

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 SCHOOLS
MADISON COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
07/15/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's 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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis	10-11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis	20-37
Schedule of Leases and Debt	38
Schedule of Capital Assets	39
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	42-44
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	47
Notes to Schedule of Expenditures of Federal Awards	48
Schedule of Findings and Questioned Costs	49-58
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings	60
Corrective Action Plan	61-63
Other Report	64

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Hall	07-01-12 to 06-30-16
Superintendent of Schools	Bobby Fields	07-01-12 to 06-30-16
President of the School Board	Joseph Kelich	07-01-11 to 12-31-13
	Brian Gill	01-01-14 to 12-31-14
	Joseph Kelich	01-01-15 to 12-31-15
	Tami Davis	01-01-16 to 12-31-16



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Frankton-Lapel Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2012 to June 30, 2014.

Opinion on Regulatory Basis of Accounting

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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 records 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.


Other Information

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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 12, 2016



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**INDEPENDENT AUDITOR'S 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
SCHOOLS, MADISON COUNTY, INDIANA**

We have audited, 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, the financial statement of the Frankton-Lapel Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated May 12, 2016, 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

INDEPENDENT AUDITOR'S 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

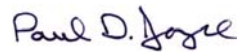
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

Frankton-Lapel Community Schools' Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 12, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 100	\$ 18,623,856	\$ 13,662,583	\$ (5,025,673)	\$ (64,300)	\$ 16,753,189	\$ 15,143,991	\$ (1,572,483)	\$ (27,585)
Debt Service	445,587	5,665,079	5,290,822	(100,000)	719,844	5,432,244	5,046,912	-	1,105,176
Retirement/Severance Bond Debt Service	100	97,683	83,361	(14,422)	-	-	-	-	-
Capital Projects	54,649	1,184,402	1,019,647	145,834	365,238	1,279,148	1,569,348	-	75,038
School Transportation	100	1,313,337	1,411,711	(270,046)	(368,320)	1,511,460	1,239,880	2,800	(93,940)
School Bus Replacement	21,501	244,536	84,340	(3,300)	178,397	395,153	184,185	(191,500)	197,865
Rainy Day	-	-	2,813,513	2,846,900	33,387	-	-	199,000	232,387
Retirement/Severance Bond	1,842	60,931	62,773	-	-	-	-	-	-
School Lunch	753,955	1,239,904	1,247,318	-	746,541	1,245,463	1,050,885	1,400	942,519
Textbook Rental	100	385,305	331,772	190,645	244,278	404,301	370,575	-	278,004
Self-Insurance	902,424	1,188	3,039,826	2,186,447	50,233	-	1,622,716	1,572,483	-
Levy Excess	26,262	-	-	-	26,262	-	-	-	26,262
FJSHS Kids in Need Grant	500	-	-	-	500	-	-	-	500
FJSHS Science Grant	500	500	992	-	8	-	-	-	8
LES Charlotte's Web Grant	-	-	-	-	-	1,000	-	-	1,000
FES PTG Technology Fund	(192)	15,000	15,000	-	(192)	-	-	-	(192)
Alex's Project	(2,520)	-	-	-	(2,520)	-	-	-	(2,520)
LMS South Madison Foundation Grant	-	500	261	-	239	1,100	490	-	849
LHS South Madison Foundation Grant	-	1,100	374	-	726	1,876	767	-	1,835
LES South Madison Foundation Grant	-	1,700	1,093	-	607	1,777	1,898	-	486
Autism Grant FJSHS	3,000	-	592	-	2,408	-	470	-	1,938
Discover Financial Grant	-	2,450	2,450	-	-	-	-	-	-
Kindergarten Camp Grant	-	-	-	-	-	11,108	7,788	-	3,320
LHS Lapel Youth Commission Grant	-	900	900	-	-	-	-	-	-
Community Hospital Healthcare Grant	-	-	-	-	-	5,500	2,568	-	2,932
Elementary Library Gift	500	-	-	-	500	-	-	-	500
Full Day Kindergarten Grant	40,245	451,201	236,689	67,083	321,840	514,897	386,062	-	450,675
Child Care	(5,574)	117,636	95,280	-	16,782	106,695	116,635	-	6,842
All Day Kindergarten	122,848	10,771	129,813	-	3,806	760	-	-	4,566
Age 4 Pre-school	92,399	184,281	90,091	-	186,589	254,053	195,544	-	245,098
ISTEP	1,200	-	-	-	1,200	-	-	-	1,200
Dickison Scholarship FJSHS	7,461	-	-	-	7,461	-	-	-	7,461
Copeland Reading Scholarship	1,795	250	300	-	1,745	500	600	-	1,645
Anderson-Huffman LHS Scholarship	10,000	10,000	10,000	-	10,000	-	10,000	-	-
Disaster Related Expenses	1,875	-	-	-	1,875	-	-	-	1,875
Pepsi	2,011	9,225	8,101	-	3,135	11,587	11,499	-	3,223
Tuition	15,123	12,480	-	-	27,603	275	-	-	27,878
Building Corporation	(208,605)	-	-	-	(208,605)	142,723	-	-	(65,882)

