

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

FRANKLIN COMMUNITY SCHOOLS
JOHNSON COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
10/31/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeffrey R. Mercer	01-01-12 to 12-31-16
Superintendent of Schools	Dr. David Clendening	07-01-10 to 06-30-19
President of the School Board	Bill Vaught Darren G. Thompson William A. Maschmeyer Bryan D. Wertz	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE FRANKLIN COMMUNITY SCHOOLS, JOHNSON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Franklin 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.

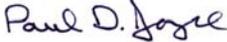
Other Information

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 September 13, 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

September 13, 2016



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 FRANKLIN COMMUNITY SCHOOLS, JOHNSON 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 Franklin 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 September 13, 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.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

September 13, 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.

FRANKLIN 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		Disbursements	Other Financing		Cash and Investments		Other Financing		Cash and Investments
	07-01-12	Receipts		Sources (Uses)	06-30-13	Receipts	Disbursements	Sources (Uses)	06-30-14	
General	\$ 2,405,795	\$ 31,321,137	\$ 30,411,220	\$ -	\$ 3,315,712	\$ 31,663,263	\$ 30,752,803	\$ -	\$ -	\$ 4,226,172
Debt Service	5,222,137	12,788,358	13,195,875	2,225,821	7,040,441	12,356,090	12,910,913	537	-	6,486,155
Capital Projects	1,238,993	3,552,851	2,547,903	(929,955)	1,313,986	5,100,895	3,322,382	(1,275,167)	-	1,817,332
School Transportation	9,236	1,654,419	1,769,084	157,337	51,908	1,835,130	1,887,038	-	-	-
School Bus Replacement	27,279	278,860	-	-	306,139	458,794	94,920	(408,226)	-	261,787
Rainy Day	3,671,591	248	248	(1,295,000)	2,376,591	3,361	292,427	3,302,864	-	5,390,389
Construction	546,887	-	333,852	-	213,035	-	541,636	2,000,000	-	1,671,399
School Lunch	805,230	2,398,922	2,535,095	-	669,057	2,735,898	2,530,371	-	-	874,584
Textbook Rental	724,719	424,981	452,389	-	697,311	517,118	528,952	-	-	685,477
Art Association	2,557	105,790	57,085	-	51,262	157,705	107,282	-	-	101,685
Educational License Plates	525	563	600	-	488	581	-	-	-	1,069
Alternative Education	9,124	14,907	16,788	-	7,243	-	7,243	-	-	-
Alternative Education 2014	-	-	-	-	-	8,910	3,896	-	-	5,014
Safe School Haven	9,036	5,063	6,108	-	7,991	1,046	254	-	-	8,783
Early Intervention Grant	-	-	-	-	-	9,855	455	-	-	9,400
Donations	7,449	11,223	14,040	-	4,632	22,248	26,880	-	-	-
Drug Awareness/Prev. Donation	203	-	-	-	203	600	189	-	-	614
Dupont Case Grant 2014	-	-	-	-	-	5,000	2,500	-	-	2,500
Technology Donations	-	1,245	1,245	-	-	399	-	-	-	399
Fcms Stem Classroom Donation	-	-	-	-	-	500	-	-	-	500
P-Card Scholarships & Awards	-	-	-	-	-	753	913	-	-	(160)
Hr Donation-Recognition Prgms	-	-	-	-	-	300	-	-	-	300
Needham Linda Wall Memorial	5,856	250	4,972	-	1,134	300	876	-	-	558
Fast Track - School Supplies	1,503	2,980	2,485	-	1,998	2,653	3,997	-	-	654
Cbis Family/Consumer Science	4	-	-	-	4	-	4	-	-	-
Community Outreach Program	21	600	-	-	621	-	617	-	-	4
Union Elementary Donation	142	-	142	-	-	-	-	-	-	-
Essential Skills HS Donation	450	170	-	-	620	-	532	-	-	88
Cub Closet Donations	-	238	60	-	178	-	-	-	-	178
One Room School house	3,110	2,570	177	-	5,503	260	-	-	-	5,763
Northwood Outdoor Ed. Program	18,658	-	10,150	-	8,508	-	3,465	-	-	5,043
Franklin Coaching Donations	740	7,657	6,897	-	1,500	7,835	9,335	-	-	-
Coke Fund Money	24,431	20,686	32,575	-	12,542	8,234	15,833	-	-	4,943

