</u>	<u>(30,000)</u>	<u>(156,834)</u>	<u>(315,000)</u>	<u>(113,000)</u>	<u>(5,016,900)</u>	<u>(24,739)</u>	<u>-</u>	<u>(190,645)</u>
Total other financing sources (uses)	<u>(1,692,849)</u>	<u>-</u>	<u>14,422</u>	<u>(145,834)</u>	<u>(15,759)</u>	<u>(26,269)</u>	<u>(418,900)</u>	<u>(24,739)</u>	<u>-</u>	<u>(190,645)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(81,631)</u>	<u>(1,075,127)</u>	<u>(5,607)</u>	<u>48,625</u>	<u>(93,353)</u>	<u>(208,327)</u>	<u>(418,900)</u>	<u>(249,104)</u>	<u>29,518</u>	<u>(403,414)</u>
Cash and investments - ending	<u>\$ 99</u>	<u>\$ 445,586</u>	<u>\$ 97</u>	<u>\$ 54,648</u>	<u>\$ 98</u>	<u>\$ 21,501</u>	<u>\$ -</u>	<u>\$ 1,843</u>	<u>\$ 753,961</u>	<u>\$ 101</u>

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Self- Insurance	Levy Excess	Early Intervention Grant	School Intervention and Career Counseling	Lapel Elementary Music Grant	LES PTG Technology Fund	LES Grade 1 Grant	FJSHS Kids in Need Grant/McCue	FJSHS Science Grant/J. Smith	LES Charlotte's Web Grant
Cash and investments - beginning	\$ 924,235	\$ 26,262	\$ 1,400	\$ 630	\$ -	\$ (9,118)	\$ -	\$ 500	\$ 500	\$ -
Receipts:										
Local sources	2,794	-	-	-	-	9,298	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	2,794	-	-	-	-	9,298	-	-	-	-
Disbursements:										
Current:										
Instruction	-	-	1,400	-	-	180	-	-	-	-
Support services	2,581,421	-	-	630	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,581,421	-	1,400	630	-	180	-	-	-	-
Excess (deficiency) of receipts over disbursements	(2,578,627)	-	(1,400)	(630)	-	9,118	-	-	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	3,206,815	-	-	-	-	-	-	-	-	-
Transfers out	(650,000)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,556,815	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(21,812)	-	(1,400)	(630)	-	9,118	-	-	-	-
Cash and investments - ending	\$ 902,423	\$ 26,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 500	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	FES PTG Technology Fund	Alexs Project/Willis	2011-2012 Special Ed. Tech Grant	LMS Library Grant	LMS Library Fund	Character Counts Program/LHS	Autism Grant/FJSHS	Elementary Library Gift	Full Day Kindergarten Grant	Child Care
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -	\$ 508	\$ (50,850)	\$ (16,864)
Receipts:										
Local sources	13,708	11,124	23,180	-	-	500	3,000	-	-	109,737
Intermediate sources	-	-	-	-	-	-	-	-	222,207	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	13,708	11,124	23,180	-	-	500	3,000	-	222,207	109,737
Disbursements:										
Current:										
Instruction	13,900	13,643	-	-	6	500	-	8	64,028	-
Support services	-	-	23,180	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	98,447
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	13,900	13,643	23,180	-	6	500	-	8	64,028	98,447
Excess (deficiency) of receipts over disbursements	(192)	(2,519)	-	-	(6)	-	3,000	(8)	158,179	11,290
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(67,083)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(67,083)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(192)	(2,519)	-	-	(6)	-	3,000	(8)	91,096	11,290
Cash and investments - ending	\$ (192)	\$ (2,519)	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 500	\$ 40,246	\$ (5,574)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	All Day Kindergarten	Age 4 Pre-School	ISTEP	Dickinson Scholarship/FJSHS	Copeland Reading Scholarship	Anderson-Huffman LHS Scholarship	Disaster Related Expenses	LHS Bulldog Statue	Pepsi	Tuition
Cash and investments - beginning	\$ 242,037	\$ (45,011)	\$ 1,200	\$ 7,461	\$ 1,860	\$ 10,000	\$ 1,875	\$ -	\$ 3,522	\$ 4,281
Receipts:										
Local sources	170,276	-	-	-	235	10,000	-	-	-	10,842
Intermediate sources	-	138,538	-	-	-	-	-	-	12,062	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	170,276	138,538	-	-	235	10,000	-	-	12,062	10,842
Disbursements:										
Current:										
Instruction	289,120	-	-	-	300	10,000	-	-	-	-
Support services	-	-	-	-	-	-	-	-	13,572	-
Noninstructional services	345	1,129	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	289,465	1,129	-	-	300	10,000	-	-	13,572	-
Excess (deficiency) of receipts over disbursements	(119,189)	137,409	-	-	(65)	-	-	-	(1,510)	10,842
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(119,189)	137,409	-	-	(65)	-	-	-	(1,510)	10,842
Cash and investments - ending	\$ 122,848	\$ 92,398	\$ 1,200	\$ 7,461	\$ 1,795	\$ 10,000	\$ 1,875	\$ -	\$ 2,012	\$ 15,123