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
2004-05 IndianaNext Grant	251	-	-	-	251	-	-	-	251
Reimbursement	-	-	150	-	(150)	3,931	3,931	-	(150)
Private School Account	(1,127)	2,960	2,961	-	(1,128)	4,053	650	-	2,275
LHS Library	-	-	-	-	-	1,475	1,192	-	283
LHS Faculty	-	-	-	-	-	67	67	-	-
LMS Faculty	-	-	-	-	-	360	360	-	-
FJSHS Library	-	-	-	-	-	573	-	-	573
2013-14 High Ability Grant	-	-	-	-	-	35,850	29,926	-	5,924
2011-12 High Ability Grant	8,440	-	8,440	-	-	-	-	-	-
2012-13 High Ability Grant	-	36,372	29,913	-	6,459	-	2,902	-	3,557
2013 Special Education Improvement Grant	-	-	-	-	-	13,494	13,494	-	-
2013 Special Education Technical Assistance	-	-	-	-	-	-	12,428	-	(12,428)
Summer School	41,237	-	-	-	41,237	-	-	-	41,237
Damage/ Accidents/ Insurance	5,453	11,580	10,910	-	6,123	17,591	19,301	-	4,413
Special Education Cooperative Grant Certified	(6,978)	14,004	41,418	-	(34,392)	25,123	-	-	(9,269)
Special Education Cooperative Grant Non-Certified	(10,865)	24,638	43,805	-	(30,032)	18,560	-	-	(11,472)
Non-English Speaking Programs P.L. 273-1999	976	-	-	-	976	1,727	340	-	2,363
School Technology	7,535	7,970	-	-	15,505	7,969	8,168	-	15,306
Technology Planning Grant	15	-	15	-	-	-	-	-	-
Technology Advancement Loan	69,985	135,405	205,390	-	-	-	-	-	-
Technology E-Rates	(8,438)	24,236	-	-	15,798	24,084	42,707	-	(2,825)
GQE Remediation Grant	52,435	17,127	67,282	-	2,280	10,612	-	-	12,892
Testing/ Instructional Assistants	-	45	-	-	45	50	95	-	-
Senator David Ford Technology	-	30,000	10,432	-	19,568	-	15,829	-	3,739
2010-11 Title I	(729)	-	(729)	-	-	-	-	-	-
2011-12 Title I	(115,566)	128,607	13,041	-	-	-	-	-	-
2012-13 Title I	-	316,636	324,430	-	(7,794)	43,047	35,253	-	-
2013-14 Title I	-	-	-	-	-	284,107	316,740	-	(32,633)
2013-14 Title II, Part A	-	-	-	-	-	53,115	59,544	-	(6,429)
2012-13 Title II, Part A	-	62,235	67,976	-	(5,741)	2,173	(3,568)	-	-
2011-12 Title II, Part A	(7,748)	-	(7,748)	-	-	-	-	-	-
Title I - Grants to LEAs	22,186	-	22,186	-	-	-	-	-	-
Special Education - Part B	(13,975)	-	(13,975)	-	-	-	-	-	-
Education Jobs	6,906	9,687	-	-	16,593	-	-	-	16,593
Payroll Withholdings	1,243	3,455,654	3,454,803	-	2,094	3,525,570	3,525,496	-	2,168
Totals	\$ 2,340,422	\$ 33,911,371	\$ 33,920,302	\$ 23,468	\$ 2,354,959	\$ 32,148,340	\$ 31,047,668	\$ 11,700	\$ 3,467,331

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 may 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.

FRANKTON-LAPEL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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, 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 may 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 may include the following:

FRANKTON-LAPEL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

FRANKTON-LAPEL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

FRANKTON-LAPEL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' 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
One North Capitol, 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. Negative Receipts and Disbursements

The financial statement contains some receipts and disbursements which appear as negative entries. This is a result of error corrections made in subsequent periods.

FRANKTON-LAPEL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Cash Balance Deficits*

The financial statement contains some funds with deficits in cash balances. Negative cash balances are common and expected for reimbursable grant funds due to the grant requirement that the School Corporation make the disbursements before reimbursements are requested. Other cash balance deficits are the result of disbursements exceeding receipts. 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 9. *Holding Corporation*

The School Corporation has 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 2013 and 2014 totaled \$4,797,000 and \$4,899,144, respectively.

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OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ 100	\$ 445,587	\$ 100	\$ 54,649	\$ 100	\$ 21,501	\$ -	\$ 1,842	\$ 753,955
Receipts:									
Local sources	432,464	5,626,659	97,683	1,184,402	1,312,504	244,536	-	4	635,132
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	15,533,622	-	-	-	-	-	-	-	18,855
Federal sources	-	-	-	-	-	-	-	-	582,171
Temporary loans	2,653,074	38,420	-	-	-	-	-	-	-
Other	4,696	-	-	-	833	-	-	60,927	3,746
Total receipts	18,623,856	5,665,079	97,683	1,184,402	1,313,337	244,536	-	60,931	1,239,904
Disbursements:									
Current:									
Instruction	7,144,539	-	-	-	-	-	2,111,447	-	-
Support services	3,663,060	-	-	820,026	1,411,711	84,340	674,847	62,773	6,912
Noninstructional services	96,114	-	-	-	-	-	27,219	-	1,240,406
Facilities acquisition and construction	-	-	-	199,621	-	-	-	-	-
Debt services	2,624,196	5,290,822	83,361	-	-	-	-	-	-
Nonprogrammed charges	134,674	-	-	-	-	-	-	-	-
Total disbursements	13,662,583	5,290,822	83,361	1,019,647	1,411,711	84,340	2,813,513	62,773	1,247,318
Excess (deficiency) of receipts over disbursements	4,961,273	374,257	14,322	164,755	(98,374)	160,196	(2,813,513)	(1,842)	(7,414)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	500	4,700	-	-	-
Transfers in	4,503,000	70,000	46,000	341,834	250,000	11,000	5,693,800	-	-
Transfers out	(9,528,673)	(170,000)	(60,422)	(196,000)	(520,546)	(19,000)	(2,846,900)	-	-
Total other financing sources (uses)	(5,025,673)	(100,000)	(14,422)	145,834	(270,046)	(3,300)	2,846,900	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(64,400)	274,257	(100)	310,589	(368,420)	156,896	33,387	(1,842)	(7,414)
Cash and investments - ending	\$ (64,300)	\$ 719,844	\$ -	\$ 365,238	\$ (368,320)	\$ 178,397	\$ 33,387	\$ -	\$ 746,541