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

FRANKLIN 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
Summer Read Academy Donation	-	-	-	-	-	400	151	-	249
High Ability Grant 2013-14	-	-	-	-	-	49,573	47,358	-	2,215
Drug Free Communities	967	-	967	-	-	-	-	-	-
Medicaid Reimbursement	40,537	41,450	-	-	81,987	40,155	-	-	122,142
Secured Schools Safety Grant	-	-	-	-	-	6,953	7,202	-	(249)
Non-English Speaking Programs P.L. 273-1999	3,316	8,262	10,868	-	710	6,634	7,189	-	155
School Technology	134,305	135,651	165,292	-	104,664	69,309	79,097	-	94,876
Excess PTRC Distributions	120,768	36,773	-	(157,541)	-	-	-	-	-
Title I Part D 10-11	711	-	-	(711)	-	-	-	-	-
Title I Part A 2011-2012	(54,339)	164,444	110,105	-	-	-	-	-	-
Title I Part D 2011-2012	-	44,335	45,046	711	-	-	-	-	-
Title I Part A 2012-2013	-	624,790	705,254	-	(80,464)	201,003	120,539	-	-
Title I Part D 2012-2013	-	51,881	51,896	-	(15)	15	-	-	-
Title I Part A 2013-2014	-	-	-	-	-	568,534	643,955	-	(75,421)
Title I Part D 2013-2014	-	-	-	-	-	65,955	82,808	-	(16,853)
Title I Delinq FY 04-05	8,767	-	8,767	-	-	-	-	-	-
Title I Part D FY-2006	573	-	573	-	-	-	-	-	-
Stewart Homeless Assistance Act	(5,128)	66,178	66,342	-	(5,292)	53,075	50,860	-	(3,077)
Team Nutrition Grant	150	-	150	-	-	-	-	-	-
Learn More In College Go Grant	-	-	-	-	-	1,000	826	-	174
Medicaid Reimbursement - Federal	72,790	77,471	24,022	-	126,239	74,468	123,880	-	76,827
21st Century Learning Center	-	271,449	304,441	-	(32,992)	276,976	262,610	-	(18,626)
21st Century Learning 11-12	(19,034)	19,034	-	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	88,270	111,071	-	(22,801)	158,410	154,523	-	(18,914)
Title II Part A 2010-2011	(18,412)	92,054	73,642	-	-	-	-	-	-
Title III - Language Instruction	-	7,565	8,418	-	(853)	10,389	10,724	-	(1,188)
Title I - Grants To LEAs	-	3,329	3,329	-	-	-	-	-	-
Education Jobs	(100,439)	264,633	164,194	-	-	-	-	-	-
Payroll Withholdings	-	6,725,205	6,725,205	-	-	6,676,489	6,676,489	-	-
Totals	\$ 14,921,208	\$ 61,316,492	\$ 59,978,572	\$ 662	\$ 16,259,790	\$ 63,157,066	\$ 61,313,924	\$ 3,620,008	\$ 21,722,940

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

FRANKLIN 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, the following: 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 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.

FRANKLIN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Interfund loans, which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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

E. Disbursements

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

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

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

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

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

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

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

Interfund loans, which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

FRANKLIN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other Financing Sources and Uses

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

Proceeds of long-term debt, which includes money received in relation to the issuance of bonds or other long-term debt issues.

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.

FRANKLIN 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, the following: 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

FRANKLIN 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. Cash Balance Deficits

The financial statement contains funds with deficits in cash. This is a result of funds being set up for reimbursable grant. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2013 and 2014.

FRANKLIN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporations*

The School Corporation has entered into a capital lease with the Franklin Community School 1996 Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments for the years ended June 30, 2013 and 2014, totaled \$2,365,000 and \$2,365,000, respectively.

The School Corporation has entered into a capital lease with Franklin Community Multi School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments for the years ended June 30, 2013 and 2014, totaled \$10,780,000, and \$11,481,500, respectively.

Note 9. *Other Postemployment Benefits*

The School Corporation provides to eligible retirees and their spouses the following benefits: medical, dental, vision, and life insurance. These benefits pose a liability to the School Corporation for these school years and in future school years. During the audit period, there were four retirees that were receiving benefits. Information regarding the benefits can be obtained by contacting the School Corporation.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 School Corporation's Financial Reports 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.

FRANKLIN 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,405,795	\$ 5,222,137	\$ 1,238,993	\$ 9,236	\$ 27,279	\$ 3,671,591	\$ 546,887	\$ 805,230	\$ 724,719
Receipts:									
Local sources	274,472	12,788,358	3,402,851	1,638,967	278,860	-	-	1,162,991	245,258
Intermediate sources	13	-	-	-	-	-	-	-	-
State sources	30,946,106	-	-	-	-	-	-	28,111	172,960
Federal sources	100,546	-	-	-	-	-	-	1,189,421	-
Interfund loans	-	-	-	-	-	248	-	-	-
Other receipts	-	-	150,000	15,452	-	-	-	18,399	6,763
Total receipts	<u>31,321,137</u>	<u>12,788,358</u>	<u>3,552,851</u>	<u>1,654,419</u>	<u>278,860</u>	<u>248</u>	<u>-</u>	<u>2,398,922</u>	<u>424,981</u>
Disbursements:									
Instruction	20,150,658	-	-	-	-	-	-	-	-
Support services	9,855,250	-	1,723,708	1,769,084	-	-	-	274	452,389
Noninstructional services	405,312	-	-	-	-	-	-	2,434,821	-
Facilities acquisition and construction	-	-	824,195	-	-	-	333,852	-	-
Debt services	-	13,195,875	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	100,000	-
Interfund loans	-	-	-	-	-	248	-	-	-
Total disbursements	<u>30,411,220</u>	<u>13,195,875</u>	<u>2,547,903</u>	<u>1,769,084</u>	<u>-</u>	<u>248</u>	<u>333,852</u>	<u>2,535,095</u>	<u>452,389</u>
Excess (deficiency) of receipts over disbursements	<u>909,917</u>	<u>(407,517)</u>	<u>1,004,948</u>	<u>(114,665)</u>	<u>278,860</u>	<u>-</u>	<u>(333,852)</u>	<u>(136,173)</u>	<u>(27,408)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	662	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	2,225,159	45	157,337	-	930,000	-	-	-
Transfers out	-	-	(930,000)	-	-	(2,225,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,225,821</u>	<u>(929,955)</u>	<u>157,337</u>	<u>-</u>	<u>(1,295,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>909,917</u>	<u>1,818,304</u>	<u>74,993</u>	<u>42,672</u>	<u>278,860</u>	<u>(1,295,000)</u>	<u>(333,852)</u>	<u>(136,173)</u>	<u>(27,408)</u>
Cash and investments - ending	<u>\$ 3,315,712</u>	<u>\$ 7,040,441</u>	<u>\$ 1,313,986</u>	<u>\$ 51,908</u>	<u>\$ 306,139</u>	<u>\$ 2,376,591</u>	<u>\$ 213,035</u>	<u>\$ 669,057</u>	<u>\$ 697,311</u>