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Building Corporation	2004-2005 IndianaNext Grant	Private School Account	2010-2011 High Ability Grant	2011-2012 High Ability Grant	Summer School	Damage/Accidents/Insurance	Special Ed. Coop. Grant/Certified	Special Ed. Coop. Grant/Non-Certified	Special Ed. Cooperative Funds
Cash and investments - beginning	\$ (174,218)	\$ 251	\$ -	\$ (9,183)	\$ -	\$ 24,377	\$ 7,268	\$ 2,411	\$ 2,412	\$ -
Receipts:										
Local sources	-	-	12,087	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	33,104	36,756	55,085	2,226
State sources	-	-	-	-	35,736	16,860	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	12,087	-	35,736	16,860	33,104	36,756	55,085	2,226
Disbursements:										
Current:										
Instruction	-	-	13,214	(9,183)	27,296	-	-	46,146	68,362	2,226
Support services	-	-	-	-	-	-	34,919	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	34,387	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	34,387	-	13,214	(9,183)	27,296	-	34,919	46,146	68,362	2,226
Excess (deficiency) of receipts over disbursements	(34,387)	-	(1,127)	9,183	8,440	16,860	(1,815)	(9,390)	(13,277)	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,387)	-	(1,127)	9,183	8,440	16,860	(1,815)	(9,390)	(13,277)	-
Cash and investments - ending	\$ (208,605)	\$ 251	\$ (1,127)	\$ -	\$ 8,440	\$ 41,237	\$ 5,453	\$ (6,979)	\$ (10,865)	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Access Indiana	Technology Planning Grant	Technology Advancement Loan	Technology/ E-Rates Fund	GQE Remediation Grant	Testing/ Instructional Assistants	2009-2010 Title I Grant	2010-2011 Title I Grant
Cash and investments - beginning	\$ 952	\$ 136	\$ -	\$ 15	\$ -	\$ 915	\$ 42,566	\$ -	\$ -	\$ (10,154)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	45	-	-
State sources	24	7,398	-	-	125,295	34,576	13,934	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	53,454
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	24	7,398	-	-	125,295	34,576	13,934	45	-	53,454
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	4,065	-	-	43,245
Support services	-	-	-	-	55,310	43,928	-	45	-	782
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	55,310	43,928	4,065	45	-	44,027
Excess (deficiency) of receipts over disbursements	24	7,398	-	-	69,985	(9,352)	9,869	-	-	9,427
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24	7,398	-	-	69,985	(9,352)	9,869	-	-	9,427
Cash and investments - ending	\$ 976	\$ 7,534	\$ -	\$ 15	\$ 69,985	\$ (8,437)	\$ 52,435	\$ -	\$ -	\$ (727)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	2011-2012 Title I Grant	2011-2012 Title II Part A Grant	2010-2011 Title II Part A Grant	2009-2010 Title II Part A Grant	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (4,400)	\$ -	\$ 317	\$ (2)	\$ -	\$ (19,168)	\$ 1,248	\$ 4,705,431
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	9,130,853
Intermediate sources	-	-	-	-	-	-	-	-	-	500,121
State sources	-	-	-	-	-	-	-	-	-	15,239,010
Federal sources	82,047	60,485	9,170	3,507	58,200	51,267	-	258,633	-	1,102,488
Temporary loans	-	-	-	-	-	-	-	-	-	2,293,798
Other	-	-	-	-	-	-	-	-	1,736,615	1,742,840
Total receipts	82,047	60,485	9,170	3,507	58,200	51,267	-	258,633	1,736,615	30,009,110
Disbursements:										
Current:										
Instruction	196,017	68,233	4,770	3,507	35,106	62,971	-	232,558	-	10,086,987
Support services	1,342	-	-	-	1,225	2,268	-	-	-	10,896,121
Noninstructional services	255	-	-	-	-	-	-	-	-	1,340,372
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	(41,770)
Debt services	-	-	-	-	-	-	-	-	-	8,213,388
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,736,620	1,868,177
Total disbursements	197,614	68,233	4,770	3,507	36,331	65,239	-	232,558	1,736,620	32,363,275
Excess (deficiency) of receipts over disbursements	(115,567)	(7,748)	4,400	-	21,869	(13,972)	-	26,075	(5)	(2,354,165)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	7,426
Transfers in	-	-	-	-	-	-	-	-	-	13,875,277
Transfers out	-	-	-	-	-	-	-	-	-	(13,893,544)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	(10,841)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(115,567)	(7,748)	4,400	-	21,869	(13,972)	-	26,075	(5)	(2,365,006)
Cash and investments - ending	\$ (115,567)	\$ (7,748)	\$ -	\$ -	\$ 22,186	\$ (13,974)	\$ -	\$ 6,907	\$ 1,243	\$ 2,340,425