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Textbook Rental	Self- Insurance	Levy Excess	FJSHS Kids in Need Grant	FJSHS Science Grant	LES Charlotte's Web Grant	FES PTG Technology Fund	Alex's Project	LMS South Madison Foundation Grant
Cash and investments - beginning	\$ 100	\$ 902,424	\$ 26,262	\$ 500	\$ 500	\$ -	\$ (192)	\$ (2,520)	\$ -
Receipts:									
Local sources	311,032	1,188	-	-	500	-	15,000	-	500
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	73,495	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	778	-	-	-	-	-	-	-	-
Total receipts	385,305	1,188	-	-	500	-	15,000	-	500
Disbursements:									
Current:									
Instruction	-	-	-	-	992	-	15,000	-	261
Support services	331,772	3,039,826	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	331,772	3,039,826	-	-	992	-	15,000	-	261
Excess (deficiency) of receipts over disbursements	53,533	(3,038,638)	-	-	(492)	-	-	-	239
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	347,645	3,085,447	26,000	-	-	-	-	-	-
Transfers out	(157,000)	(899,000)	(26,000)	-	-	-	-	-	-
Total other financing sources (uses)	190,645	2,186,447	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	244,178	(852,191)	-	-	(492)	-	-	-	239
Cash and investments - ending	\$ 244,278	\$ 50,233	\$ 26,262	\$ 500	\$ 8	\$ -	\$ (192)	\$ (2,520)	\$ 239

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	LHS South Madison Foundation Grant	LES South Madison Foundation Grant	Autism Grant FJSHS	Discover Financial Grant	Kindergarten Camp Grant	LHS Lapel Youth Commission Grant	Community Hospital Healthcare Grant	Elementary Library Gift
Cash and investments - beginning	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 500
Receipts:								
Local sources	1,100	1,700	-	2,450	-	900	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	1,100	1,700	-	2,450	-	900	-	-
Disbursements:								
Current:								
Instruction	374	1,093	592	2,450	-	900	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	374	1,093	592	2,450	-	900	-	-
Excess (deficiency) of receipts over disbursements	726	607	(592)	-	-	-	-	-
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	726	607	(592)	-	-	-	-	-
Cash and investments - ending	\$ 726	\$ 607	\$ 2,408	\$ -	\$ -	\$ -	\$ -	\$ 500

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Full Day Kindergarten Grant	Child Care	All Day Kindergarten	Age 4 Pre-school	ISTEP	Dickison Scholarship FJSHS	Copeland Reading Scholarship	Anderson- Huffman LHS Scholarship
Cash and investments - beginning	\$ 40,245	\$ (5,574)	\$ 122,848	\$ 92,399	\$ 1,200	\$ 7,461	\$ 1,795	\$ 10,000
Receipts:								
Local sources	-	117,636	10,771	-	-	-	250	10,000
Intermediate sources	451,201	-	-	184,281	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	451,201	117,636	10,771	184,281	-	-	250	10,000
Disbursements:								
Current:								
Instruction	236,689	-	129,803	-	-	-	300	10,000
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	95,280	10	90,091	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	236,689	95,280	129,813	90,091	-	-	300	10,000
Excess (deficiency) of receipts over disbursements	214,512	22,356	(119,042)	94,190	-	-	(50)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	573,083	-	-	160,000	-	7,000	-	-
Transfers out	(506,000)	-	-	(160,000)	-	(7,000)	-	-
Total other financing sources (uses)	67,083	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	281,595	22,356	(119,042)	94,190	-	-	(50)	-
Cash and investments - ending	\$ 321,840	\$ 16,782	\$ 3,806	\$ 186,589	\$ 1,200	\$ 7,461	\$ 1,745	\$ 10,000

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Disaster Related Expenses	Pepsi	Tuition	Building Corporation	2004-05 IndianaNext Grant	Reimbursement	Private School Account	LHS Library
Cash and investments - beginning	\$ 1,875	\$ 2,011	\$ 15,123	\$ (208,605)	\$ 251	\$ -	\$ (1,127)	\$ -
Receipts:								
Local sources	-	-	12,480	-	-	-	2,960	-
Intermediate sources	-	9,225	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	9,225	12,480	-	-	-	2,960	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	2,961	-
Support services	-	8,101	-	-	-	150	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	8,101	-	-	-	150	2,961	-
Excess (deficiency) of receipts over disbursements	-	1,124	12,480	-	-	(150)	(1)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	20,000	-	-	-	-	-
Transfers out	-	-	(20,000)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,124	12,480	-	-	(150)	(1)	-
Cash and investments - ending	\$ 1,875	\$ 3,135	\$ 27,603	\$ (208,605)	\$ 251	\$ (150)	\$ (1,128)	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	LHS Faculty	LMS Faculty	FJSHS Library	2013-14 High Ability Grant	2011-12 High Ability Grant	2012-13 High Ability Grant	2013 Special Education Improvement Grant	2013 Special Education Technical Assistance
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 8,440	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	36,372	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	36,372	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	8,440	29,913	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	8,440	29,913	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(8,440)	6,459	-	-
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	-	-	-	-	(8,440)	6,459	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,459	\$ -	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Summer School	Damage/ Accidents/ Insurance	Special Education Cooperative Grant Certified	Special Education Cooperative Grant Non-Certified	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Planning Grant	Technology Advancement Loan
Cash and investments - beginning	\$ 41,237	\$ 5,453	\$ (6,978)	\$ (10,865)	\$ 976	\$ 7,535	\$ 15	\$ 69,985
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	11,580	14,004	24,638	-	-	-	-
State sources	-	-	-	-	-	7,970	-	135,405
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	11,580	14,004	24,638	-	7,970	-	135,405
Disbursements:								
Current:								
Instruction	-	-	41,418	43,805	-	-	-	-
Support services	-	10,910	-	-	-	-	15	205,390
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	10,910	41,418	43,805	-	-	15	205,390
Excess (deficiency) of receipts over disbursements	-	670	(27,414)	(19,167)	-	7,970	(15)	(69,985)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	41,000	8,000	-	-	-	11,000	-	-
Transfers out	(41,000)	(8,000)	-	-	-	(11,000)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	670	(27,414)	(19,167)	-	7,970	(15)	(69,985)
Cash and investments - ending	\$ 41,237	\$ 6,123	\$ (34,392)	\$ (30,032)	\$ 976	\$ 15,505	\$ -	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	Technology E-Rates	GQE Remediation Grant	Testing/ Instructional Assistants	Senator David Ford Technology	2010-11 Title I	2011-12 Title I	2012-13 Title I	2013-14 Title I
Cash and investments - beginning	\$ (8,438)	\$ 52,435	\$ -	\$ -	\$ (729)	\$ (115,566)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	45	-	-	-	-	-
State sources	24,236	17,127	-	30,000	-	-	-	-
Federal sources	-	-	-	-	-	128,607	316,636	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	24,236	17,127	45	30,000	-	128,607	316,636	-
Disbursements:								
Current:								
Instruction	-	67,282	-	-	(729)	10,881	309,990	-
Support services	-	-	-	10,432	-	2,100	14,361	-
Noninstructional services	-	-	-	-	-	60	79	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	67,282	-	10,432	(729)	13,041	324,430	-
Excess (deficiency) of receipts over disbursements	24,236	(50,155)	45	19,568	729	115,566	(7,794)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	2,100	-	-	-	-	-	-	-
Transfers out	(2,100)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,236	(50,155)	45	19,568	729	115,566	(7,794)	-
Cash and investments - ending	\$ 15,798	\$ 2,280	\$ 45	\$ 19,568	\$ -	\$ -	\$ (7,794)	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013
(Continued)