FRANKLIN 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)

	Art Association	Educational License Plates	Alternative Education	Alternative Education 2014	Safe School Haven	Early Intervention Grant	Donations	Drug Awareness/ Prev. Donation	Dupont Case Grant 2014
Cash and investments - beginning	\$ 2,557	\$ 525	\$ 9,124	\$ -	\$ 9,036	\$ -	\$ 7,449	\$ 203	\$ -
Receipts:									
Local sources	105,790	-	-	-	-	-	11,223	-	-
Intermediate sources	-	563	-	-	-	-	-	-	-
State sources	-	-	14,907	-	5,063	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>105,790</u>	<u>563</u>	<u>14,907</u>	<u>-</u>	<u>5,063</u>	<u>-</u>	<u>11,223</u>	<u>-</u>	<u>-</u>
Disbursements:									
Instruction	-	-	16,628	-	-	-	13,055	-	-
Support services	57,085	600	160	-	6,108	-	985	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>57,085</u>	<u>600</u>	<u>16,788</u>	<u>-</u>	<u>6,108</u>	<u>-</u>	<u>14,040</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>48,705</u>	<u>(37)</u>	<u>(1,881)</u>	<u>-</u>	<u>(1,045)</u>	<u>-</u>	<u>(2,817)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>48,705</u>	<u>(37)</u>	<u>(1,881)</u>	<u>-</u>	<u>(1,045)</u>	<u>-</u>	<u>(2,817)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 51,262</u>	<u>\$ 488</u>	<u>\$ 7,243</u>	<u>\$ -</u>	<u>\$ 7,991</u>	<u>\$ -</u>	<u>\$ 4,632</u>	<u>\$ 203</u>	<u>\$ -</u>

FRANKLIN 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 Donations	Fcms Stem Classroom Donation	P-Card Scholarships & Awards	Hr Donation- Recognition Prgms	Needham Linda Wall Memorial	Fast Track- School Supplies	Cbis Family/Consumer Science	Community Outreach Program	Union Elementary Donation
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 5,856	\$ 1,503	\$ 4	\$ 21	\$ 142
Receipts:									
Local sources	1,245	-	-	-	250	2,980	-	600	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	1,245	-	-	-	250	2,980	-	600	-
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	142
Support services	1,245	-	-	-	4,972	-	-	-	-
Noninstructional services	-	-	-	-	-	2,485	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,245	-	-	-	4,972	2,485	-	-	142
Excess (deficiency) of receipts over disbursements	-	-	-	-	(4,722)	495	-	600	(142)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	-	-	-	(4,722)	495	-	600	(142)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 1,134	\$ 1,998	\$ 4	\$ 621	\$ -

FRANKLIN 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)

	Essential Skills HS Donation	Cub Closet Donations	One Room School house	Northwood Outdoor Ed. Program	Franklin Coaching Donations	Coke Fund Money	Summer Read Academy Donation	High Ability Grant 2013-14	Drug Free Communities
Cash and investments - beginning	\$ 450	\$ -	\$ 3,110	\$ 18,658	\$ 740	\$ 24,431	\$ -	\$ -	\$ 967
Receipts:									
Local sources	170	238	2,570	-	7,657	20,686	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	170	238	2,570	-	7,657	20,686	-	-	-
Disbursements:									
Instruction	-	-	-	3,025	-	-	-	-	-
Support services	-	60	177	1,551	-	32,575	-	-	967
Noninstructional services	-	-	-	5,574	6,897	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	60	177	10,150	6,897	32,575	-	-	967
Excess (deficiency) of receipts over disbursements	170	178	2,393	(10,150)	760	(11,889)	-	-	(967)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	170	178	2,393	(10,150)	760	(11,889)	-	-	(967)
Cash and investments - ending	\$ 620	\$ 178	\$ 5,503	\$ 8,508	\$ 1,500	\$ 12,542	\$ -	\$ -	\$ -

FRANKLIN 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)

	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Excess PTRC Distributions	Title I Part D 10-11	Title I Part A 2011-2012	Title I Part D 2011-2012	Title I Part A 2012-2013
Cash and investments - beginning	\$ 40,537	\$ -	\$ 3,316	\$ 134,305	\$ 120,768	\$ 711	\$ (54,339)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	129,246	-	-	-	-	5
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	41,450	-	8,014	6,405	36,773	-	-	-	-
Federal sources	-	-	-	-	-	-	164,444	44,335	624,785
Interfund loans	-	-	248	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	41,450	-	8,262	135,651	36,773	-	164,444	44,335	624,790
Disbursements:									
Instruction	-	-	7,082	-	-	-	100,562	45,046	624,393
Support services	-	-	2,766	165,292	-	-	5,823	-	73,624
Noninstructional services	-	-	772	-	-	-	3,720	-	7,237
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	248	-	-	-	-	-	-
Total disbursements	-	-	10,868	165,292	-	-	110,105	45,046	705,254
Excess (deficiency) of receipts over disbursements	41,450	-	(2,606)	(29,641)	36,773	-	54,339	(711)	(80,464)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	711	-
Transfers out	-	-	-	-	(157,541)	(711)	-	-	-
Total other financing sources (uses)	-	-	-	-	(157,541)	(711)	-	711	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	41,450	-	(2,606)	(29,641)	(120,768)	(711)	54,339	-	(80,464)
Cash and investments - ending	\$ 81,987	\$ -	\$ 710	\$ 104,664	\$ -	\$ -	\$ -	\$ -	\$ (80,464)