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FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
New Lapel High School	\$ 29,880,000	\$ 2,698,500	Debt Service
New Frankton Elem/FHS renovations	13,069,984	1,889,500	Debt Service
Lapel renovations	1,831,362	209,000	Debt Service
Notes and loans payable			
Common School Fund Loan/Technology #1	22,008	22,118	Debt Service
Common School Fund Loan/Technology #2	159,870	47,162	Debt Service
Revenue bonds:			
Pension/Severance Bonds	125,000	128,438	Pension Debt
Frankton energy system	109,379	112,080	CPF
Total debt	<u>\$ 45,197,603</u>	<u>\$ 5,106,798</u>	

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The cash balances of the following funds were overdrawn by the following amounts:

Fund Name	June 30, 2011	June 30, 2012
LES PTG Technology Fund	\$ 9,118	\$ -
FES PTG Technology Fund	-	192
Alexs Project/Willis	-	2,519
Child Care	16,864	5,574
Age 4 Pre-School	45,011	-
Building Corporation	174,218	208,605
Private School Account	-	1,127

The funds reported overdrawn balances because disbursements exceeded the available funds. Other funds also reported overdrawn balances, but were related to reimbursable grants.

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

NEGATIVE DISBURSEMENTS

Negative disbursement transactions were used to correct errors and reclassify disbursements during the audit period. Negative adjustments should offset previously recorded transactions to reduce or eliminate them within the same accounting period. However, negative transactions were used to reclassify disbursements to avoid overspending of appropriations during the calendar year which in some cases were not within the same accounting period. As a result, negative disbursements appeared in the financial statement. These negative disbursements were not material to the financial statement.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERFUND LOANS

Controls over the authorization, repayment, and reporting of interfund borrowing transactions were not adequate. The School Board passed resolutions approving interfund loans during the audit period. However, the resolutions did not indicate the funds and amounts that the transfers were to and from or the time period for the borrowing.

The School Corporation completed interfund loans in June and December of each school year to compensate for depleted cash fund balances in various funds. The loans were repaid to the original funds the following month. As a result of this practice, not all interfund loans were repaid by December 31. Interfund loans outstanding at December 31, 2010 and 2011, were \$4,290,000 and \$3,068,000, respectively.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Additionally, interfund loans were not properly presented on the combining schedule or the financial statement. Interfund loans were classified as transfers under the other financing sources and uses category. They should have been reported as interfund loans in the receipts and disbursements categories. Interfund loans for the schools years 2010-2011 and 2011-2012 totaled \$14,170,000 and \$11,137,596, respectively.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The board of school trustees instead of negotiating a temporary loan is authorized to transfer, by resolution, from a fund having sufficient balance to any fund in need of money for cash flow purposes. The resolution must specify the fund from which money is to be temporarily advanced or transferred, the fund to which said amount is to be advanced, the amount to be transferred and the time of such temporary borrowing. The time fixed by the resolution for repayment of a temporary transfer shall not extend beyond December 31, except as authorized by IC 36-1-8-4(b), of the year in which the temporary transfer is made. Any such transfer shall be made only from funds derived from the collection of property taxes, collection of special taxes and from other revenue derived from any operation of the school corporation, IC 36-1-8-4. No temporary transfers may be made from federal funds or from funds obtained by the sale of general obligation bonds. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - INADEQUATE RECORDS