	2013-14 Title II, Part A	2012-13 Title II, Part A	2011-12 Title II, Part A	Title I - Grants to LEAs	Special Education - Part B	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (7,748)	\$ 22,186	\$ (13,975)	\$ 6,906	\$ 1,243	\$ 2,340,422
Receipts:								
Local sources	-	-	-	-	-	-	-	10,021,851
Intermediate sources	-	-	-	-	-	-	-	694,974
State sources	-	-	-	-	-	-	-	15,877,082
Federal sources	-	62,235	-	-	-	9,687	-	1,099,336
Temporary loans	-	-	-	-	-	-	-	2,691,494
Other	-	-	-	-	-	-	3,455,654	3,526,634
Total receipts	-	62,235	-	-	-	9,687	3,455,654	33,911,371
Disbursements:								
Current:								
Instruction	-	67,976	(7,748)	22,186	(14,418)	-	-	10,236,397
Support services	-	-	-	-	443	-	-	10,347,169
Noninstructional services	-	-	-	-	-	-	-	1,549,259
Facilities acquisition and construction	-	-	-	-	-	-	-	199,621
Debt services	-	-	-	-	-	-	-	7,998,379
Nonprogrammed charges	-	-	-	-	-	-	3,454,803	3,589,477
Total disbursements	-	67,976	(7,748)	22,186	(13,975)	-	3,454,803	33,920,302
Excess (deficiency) of receipts over disbursements	-	(5,741)	7,748	(22,186)	13,975	9,687	851	(8,931)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	5,200
Transfers in	-	-	-	-	-	-	-	15,196,909
Transfers out	-	-	-	-	-	-	-	(15,178,641)
Total other financing sources (uses)	-	-	-	-	-	-	-	23,468
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,741)	7,748	(22,186)	13,975	9,687	851	14,537
Cash and investments - ending	\$ -	\$ (5,741)	\$ -	\$ -	\$ -	\$ 16,593	\$ 2,094	\$ 2,354,959

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch
Cash and investments - beginning	\$ (64,300)	\$ 719,844	\$ -	\$ 365,238	\$ (368,320)	\$ 178,397	\$ 33,387	\$ -	\$ 746,541
Receipts:									
Local sources	124,778	5,432,244	-	1,279,148	1,511,420	395,153	-	-	611,740
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	16,355,120	-	-	-	-	-	-	-	21,457
Federal sources	-	-	-	-	-	-	-	-	609,273
Temporary loans	271,468	-	-	-	-	-	-	-	-
Other	1,823	-	-	-	40	-	-	-	2,993
Total receipts	16,753,189	5,432,244	-	1,279,148	1,511,460	395,153	-	-	1,245,463
Disbursements:									
Current:									
Instruction	9,342,210	-	-	-	-	-	-	-	-
Support services	4,529,306	540	-	1,319,187	1,239,880	184,185	-	-	15,921
Noninstructional services	156,665	-	-	-	-	-	-	-	1,034,964
Facilities acquisition and construction	-	-	-	250,161	-	-	-	-	-
Debt services	968,737	5,046,372	-	-	-	-	-	-	-
Nonprogrammed charges	147,073	-	-	-	-	-	-	-	-
Total disbursements	15,143,991	5,046,912	-	1,569,348	1,239,880	184,185	-	-	1,050,885
Excess (deficiency) of receipts over disbursements	1,609,198	385,332	-	(290,200)	271,580	210,968	-	-	194,578
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	2,800	7,500	-	-	1,400
Transfers in	-	-	-	-	-	-	199,000	-	-
Transfers out	(1,572,483)	-	-	-	-	(199,000)	-	-	-
Total other financing sources (uses)	(1,572,483)	-	-	-	2,800	(191,500)	199,000	-	1,400
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	36,715	385,332	-	(290,200)	274,380	19,468	199,000	-	195,978
Cash and investments - ending	\$ (27,585)	\$ 1,105,176	\$ -	\$ 75,038	\$ (93,940)	\$ 197,865	\$ 232,387	\$ -	\$ 942,519