FRANKLIN 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)

	Title I Part D 2012-2013	Title I Part A 2013-2014	Title I Part D 2013-2014	Title I Delinq FY 04-05	Title I Part D FY-2006	Stewart Homeless Assistance Act	Team Nutrition Grant	Learn More In College Go Grant	Medicaid Reimbursement - Federal
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 8,767	\$ 573	\$ (5,128)	\$ 150	\$ -	\$ 72,790
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	51,881	-	-	-	-	66,178	-	-	77,471
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	51,881	-	-	-	-	66,178	-	-	77,471
Disbursements:									
Instruction	51,896	-	-	-	-	2,601	150	-	16,724
Support services	-	-	-	8,767	573	63,741	-	-	7,298
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	51,896	-	-	8,767	573	66,342	150	-	24,022
Excess (deficiency) of receipts over disbursements	(15)	-	-	(8,767)	(573)	(164)	(150)	-	53,449
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	(15)	-	-	(8,767)	(573)	(164)	(150)	-	53,449
Cash and investments - ending	\$ (15)	\$ -	\$ -	\$ -	\$ -	\$ (5,292)	\$ -	\$ -	\$ 126,239

FRANKLIN 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)

	21st Century Learning Center	21st Century Learning 11-12	Improving Teaching Quality, No Child Left, Title II, Part A	Title II Part A 2010-2011	Title III - Language Instruction	Title I - Grants to LEAs	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (19,034)	\$ -	\$ (18,412)	\$ -	\$ -	\$ (100,439)	\$ -	\$ 14,921,208
Receipts:									
Local sources	-	-	-	-	-	-	-	-	20,074,417
Intermediate sources	-	-	-	-	-	-	-	-	576
State sources	-	-	-	-	-	-	-	-	31,259,789
Federal sources	271,449	19,034	88,270	92,054	7,565	3,329	264,633	-	3,065,395
Interfund loans	-	-	-	-	-	-	-	-	496
Other receipts	-	-	-	-	-	-	-	6,725,205	6,915,819
Total receipts	271,449	19,034	88,270	92,054	7,565	3,329	264,633	6,725,205	61,316,492
Disbursements:									
Instruction	103,995	-	-	-	7,811	2,890	164,194	6,725,205	28,036,057
Support services	199,900	-	111,071	70,881	607	-	-	-	14,617,533
Noninstructional services	-	-	-	2,761	-	439	-	-	2,870,018
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,158,047
Debt services	-	-	-	-	-	-	-	-	13,195,875
Nonprogrammed charges	546	-	-	-	-	-	-	-	100,546
Interfund loans	-	-	-	-	-	-	-	-	496
Total disbursements	304,441	-	111,071	73,642	8,418	3,329	164,194	6,725,205	59,978,572
Excess (deficiency) of receipts over disbursements	(32,992)	19,034	(22,801)	18,412	(853)	-	100,439	-	1,337,920
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	662
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	3,313,252
Transfers out	-	-	-	-	-	-	-	-	(3,313,252)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	662
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,992)	19,034	(22,801)	18,412	(853)	-	100,439	-	1,338,582
Cash and investments - ending	\$ (32,992)	\$ -	\$ (22,801)	\$ -	\$ (853)	\$ -	\$ -	\$ -	\$ 16,259,790

FRANKLIN 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,315,712	\$ 7,040,441	\$ 1,313,986	\$ 51,908	\$ 306,139	\$ 2,376,591	\$ 213,035	\$ 669,057	\$ 697,311
Receipts:									
Local sources	245,621	12,356,090	3,480,428	1,544,951	458,794	-	-	1,188,061	350,558
Intermediate sources	28	-	-	-	-	-	-	-	-
State sources	31,337,014	-	-	-	-	-	-	27,622	161,842
Federal sources	80,600	-	-	-	-	-	-	1,500,164	-
Interfund loans	-	-	-	289,066	-	3,361	-	-	-
Other receipts	-	-	1,620,467	1,113	-	-	-	20,051	4,718
Total receipts	31,663,263	12,356,090	5,100,895	1,835,130	458,794	3,361	-	2,735,898	517,118
Disbursements:									
Instruction	18,976,521	-	-	-	-	-	-	-	-
Support services	10,296,229	-	2,607,444	1,887,038	94,920	-	219,282	1,058	528,952
Noninstructional services	416,178	-	-	-	-	-	-	2,449,313	-
Facilities acquisition and construction	-	-	714,938	-	-	-	322,354	-	-
Debt services	1,063,875	12,910,913	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	80,000	-
Interfund loans	-	-	-	-	-	292,427	-	-	-
Total disbursements	30,752,803	12,910,913	3,322,382	1,887,038	94,920	292,427	541,636	2,530,371	528,952
Excess (deficiency) of receipts over disbursements	910,460	(554,823)	1,778,513	(51,908)	363,874	(289,066)	(541,636)	205,527	(11,834)
Other financing sources (uses):									
Proceeds of long-term debt	-	537	-	-	-	-	2,000,000	-	-
Sale of capital assets	-	-	1,619,471	-	-	-	-	-	-
Transfers in	-	-	-	-	-	3,306,225	-	-	-
Transfers out	-	-	(2,894,638)	-	(408,226)	(3,361)	-	-	-
Total other financing sources (uses)	-	537	(1,275,167)	-	(408,226)	3,302,864	2,000,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	910,460	(554,286)	503,346	(51,908)	(44,352)	3,013,798	1,458,364	205,527	(11,834)
Cash and investments - ending	\$ 4,226,172	\$ 6,486,155	\$ 1,817,332	\$ -	\$ 261,787	\$ 5,390,389	\$ 1,671,399	\$ 874,584	\$ 685,477