School Corporation records presented for audit to support the ADM claimed by the School Corporation for the September 17, 2010 student count did not support the amount reported. "Query" reports were generated from the School Corporation's software system that provided a listing of students for each school building. Those reports were certified with the principal's signatures. The "query" report presented for one of the elementary schools was incomplete and did not support the amount reported for that school. The number of students reported for ADM included twenty-two additional students that were not on the "query" report. Documentation available was not adequate to determine accurate ADM reporting for the School Corporation.

Original documentation to support the ADM for the September 16, 2011 count date was not maintained for audit. ADM enrollment reports were generated from the School Corporation's software system for each building at the time the information was requested for audit. The reports generated supported the ADM for September 2011; however the reports were not certified by a building level official for each school.

Officials shall 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.) is 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

CREDIT CARDS

There were several payments made for the School Corporation and Extra-Curricular Accounts (ECA) credit cards that did not have proper supporting documentation. The School Corporation was paying the credit card company on behalf of the ECAs at numerous times during the audit period. There were several items charged on the School Corporation and ECA's credit card that had no paid receipts or invoices totaling \$1,595. There were two meals purchased and paid for on the School Corporation and ECA's credit cards that did not have adequate itemization, totaling \$81. A similar comment appeared in prior reports, most recently Report B38349.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE - ECA REIMBURSEMENTS

The School Corporation made payments to a credit card company for purchases made by three of the school buildings during the audit period. The School Corporation made payments on behalf of the ECA's on 22 occasions, totaling \$25,233. These disbursements were paid from the General Fund and recorded against the appropriations. The School Corporation requested reimbursements from the ECAs, but only received repayment for \$18,991. The amounts received from the ECAs were receipted into the General Fund as reimbursements. The remaining \$6,242 has not been repaid as of the date of this report.

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

OFFICIAL BOND

The School Corporation obtained a Public Official Schedule Bond for each school year that included the Corporate Treasurer, Extra-Curricular Account treasurers, and other employees. The bond for 2010-2011 and 2011-2012 were not filed in the county recorder's office.

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

The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Indiana Code 20-41-1-6 states in part:

"(a) The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. . . . (b) The requirements of this chapter may be fulfilled by providing a comprehensive bonding instrument, including a single blanket position bond, for all extracurricular treasurers. A comprehensive bonding instrument is acceptable instead of individual separate personal position bonds."

The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and also with the school board. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

Compliance

We have audited the Frankton-Lapel Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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.

As described in item 2012-1 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding cash management and reporting that are applicable to the grants in its Title I, Part A Cluster and Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the period of July 1, 2010 to June 30, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

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 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, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be a material weakness.

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 the response.

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



Bruce Hartman
State Examiner

February 28, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	11-5245 12-5245	\$ 66,596 -	\$ - 84,830
National School Lunch Program	10.555	11-5245 12-5245	457,412 -	- 529,029
Total for federal grantor agency			<u>524,008</u>	<u>613,859</u>
<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	84.010	10-5245 11-5245 12-5245	22,386 159,436 -	- 53,454 82,047
Total for program			<u>181,822</u>	<u>135,501</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-5245	<u>62,254</u>	<u>58,517</u>
Total for cluster			<u>244,076</u>	<u>194,018</u>
Special Education Cluster (IDEA) Special Education - Grants to States	84.027	A5B-2-12-DL-0192	-	23,180
Pass-Through Carmel-Clay Schools Special Education Cluster (IDEA) Special Education - Grants to States	84.027	FY 10-11 FY 11-12	45,476 -	- 41,393
Total for program			<u>45,476</u>	<u>64,573</u>
Special Education - Preschool Grants	84.173	FY 10-11 FY 11-12	64,685 -	- 57,497
Total for program			<u>64,685</u>	<u>57,497</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-025-SN01	<u>88,731</u>	<u>51,267</u>
Total for cluster			<u>198,892</u>	<u>173,337</u>
Pass-Through Indiana Department of Education Improving Teacher Quality States Grants	84.367	5245-10 5245-11 5245-12	- 65,098 -	3,507 9,170 60,485
Total for program			<u>65,098</u>	<u>73,162</u>
Education Jobs Fund	84.410	10-5245	<u>215,763</u>	<u>258,633</u>
Total for federal grantor agency			<u>723,829</u>	<u>699,150</u>
Total federal awards expended			<u>\$ 1,247,837</u>	<u>\$ 1,313,009</u>

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Frankton-Lapel Community Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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.