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	FJSHS Kids in Need Grant	FJSHS Science Grant	LES Charlotte's Web Grant	FES PTG Technology Fund	Alex's Project	LMS South Madison Foundation Grant
Cash and investments - beginning	\$ 244,278	\$ 50,233	\$ 26,262	\$ 500	\$ 8	\$ -	\$ (192)	\$ (2,520)	\$ 239
Receipts:									
Local sources	327,373	-	-	-	-	1,000	-	-	1,100
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	76,345	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	583	-	-	-	-	-	-	-	-
Total receipts	404,301	-	-	-	-	1,000	-	-	1,100
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	490
Support services	370,575	1,622,716	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	370,575	1,622,716	-	-	-	-	-	-	490
Excess (deficiency) of receipts over disbursements	33,726	(1,622,716)	-	-	-	1,000	-	-	610
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	1,572,483	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,572,483	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33,726	(50,233)	-	-	-	1,000	-	-	610
Cash and investments - ending	\$ 278,004	\$ -	\$ 26,262	\$ 500	\$ 8	\$ 1,000	\$ (192)	\$ (2,520)	\$ 849

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	LHS South Madison Foundation Grant	LES South Madison Foundation Grant	Autism Grant FJSHS	Discover Financial Grant	Kindergarten Camp Grant	LHS Lapel Youth Commission Grant	Community Hospital Healthcare Grant	Elementary Library Gift
Cash and investments - beginning	\$ 726	\$ 607	\$ 2,408	\$ -	\$ -	\$ -	\$ -	\$ 500
Receipts:								
Local sources	1,876	1,777	-	-	11,108	-	5,500	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	1,876	1,777	-	-	11,108	-	5,500	-
Disbursements:								
Current:								
Instruction	767	1,898	470	-	7,788	-	2,568	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	767	1,898	470	-	7,788	-	2,568	-
Excess (deficiency) of receipts over disbursements	1,109	(121)	(470)	-	3,320	-	2,932	-
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	1,109	(121)	(470)	-	3,320	-	2,932	-
Cash and investments - ending	\$ 1,835	\$ 486	\$ 1,938	\$ -	\$ 3,320	\$ -	\$ 2,932	\$ 500

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Full Day Kindergarten Grant	Child Care	All Day Kindergarten	Age 4 Pre-school	ISTEP	Dickison Scholarship FJSHS	Copeland Reading Scholarship	Anderson- Huffman LHS Scholarship
Cash and investments - beginning	\$ 321,840	\$ 16,782	\$ 3,806	\$ 186,589	\$ 1,200	\$ 7,461	\$ 1,745	\$ 10,000
Receipts:								
Local sources	-	106,695	760	-	-	-	500	-
Intermediate sources	514,897	-	-	254,053	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	514,897	106,695	760	254,053	-	-	500	-
Disbursements:								
Current:								
Instruction	386,062	-	-	2,624	-	-	600	10,000
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	116,635	-	192,920	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	386,062	116,635	-	195,544	-	-	600	10,000
Excess (deficiency) of receipts over disbursements	128,835	(9,940)	760	58,509	-	-	(100)	(10,000)
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	128,835	(9,940)	760	58,509	-	-	(100)	(10,000)
Cash and investments - ending	\$ 450,675	\$ 6,842	\$ 4,566	\$ 245,098	\$ 1,200	\$ 7,461	\$ 1,645	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Disaster Related Expenses	Pepsi	Tuition	Building Corporation	2004-05 IndianaNext Grant	Reimbursement	Private School Account	LHS Library
Cash and investments - beginning	\$ 1,875	\$ 3,135	\$ 27,603	\$ (208,605)	\$ 251	\$ (150)	\$ (1,128)	\$ -
Receipts:								
Local sources	-	-	275	142,723	-	3,931	4,053	1,475
Intermediate sources	-	11,587	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	11,587	275	142,723	-	3,931	4,053	1,475
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	650	-
Support services	-	11,499	-	-	-	3,931	-	1,192
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	11,499	-	-	-	3,931	650	1,192
Excess (deficiency) of receipts over disbursements	-	88	275	142,723	-	-	3,403	283
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	-	88	275	142,723	-	-	3,403	283
Cash and investments - ending	\$ 1,875	\$ 3,223	\$ 27,878	\$ (65,882)	\$ 251	\$ (150)	\$ 2,275	\$ 283

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	LHS Faculty	LMS Faculty	FJSHS Library	2013-14 High Ability Grant	2011-12 High Ability Grant	2012-13 High Ability Grant	2013 Special Education Improvement Grant	2013 Special Education Technical Assistance
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,459	\$ -	\$ -
Receipts:								
Local sources	67	360	573	-	-	-	13,494	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	35,850	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	67	360	573	35,850	-	-	13,494	-
Disbursements:								
Current:								
Instruction	-	-	-	29,926	-	2,902	13,494	12,428
Support services	67	360	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	67	360	-	29,926	-	2,902	13,494	12,428
Excess (deficiency) of receipts over disbursements	-	-	573	5,924	-	(2,902)	-	(12,428)
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	-	-	573	5,924	-	(2,902)	-	(12,428)
Cash and investments - ending	\$ -	\$ -	\$ 573	\$ 5,924	\$ -	\$ 3,557	\$ -	\$ (12,428)