FRANKLIN 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)

	Art Association	Educational License Plates	Alternative Education	Alternative Education 2014	Safe School Haven	Early Intervention Grant	Donations	Drug Awareness/ Prev. Donation	Dupont Case Grant 2014
Cash and investments - beginning	\$ 51,262	\$ 488	\$ 7,243	\$ -	\$ 7,991	\$ -	\$ 4,632	\$ 203	\$ -
Receipts:									
Local sources	157,705	-	-	-	-	-	22,248	600	5,000
Intermediate sources	-	581	-	-	-	-	-	-	-
State sources	-	-	-	8,910	1,046	9,855	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	157,705	581	-	8,910	1,046	9,855	22,248	600	5,000
Disbursements:									
Instruction	-	-	7,243	3,896	-	-	20,804	-	-
Support services	107,282	-	-	-	254	455	6,076	189	2,500
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	107,282	-	7,243	3,896	254	455	26,880	189	2,500
Excess (deficiency) of receipts over disbursements	50,423	581	(7,243)	5,014	792	9,400	(4,632)	411	2,500
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	50,423	581	(7,243)	5,014	792	9,400	(4,632)	411	2,500
Cash and investments - ending	\$ 101,685	\$ 1,069	\$ -	\$ 5,014	\$ 8,783	\$ 9,400	\$ -	\$ 614	\$ 2,500

FRANKLIN 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 Donations	Fcms Stem Classroom Donation	P-Card Scholarships & Awards	Hr Donation- Recognition Prgms	Needham Linda Wall Memorial	Fast Track- School Supplies	Cbis Family/Consumer Science	Community Outreach Program	Union Elementary Donation
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 1,134	\$ 1,998	\$ 4	\$ 621	\$ -
Receipts:									
Local sources	399	500	753	300	300	2,653	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	399	500	753	300	300	2,653	-	-	-
Disbursements:									
Instruction	-	-	-	-	-	-	4	-	-
Support services	-	-	913	-	876	-	-	617	-
Noninstructional services	-	-	-	-	-	3,997	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	913	-	876	3,997	4	617	-
Excess (deficiency) of receipts over disbursements	399	500	(160)	300	(576)	(1,344)	(4)	(617)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	399	500	(160)	300	(576)	(1,344)	(4)	(617)	-
Cash and investments - ending	\$ 399	\$ 500	\$ (160)	\$ 300	\$ 558	\$ 654	\$ -	\$ 4	\$ -

FRANKLIN 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)

	Essential Skills HS Donation	Cub Closet Donations	One Room School house	Northwood Outdoor Ed. Program	Franklin Coaching Donations	Coke Fund Money	Summer Read Academy Donation	High Ability Grant 2013-14	Drug Free Communities
Cash and investments - beginning	\$ 620	\$ 178	\$ 5,503	\$ 8,508	\$ 1,500	\$ 12,542	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	260	-	7,835	8,234	400	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	49,573	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	260	-	7,835	8,234	400	49,573	-
Disbursements:									
Instruction	532	-	-	3,465	580	-	151	47,358	-
Support services	-	-	-	-	-	15,833	-	-	-
Noninstructional services	-	-	-	-	8,755	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	532	-	-	3,465	9,335	15,833	151	47,358	-
Excess (deficiency) of receipts over disbursements	(532)	-	260	(3,465)	(1,500)	(7,599)	249	2,215	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	(532)	-	260	(3,465)	(1,500)	(7,599)	249	2,215	-
Cash and investments - ending	\$ 88	\$ 178	\$ 5,763	\$ 5,043	\$ -	\$ 4,943	\$ 249	\$ 2,215	\$ -

FRANKLIN 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)

	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Excess PTRC Distributions	Title I Part D 10-11	Title I Part A 2011-2012	Title I Part D 2011-2012	Title I Part A 2012-2013
Cash and investments - beginning	\$ 81,987	\$ -	\$ 710	\$ 104,664	\$ -	\$ -	\$ -	\$ -	\$ (80,464)
Receipts:									
Local sources	-	-	-	62,908	-	-	-	-	940
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	40,155	6,953	6,634	6,401	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	200,063
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	40,155	6,953	6,634	69,309	-	-	-	-	201,003
Disbursements:									
Instruction	-	-	6,020	-	-	-	-	-	84,511
Support services	-	249	566	79,097	-	-	-	-	34,485
Noninstructional services	-	-	603	-	-	-	-	-	1,543
Facilities acquisition and construction	-	6,953	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	7,202	7,189	79,097	-	-	-	-	120,539
Excess (deficiency) of receipts over disbursements	40,155	(249)	(555)	(9,788)	-	-	-	-	80,464
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	40,155	(249)	(555)	(9,788)	-	-	-	-	80,464
Cash and investments - ending	\$ 122,142	\$ (249)	\$ 155	\$ 94,876	\$ -	\$ -	\$ -	\$ -	\$ -