Note 2. 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, 2011 and 2012:

Program Title	Federal CFDA Number	2011	2012
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	\$ 1,435	\$ -

Note 3. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
School Breakfast Program	10.553	\$ 9,372	\$ 12,182
National School Lunch Program	10.555	64,371	75,970

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified as to Child Nutrition Cluster and Educational Jobs; Qualified as to Title I, Part A Cluster and Special Education Cluster (IDEA)
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Title I Cluster Special Education Cluster (IDEA) Educational Jobs

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-1 – CASH MANAGEMENT AND REPORTING

Federal Agency: U.S. Department of Education
Federal Program: Title I – Grants to Local Educational Agencies; ARRA – Title I Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.010, 84.389
Federal Award Number and Year (or Other Identifying Number): 10-5245, 11-5245, 12-5245
Pass-Through Entity: Indiana Department of Education

Federal Agency: U.S. Department of Education
Federal Program: Special Education – Grants to States; Special Education – Preschool Grants; ARRA – Special Education – Grants to States, Recovery Act
CFDA Number: 84.027, 84.173, 84.391
Federal Award Number and Year (or Other Identifying Number): A5B-2-12-DL-0192, 33310-025-SN01
Pass-Through Entity: Indiana Department of Education, Carmel-Clay Schools

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: cash management and reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Cash balances and reimbursement request reports for Title I, Part A Cluster and Special Education Cluster grants were not properly monitored and reviewed. The Treasurer was the only person who reviewed cash balances, determined when draws/reimbursements were submitted, prepared request for reimbursement reports, and submitted request for reimbursement reports. The Title I - Grants to LEA's fund which accounts for the Title I ARRA grant carried a large cash balance into the 2010-2011 school year and continued to maintain excess cash balances for the first eight months of the school year. The Indiana Department of Education requires that the School Corporation prepare and submit requests for reimbursement reports which are supposed to be based on actual disbursements already made. Five of the request for reimbursement reports tested for the 2011-2012 school year for the Title I, Part A Cluster and Special Education Cluster grants did not have adequate documentation to indicate that disbursements were made prior to submission of requests for reimbursements. The Treasurer indicated that in some instances the amounts requested were estimated or based on the grant funding remaining.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to remain undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

34 CFR 80.21 states in part:

"(b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

(d) Reimbursement. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

31 CFR 205.12 (b) states in part: "We and a State may base our agreement on the sample funding techniques listed in paragraphs (b)(1) through (b)(5) of this section, or any other technique upon which both parties agree. . . .

(5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.20 (b)(1) states: "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements for cash management and reporting which have a direct and material effect to the program.

Frankton-Lapel Community Schools

"A Place For All Learners"

Robert A. Fields
Superintendent

Sterling Boles
Assistant Superintendent

To: State Board of Accounts

From: Bobby Fields *BF*

Date: February 28, 2013

RE: Official Response to Audit – Finding #2012-1

As Superintendent of Frankton-Lapel Community Schools, I appreciate the assistance provided by the State Board of Accounts in helping us improve our fiscal management of the school district.

The corrective actions will be implemented to address the findings of our recent audit concerning federal grants as follows:

The treasurer will submit requests for reimbursement based on actual disbursements already made. Attached with the reimbursement request will be reports from our accounting program that show the exact amount of disbursements made during the reimbursement request period. The treasurer will make sure that no excess cash balances exist in the federal grant fund accounts.

The requests for reimbursement will be reviewed by another person in the school corporation office; either the Superintendent, the Accounts Payable Clerk, or the Payroll Clerk.

Bobby Fields

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2013, with Lynn Hall, Treasurer; Bobby Fields, Superintendent of Schools; and Joseph Kelich, President of the School Board. The officials concurred with our audit findings.