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Summer School	Damage/ Accidents/ Insurance	Special Education Cooperative Grant Certified	Special Education Cooperative Grant Non-Certified	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Planning Grant	Technology Advancement Loan
Cash and investments - beginning	\$ 41,237	\$ 6,123	\$ (34,392)	\$ (30,032)	\$ 976	\$ 15,505	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	17,591	25,123	18,560	-	-	-	-
State sources	-	-	-	-	1,727	7,969	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	17,591	25,123	18,560	1,727	7,969	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	340	-	-	-
Support services	-	19,301	-	-	-	8,168	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	19,301	-	-	340	8,168	-	-
Excess (deficiency) of receipts over disbursements	-	(1,710)	25,123	18,560	1,387	(199)	-	-
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	-	(1,710)	25,123	18,560	1,387	(199)	-	-
Cash and investments - ending	\$ 41,237	\$ 4,413	\$ (9,269)	\$ (11,472)	\$ 2,363	\$ 15,306	\$ -	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Technology E-Rates	GQE Remediation Grant	Testing/ Instructional Assistants	Senator David Ford Technology	2010-11 Title I	2011-12 Title I	2012-13 Title I	2013-14 Title I
Cash and investments - beginning	\$ 15,798	\$ 2,280	\$ 45	\$ 19,568	\$ -	\$ -	\$ (7,794)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	50	-	-	-	-	-
State sources	24,084	10,612	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	43,047	284,096
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	11
Total receipts	24,084	10,612	50	-	-	-	43,047	284,107
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	32,833	306,025
Support services	42,707	-	95	15,829	-	-	1,816	8,420
Noninstructional services	-	-	-	-	-	-	604	2,295
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	42,707	-	95	15,829	-	-	35,253	316,740
Excess (deficiency) of receipts over disbursements	(18,623)	10,612	(45)	(15,829)	-	-	7,794	(32,633)
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	(18,623)	10,612	(45)	(15,829)	-	-	7,794	(32,633)
Cash and investments - ending	\$ (2,825)	\$ 12,892	\$ -	\$ 3,739	\$ -	\$ -	\$ -	\$ (32,633)

FRANKTON-LAPEL COMMUNITY SCHOOLS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	2013-14 Title II, Part A	2012-13 Title II, Part A	2011-12 Title II, Part A	Title I - Grants to LEAs	Special Education - Part B	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (5,741)	\$ -	\$ -	\$ -	\$ 16,593	\$ 2,094	\$ 2,354,959
Receipts:								
Local sources	-	-	-	-	-	-	-	9,979,123
Intermediate sources	-	-	-	-	-	-	-	841,861
State sources	-	-	-	-	-	-	-	16,533,164
Federal sources	53,115	2,173	-	-	-	-	-	991,704
Temporary loans	-	-	-	-	-	-	-	271,468
Other	-	-	-	-	-	-	3,525,570	3,531,020
Total receipts	53,115	2,173	-	-	-	-	3,525,570	32,148,340
Disbursements:								
Current:								
Instruction	59,544	(3,568)	-	-	-	-	-	10,210,051
Support services	-	-	-	-	-	-	-	9,395,695
Noninstructional services	-	-	-	-	-	-	-	1,504,083
Facilities acquisition and construction	-	-	-	-	-	-	-	250,161
Debt services	-	-	-	-	-	-	-	6,015,109
Nonprogrammed charges	-	-	-	-	-	-	3,525,496	3,672,569
Total disbursements	59,544	(3,568)	-	-	-	-	3,525,496	31,047,668
Excess (deficiency) of receipts over disbursements	(6,429)	5,741	-	-	-	-	74	1,100,672
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	11,700
Transfers in	-	-	-	-	-	-	-	1,771,483
Transfers out	-	-	-	-	-	-	-	(1,771,483)
Total other financing sources (uses)	-	-	-	-	-	-	-	11,700
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,429)	5,741	-	-	-	-	74	1,112,372
Cash and investments - ending	\$ (6,429)	\$ -	\$ -	\$ -	\$ -	\$ 16,593	\$ 2,168	\$ 3,467,331

FRANKTON-LAPEL COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
De Lage Landen Public Finance	Lapel Electrical System	\$ 29,185	3/21/2014	12/21/2017
De Lage Landen Public Finance	Frankton Electrical System	29,509	9/26/2014	6/26/2019
Frankton-Lapel North Elementary School Building Corporation	Qualified Construction Bonds	300,414	12/31/2011	12/31/2019
Frankton-Lapel North Elementary School Building Corporation	New Lapel High School	2,873,500	6/30/2006	12/31/2025
Frankton-Lapel North Elementary School Building Corporation	New Frankton Elementary School	1,881,000	7/15/1999	12/31/2022
GE Capital Informaiton Technology	Copy Machines	<u>104,544</u>	6/9/2011	6/9/2016
Total of annual lease payments		<u><u>\$ 5,218,152</u></u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
Tax anticipation warrants	Advance Funding Program	<u>\$ 271,593</u> <u>\$ 271,593</u>
Totals		<u><u>\$ 271,593</u></u> <u><u>\$ 271,593</u></u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

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

	Ending Balance
Governmental activities:	
Land	\$ 920,000
Buildings	52,147,560
Machinery, equipment, and vehicles	<u>9,400,995</u>
Total capital assets	<u>\$ 62,468,555</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Frankton-Lapel Community Schools' (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, 2012 to June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Basis for Qualified Opinion on Title I, Part A Cluster and Child Nutrition Cluster

As described in items 2014-003, 2014-005, and 2014-006 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management, Equipment and Real Property Management, and Reporting that are applicable to its Title I Part A, Cluster and Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Title I, Part A Cluster and Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I, Part A Cluster and Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I, Part A Cluster and the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 items 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, and 2014-007 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

May 12, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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.