FRANKLIN 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)

	Title I Part D 2012-2013	Title I Part A 2013-2014	Title I Part D 2013-2014	Title I Delinq FY 04-05	Title I Part D FY-2006	Stewart Homeless Assistance Act	Team Nutrition Grant	Learn More In College Go Grant	Medicaid Reimbursement - Federal
Cash and investments - beginning	\$ (15)	\$ -	\$ -	\$ -	\$ -	\$ (5,292)	\$ -	\$ -	\$ 126,239
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	15	568,534	65,955	-	-	53,075	-	1,000	74,468
Interfund loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	15	568,534	65,955	-	-	53,075	-	1,000	74,468
Disbursements:									
Instruction	-	578,413	70,108	-	-	-	-	2	2,207
Support services	-	61,556	12,700	-	-	50,860	-	824	121,673
Noninstructional services	-	3,986	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	643,955	82,808	-	-	50,860	-	826	123,880
Excess (deficiency) of receipts over disbursements	15	(75,421)	(16,853)	-	-	2,215	-	174	(49,412)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	15	(75,421)	(16,853)	-	-	2,215	-	174	(49,412)
Cash and investments - ending	\$ -	\$ (75,421)	\$ (16,853)	\$ -	\$ -	\$ (3,077)	\$ -	\$ 174	\$ 76,827

FRANKLIN 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)

	21st Century Learning Center	21st Century Learning 11-12	Improving Teaching Quality, No Child Left, Title II, Part A	Title II Part A 2010-2011	Title III - Language Instruction	Title I - Grants to LEAs	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (32,992)	\$ -	\$ (22,801)	\$ -	\$ (853)	\$ -	\$ -	\$ -	\$ 16,259,790
Receipts:									
Local sources	-	-	-	-	-	-	-	-	19,895,538
Intermediate sources	-	-	-	-	-	-	-	-	609
State sources	-	-	-	-	-	-	-	-	31,656,005
Federal sources	276,976	-	158,410	-	10,389	-	-	-	2,989,649
Interfund loans	-	-	-	-	-	-	-	-	292,427
Other receipts	-	-	-	-	-	-	-	6,676,489	8,322,838
Total receipts	276,976	-	158,410	-	10,389	-	-	6,676,489	63,157,066
Disbursements:									
Instruction	97,920	-	-	-	9,317	-	-	6,676,489	26,585,541
Support services	164,090	-	149,160	-	1,407	-	-	-	16,446,585
Noninstructional services	-	-	5,363	-	-	-	-	-	2,889,738
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,044,245
Debt services	-	-	-	-	-	-	-	-	13,974,788
Nonprogrammed charges	600	-	-	-	-	-	-	-	80,600
Interfund loans	-	-	-	-	-	-	-	-	292,427
Total disbursements	262,610	-	154,523	-	10,724	-	-	6,676,489	61,313,924
Excess (deficiency) of receipts over disbursements	14,366	-	3,887	-	(335)	-	-	-	1,843,142
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	2,000,537
Sale of capital assets	-	-	-	-	-	-	-	-	1,619,471
Transfers in	-	-	-	-	-	-	-	-	3,306,225
Transfers out	-	-	-	-	-	-	-	-	(3,306,225)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	3,620,008
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	14,366	-	3,887	-	(335)	-	-	-	5,463,150
Cash and investments - ending	\$ (18,626)	\$ -	\$ (18,914)	\$ -	\$ (1,188)	\$ -	\$ -	\$ -	\$ 21,722,940

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment Due Within One Year	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Franklin Community Multi School Building Corporation	7/8 Middle School - First Mtg Ser 2007	\$ 2,451,500	07/15/2007	07/15/2029
Franklin Community Multi School Building Corporation	High School - First Mtg 2007A, Ad Valorem Prop Refund Ser 2013, First Mtg Ser 2005	7,917,000	01/15/2006	01/15/2027
Franklin Community Multi School Building Corporation	CBIS - First Mtg Rfnd Ser 2007	2,044,000	07/10/2007	01/10/2023
Franklin Community School 1996 Building Corporation	Creekside/Northwood/Transportation - First Mtg Rfnd Ser 2004	<u>2,365,000</u>	07/10/2004	01/10/2016
Total governmental activities		<u>14,777,500</u>		
Total of annual lease payments		<u>\$ 14,777,500</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	GO Bonds 2011	\$ 2,000,000	\$ 50,875
General obligation bonds	GO Bonds 2014	<u>2,000,000</u>	<u>77,508</u>
Total governmental activities		<u>4,000,000</u>	<u>128,383</u>
Totals		<u>\$ 4,000,000</u>	<u>\$ 128,383</u>

FRANKLIN 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	\$ 6,106,052
Buildings	152,396,577
Improvements other than buildings	7,159,945
Machinery, equipment, and vehicles	12,162,747
Total governmental activities	177,825,321
Total capital assets	\$ 177,825,321

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE FRANKLIN COMMUNITY SCHOOLS, JOHNSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Franklin 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. Except as discussed in the following paragraph, 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2014-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with its Child Nutrition Cluster regarding Program Income. Consequently we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements regarding Program Income, described in the *Basis for Qualified Opinion* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002, 2014-003, 2014-004, 2014-006, 2014-009, 2014-010, and 2014-011. Our opinion on each major federal program is not modified with respect to these 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.

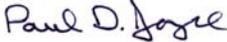
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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

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

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 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, and 2014-012 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

September 13, 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.