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FRANKTON-LAPEL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	13-5245	\$ 83,355	\$ -
			14-5245	-	80,123
National School Lunch Program	Indiana Department of Education	10.555	13-5245	597,481	-
			14-5245	-	631,274
Total - U.S. Department of Agriculture				680,836	711,397
<u>U.S. Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-5245	128,607	-
			13-5245	316,636	43,047
			14-5245	-	284,096
Total - Title I, Part A Cluster				445,243	327,143
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027	14213-025-PN01	390,237	88,048
			14214-025-PN01	-	472,108
			H027A110084	-	13,494
Total - Special Education - Grants to States				390,237	573,650
Special Education - Preschool Grants	Indiana Department of Education	84.173	45713-025-PN01	10,716	3,725
			45714-025-PN01	-	13,265
Total - Special Education - Preschool Grants				10,716	16,990
Total - Special Education Cluster (IDEA)				400,953	590,640
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FFY 2013	-	53,115
			FFY 2012	62,235	2,173
Total - Improving Teacher Quality State Grants				62,235	55,288
Education Jobs Fund	Indiana Department of Education	84.410	10-5245	9,687	-
Total - U.S. Department of Education				918,118	973,071
Total federal awards expended				\$ 1,598,954	\$ 1,684,468

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the 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 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 98,665	\$ 102,135

FRANKTON-LAPEL COMMUNITY SCHOOLS
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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

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:	Qualified for Title I, Part A Cluster and Child Nutrition Cluster and Unqualified for Special Education Cluster
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:

Name of Federal Program or Cluster

Title I, Part A Cluster
Child Nutrition Cluster
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2014 -001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We noted a deficiency in the internal control system of the School Corporation related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The School Corporation Treasurer prepared the SEFA; however, there were no controls in place to ensure that the prepared SEFA was complete and accurate prior to submission.

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

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

- (a) total federal expenditures were incorrectly reported due to the Title I 2012-13 grant expenditures being left off the schedule, a state grant being incorrectly included, Child Nutrition Cluster amounts included program income in error, special education cooperative funds not being reported and several posting errors; and
- (b) information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted for some grant awards.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

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

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, PERIOD OF AVAILABILITY

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-5245, 13-5245, 14-5245

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability. The failure to establish an effective internal control system placed the School Corporation at risk of non-compliance 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 program.

Activities Allowed or Unallowed

Prior to March 2013, there were no controls in place to ensure the accuracy of the reimbursement claims prior to submitting. The School Corporation Treasurer was the sole person who prepared and submitted the reimbursement claims to the Indiana Department of Education.

Allowable Costs/Cost Principles

Three of the twenty claims tested were not approved by the Title I Director. Approval by the Title I Director was the control established by the School Corporation. Not following the controls established could have allowed unallowable costs to be paid.

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

Period of Availability

Prior to March 2013, the School Corporation Treasurer was the sole person who prepared and submitted the reimbursement claims to the Indiana Department of Education. The School Corporation Treasurer prepared the reimbursement from the budget history report, but did not review the individual claims. This could have allowed expenses that were incurred outside of the period of availability to be paid in error.

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 compliance requirement of a federal program will be prevented, or 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.

OMB Circular A-133, Subpart C, section .300 states in part:

"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 have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-003 - CASH MANAGEMENT AND REPORTING

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-5245, 13-5245, 14-5245

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management and Reporting. The failure to establish an effective internal control system placed 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 program.

The Reimbursement Forms were prepared by the School Corporation Treasurer. Prior to March 2013, there were no controls over the Reimbursement Form prior to submission to the pass-through entity for reimbursement to ensure the accuracy of the requests.

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

Some Reimbursement Forms were not based on actual amounts paid. Two of the eight Reimbursement Forms reviewed included anticipated expenditures.

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 compliance requirement of a federal program will be prevented, or 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.

OMB Circular A-133, Subpart C, section .300 states in part:

"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."

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 . . .

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met."

31 CFR Section 205.12(b)(5) states: "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:

"*Financial reporting.* 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."

The Title I Fiscal Handbook, Obligation of Funds section on page 31 states in part:

"An obligation is an actual cost owed due to purchase orders issued, contracts signed, or services rendered for which a district is required to make payment. Obligations are not anticipated or estimated costs."

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the Cash Management and Reporting compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure that all required reimbursement reports are based on actual amounts paid, not estimates of amounts paid.

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

FINDING 2014-004 - REPORTING AND SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553 and 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-5245, 14-5245

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications. The failure to establish an effective internal control system placed 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 program.

Reporting

The Reporting compliance requirement for the monthly Reimbursement Claims and the Annual Report had no controls in place. The Food Service Director is the sole person who prepares and submits the reports to the Indiana Department of Education.

Special Tests and Provisions - Verification of Free and Reduced Price Applications

The Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirement over verification of applications had no controls in place. The Food Service Director is the sole person who prepares and submits the verification reports to the Indiana Department of Education.

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 compliance requirement of a federal program will be prevented, or 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.

OMB Circular A-133, Subpart C, section .300 states in part:

"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 have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

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

FINDING 2014-005 - CASH MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 13-5245, 14-5245
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirement: Cash Management. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Cash balances were reviewed monthly; however, there were no procedures established to ensure that the School Lunch fund cash balances were maintained in compliance with the Cash Management requirements. The failure to establish an effective internal control system allowed noncompliance with the compliance requirement.

The School Corporation's food service department maintained a cash balance in excess of federal regulations. The average expenditures for three months for the School Lunch Program for fiscal year 2013 and fiscal year 2014 were \$374,195 and \$315,265, respectively. The month-end cash balances from the two year audit period ranged from \$620,869 to \$951,126. This compliance requirement was not monitored by the School Lunch Director or by any other employee of the School Corporation.

7 CFR 210.14(b) states:

"Net cash resources. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e)(1)(iv) states:

"Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; and . . . "

OMB Circular A-133, Subpart C, section .300 states in part:

"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 cash balance maintained by the School Corporation resulted in noncompliance with the program requirements that they must limit net cash resource. Failure to comply with this compliance requirement could have caused the School Corporation to be ineligible to receive future federal reimbursements.

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

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation officials implement procedures that would limit net cash resources to average expenditures for three months.