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

Federal Grantor Agency/Pass-Through Entity 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
DEPARTMENT OF AGRICULTURE					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
School Year 2012-2013			2012-2013	\$ 213,158	\$ -
School Year 2013-2014			2013-2014	-	260,626
Total - School Breakfast Program				<u>213,158</u>	<u>260,626</u>
National School Lunch Program	Indiana Department of Education	10.555			
School Year 2012-2013			2012-2013	1,075,213	-
School Year 2013-2014			2013-2014	-	1,342,410
Total - National School Lunch Program				<u>1,075,213</u>	<u>1,342,410</u>
Summer Food Service Program For Children	Indiana Department of Education	10.559			
Summer Food Service for Children School Year 2012-2013			2012-2013	69,039	-
Summer Food Service for Children School Year 2013-2014			2013-2014	-	67,096
Total - Summer Food Service Program For Children				<u>69,039</u>	<u>67,096</u>
Total - Child Nutrition Cluster				<u>1,357,410</u>	<u>1,670,132</u>
Total - Department of Agriculture				<u>1,357,410</u>	<u>1,670,132</u>
DEPARTMENT OF EDUCATION					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I Basic Funds 2011-2012 (4107)			2011-2012	164,443	-
Title I Delinquent Funds 2011-2012 (4108)			2011-2012	45,046	-
Title I Basic Funds 2012-2013 (4111)			2012-2013	624,785	200,063
Title I Delinquent Funds 2012-2013 (4112)			2012-2013	51,881	15
Title I Basic Funds 2013-2014 (4113)			2013-2014	-	568,534
Title I Delinquent Funds 2013-2014 (4114)			2013-2014	-	65,955
Total - Title I Grants to Local Educational Agencies				<u>886,155</u>	<u>834,567</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act		84.389	2012-2013	3,329	-
Total - Title I, Part A Cluster				<u>889,484</u>	<u>834,567</u>
Education for Homeless Children and Youth	Indiana Department of Education	84.196			
2011-2012 (5115)			2011-2012	35,078	-
2012-2013 (5116)			2012-2013	31,100	33,545
2013-2014 (5117)			2013-2014	-	19,530
Total - Education for Homeless Children and Youth	Indiana Department of Education			<u>66,178</u>	<u>53,075</u>
Education Jobs Fund		84.410			
2012-2013			2012-2013	264,634	-

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

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and June 30, 2014
(Continued)

Federal Grantor Agency/Pass-Through Entity 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
DEPARTMENT OF EDUCATION (continued)					
Special Education Cluster (IDEA)					
Special Education_Grants to States	Special Services Johnson County	84.027			
Extended School Year #100-04223.00			2013-2014	-	364
2012-2013			14211-033-PN01	546	-
2012-2014			14212-033-PN01	364,076	293
2012-2014			14213-033-PN01	795,226	319,742
2013-2014			14214-033-PN01	-	797,313
2013-2014			99914-013-TA01	-	12,586
Total - Special Education_Grants to States				<u>1,159,848</u>	<u>1,130,298</u>
Special Education_Preschool Grants	Special Services Johnson County	84.173			
2012-2013			45712-033-PN01	129	-
2012-2014			45713-033-PN01	25,377	522
2013-2014			45714-033-PN01	-	16,986
Total - Special Education_Preschool Grants				<u>25,506</u>	<u>17,508</u>
Total - Special Education Cluster (IDEA)				<u>1,185,354</u>	<u>1,147,806</u>
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287			
Year 2 (6601)			2011-2012	19,034	-
Year 3 (6602)			2012-2013	271,449	33,564
Year 4 (6603)			2013-2014	-	243,412
Total - Twenty-First Century Community Learning Centers				<u>290,483</u>	<u>276,976</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365			
Title III 2012-2014 (6883)			2012-2014	7,565	4,237
Title III 2013-2015 (6884)			2013-2015	-	6,152
Total - English Language Acquisition State Grants				<u>7,565</u>	<u>10,389</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
Title II, Part A 10-11 (6845)			2010-2011	92,055	-
Title II, Part A 11-12 (6846)			2011-2012	88,270	57,394
Title II, Part A 12-13 (6847)			2012-2013	-	101,016
Total - Improving Teacher Quality State Grants				<u>180,325</u>	<u>158,410</u>
College Access Challenge Grant Program	Indiana Commission for Higher Education	84.378			
Learn More IN College GO (5950)			2013-2014	-	826
Total - Department of Education				<u>2,884,023</u>	<u>2,482,049</u>
Total federal awards expended				<u>\$ 4,241,433</u>	<u>\$ 4,152,181</u>

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

FRANKLIN 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. Subrecipients

Of the federal expenditures presented in the SEFA, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2013 and 2014:

Program Title	Federal CFDA Number	2013	2014
Title I Grants to Local Educational Agencies	84.010	\$ 84,413	\$ 45,881

Note 3. 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	\$ 167,989	\$ 169,969

Note 4. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

FRANKLIN 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?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all programs except for Child Nutrition Cluster which was qualified.
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.287	Child Nutrition Cluster Title I, Part A Cluster Special Education Cluster (IDEA) Twenty-First Century Community Learning Centers

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

No matters are reportable.

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-001 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Application (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

The Food Service Director was solely responsible for completing the required reports, claims for reimbursements, determining eligibility, completing the verification process, completing certifications and reports for employee's hours, maintaining the school food account, and calculating meal prices. There was no evidence to suggest proper segregation of duties such as an oversight or approval process.