FINDING 2014-006 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-5245, 14-5245

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirement: Equipment and Real Property Management. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

There were no procedures established to ensure that equipment or property records for equipment purchased from the School Lunch fund were maintained in compliance with the Equipment and Real Property Management requirements. The failure to establish an effective internal control system allowed material noncompliance with the compliance requirement.

The School Corporation did not maintain a listing of equipment purchased from the School Lunch fund. Equipment totaling \$148,295 purchased from the School Lunch fund was not recorded in the equipment and property records of the School Corporation. A physical inventory of the equipment was not taken. This compliance requirement was not monitored by the School Lunch Director or by any other employee of the School Corporation.

7 CFR 3016.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

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

- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides 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."

Failure to maintain detailed and accurate property records and to reconcile physical inventory could have resulted in equipment being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above. In addition, we recommended that the School Corporation prepare and maintain accurate detailed property records and that inventories of equipment be conducted at least once every two years and reconciled to the detailed property records. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any equipment acquired with federal funds must be designated as such so that they are not disposed of improperly.

FINDING 2014-007 - CASH MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Programs: Special Education - Grants to States, Special Education - Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years) or Other Identifying Numbers): 14213-025-PN01, 45713-025-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirement: Cash Management. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation was a member of the Hamilton-Boone-Madison Special Education Cooperative (Co-Op), and they provided oversight of the Co-Op through the School Corporation Superintendent who served as the School Corporation's representative. However, the Co-Op had not established an effective internal control system in relation to the Cash Management compliance requirement.

An effective internal control system, which would include segregation of duties, was not in place at the Co-Op in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Cash Management.

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

For the 2012-2013 audit, reimbursement requests submitted to the Indiana Department of Education were prepared and submitted by the same person.

There were no controls over the preparation of the reimbursement requests during the 2012-2013 school year. Supervisory review of submission was implemented for the subsequent year.

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 compliance requirement of a federal program will be prevented, or 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.

OMB Circular A-133, Subpart C, section .300 states in part:

"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 an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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 programs.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Frankton-Lapel Community Schools

"A Place For All Learners"

Robert A. Fields
Superintendent

Sterling Boles
Assistant Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-1 – CASH MANAGEMENT AND REPORTING

Report Period: July 1, 2010 to June 30, 2012


Pass-Through Entity or Federal Grantor Agency, Indiana Department of Education

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation
Treasurer

Contact Phone Number: 765-734-1261

Status of Audit Finding: Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for cash management and reporting for the Title I and Special Education grants.

We have put into place starting February, 2013 a procedure where the Superintendent and Corporation Reading Director will sign off on the reimbursement forms for the Title I and Special Education grants. The Corporation Treasurer will submit requests for reimbursement based on actual disbursements already made. Attached with the reimbursement request will be reports from the 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.



Signature

Treasurer
Title

May 12, 2016
Date

Frankton-Lapel Community Schools

"A Place For All Learners"

Robert A. Fields
Superintendent

Sterling Boles
Assistant Superintendent

CORRECTIVE ACTION PLAN

FINDING 2014-001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer
Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Beginning September, 2015 a procedure was put into place where the Corporation Treasurer will work with the Superintendent to prevent, or detect and correct, errors on the SEFA in the Gateway System.

FINDING 2014-002 – ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE CONSTS/COST PRINCIPLES, PERIOD OF AVAILABILITY

Federal Program: Title I, Part A Cluster
Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer
Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for cash management and reporting for the Title I and Special Education grants.

Beginning March, 2013 a procedure was put into place where the Superintendent and Corporation Reading Director will sign off on the reimbursement forms for the Title I and Special Education grants. The Corporation Treasurer will submit requests for reimbursement based on actual disbursements already made. Attached with the reimbursement request will be reports from the 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.

FINDING 2014-003 – CASH MANAGEMENT AND REPORTING

Federal Program: Title I, Part A Cluster

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for cash management and reporting for the Title I and Special Education grants.

Beginning March, 2013 a procedure was put into place where the Superintendent and Corporation Reading Director will sign off on the reimbursement forms for the Title I and Special Education grants. The Corporation Treasurer will submit requests for reimbursement based on actual disbursements already made. Attached with the reimbursement request will be reports from the 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.

FINDING 2014-004 – REPORTING AND SPECIAL TESTS AND PROVISIONS

Federal Program: School Nutrition Cluster

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for reporting and special tests and provisions.

Beginning September, 2015 a procedure was put into place where the Superintendent and/or Corporation Treasurer will review and sign off on reimbursement claims, verification of applications, and the annual report for the Food Service Department.

FINDING 2014-005 – CASH MANAGEMENT

Federal Program: School Nutrition Cluster

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for cash management and reporting for the Food Service Department.

Beginning September, 2015 a procedure was put into place where the Superintendent and/or Corporation Treasurer will review and sign off on School Lunch fund cash balances.

FINDING 2014-006 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Program: School Nutrition Cluster

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for equipment and real property management for the Food Service Department

Beginning September, 2015 a procedure was put into place where the Food Service Director will work with the Accounts Payable Clerk to ensure that equipment and/or real property purchased by the Food Service Department will be recorded in the inventory of the School Corporation.

FINDING 2014-007 – INTERNAL CONTROL OVER CASH MANAGEMENT

Federal Agency: Department of Education

Federal Program: Special Education grants to States: Special Education Pre-school Grants

CFDA Number: 84.027; 84.173

Federal Award Number and Year) or Other Identifying Number); 14213-025-PN01; 45713-025-PN01

Pass-Through Entity: Indiana Department of Education


View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Hamilton-Boone-Madison Special Services Cooperative has implemented procedures to properly establish an internal control system, including segregation of duties, for internal control over cash management.

Anticipated Completion Date:

Corrections are ongoing as long as the aforementioned programs are in place.



Signature

Superintendent
Title

May 12, 2016
Date

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.