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 could have 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

FINDING 2014-002 - ALLOWABLE COSTS - INDIRECT COSTS

Federal Agency: Department of Agriculture

Federal Programs: National School Lunch Program, School Breakfast Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Allowable Costs - Indirect Costs compliance requirement.

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Indiana Department of Education (IDOE) prepared the indirect cost allocation plans from the School Corporation's Annual Financial Reports. The IDOE relied upon the School Corporation's use of the approved chart of accounts to properly segregate the various fund account numbers and object codes into the costs that were not to be included in the calculations, the indirect costs, and the direct costs (the base).

School Corporation officials had not established procedures to ensure that the correct object code classifications for recording disbursements were being used. As a result, some disbursements were incorrectly included in the indirect cost allocation calculations. These included disbursements for food purchases, stipends, and unused leave payments.

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. . . ."

OMB Circular A-87, Attachment A, Item C, states in part:

- "(c) Be authorized or not prohibited under State or local laws or regulations. . . .
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . ."

OMB Circular A-87, Attachment A, Item F states in part:

"General. Indirect costs are those:

- (a) incurred for a common or joint purpose benefiting more than one cost objective, and
- (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term 'indirect costs,' as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. . . ."

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

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and comply with the Allowable Cost - Indirect Costs requirements of the programs.

FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture

Federal Programs: National School Lunch Program, School Breakfast Program,
Summer Food Service Program For Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not complete Semiannual Certification Activity Reports or Personnel Activity Reports, as applicable, for:

- All Child Nutrition program staff for school years 2012-2013 and 2013-2014;
- Ten of the seventeen employees tested for the Twenty-First Century Community Learning Centers grant.

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. . . ."

OMB Circular A-87, Attachment B, Section 8(h) states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

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

We recommended that the School Corporation's management establish controls and procedures, including segregation of duties, related to the grant agreement and comply with the Allowable Costs/Cost Principles requirements of the programs.

FINDING 2014-004 - CASH MANAGEMENT

Federal Agency: 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): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Cash Management compliance requirement.

The School Corporation did not have a monitoring procedure in place to limit its food service program net cash resources to the average expenditures for three months. The School Corporation's cash balance exceeded the average expenditures for three months in 10 of the 24 months within the audit period by \$6,906 to \$97,991.

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. . . ."

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR section 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) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) 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; . . . "

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted 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 comply with the Cash Management requirements of the programs.

FINDING 2014-005 - PROGRAM INCOME

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would have ensured proper supporting documentation, related to the grant agreement and the Program Income compliance requirement was retained.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that program income was properly recorded in the financial records. All receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in a separate Prepaid Food Fund; therefore, we were not able to identify a proper population to test program income.

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. . . ."

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards: . . .

- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

The failure to maintain separate funds for prepayments and income prevented the ability to verify if the School Corporation was in compliance with the requirements of Program Income.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Program Income.

FINDING 2014-006 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the Procurement and Suspension and Debarment compliance requirements.

The School Corporation was a member of the Southern Indiana Commodity Cooperative (Cooperative). The Cooperative administered the procurement process; however, the School Corporation purchased its own food and related supplies.

Neither the Cooperative nor the School Corporation had procedures in place to ensure compliance with Procurement and Suspension and Debarment. Contracts were not prepared for awarded bids. In addition, the School Corporation also had covered transactions with vendors other than those that were involved in the bidding process with the Cooperative. The School Corporation did not verify if those vendors were suspended or debarred.

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. . . ."

7 CFR 3016.36(b)(1) states: "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CRF 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, and comply with the Procurement and Suspension and Debarment requirements of the programs.

FINDING 2014-007 - INTERNAL CONTROLS OVER TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): 2011-2012, 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management; Period of Availability of Federal Funds, Reporting, and Special Tests and Provisions - Participation of Private School Children.

There were no controls in place, such as, proper segregation of duties or an oversight or approval process.

The Program Director was solely responsible for maintaining certifications and reports for employee's hours, completing reimbursement requests, completing reports, and determining private school participation.

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. . . ."

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The failure to establish an effective internal control system could have 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 2014-008 - INTERNAL CONTROLS OVER TITLE I, PART A CLUSTER

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, ARRA -

Title I Grants to Local Educational Agencies, Recovery Act

CFDA Numbers: 84.010, 84.389

Federal Award Numbers and Years (or Other Identifying Numbers): 2011-2012, 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Level of Effort, Earmarking; Period of Availability of Federal Funds; Reporting; and Special Tests and Provisions - Participation of Private School Children, Special Tests and Provisions - School wide Programs, and Special Tests and Provisions - Comparability.

There were no controls in place, such as, an oversight or approval process.

The Title I Director was solely responsible for maintaining certification and reports for employee's hours, completing reimbursement requests, determining eligibility, completing reports, submitting MOE calculations and reserve amounts, determining private school, school wide participation, and comparability.

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 could have 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2014-009 - SUBRECIPIENT MONITORING

Federal Agency: 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): 2011-2012, 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Subrecipient Monitoring compliance requirement.

The School Corporation did not have a system in place to ensure compliance with Subrecipient Monitoring. Procedures were not implemented to allow the School Corporation to identify the amount provided to its subrecipient. The School Corporation failed to properly notify the subrecipient with the required federal award information. Additionally, the School Corporation did not properly monitor the use of the federal funds ensuring they were used for authorized purposes and to ensure the subrecipient complied with laws, regulations, and the provisions of the contracts or grant agreements and that the performance goals were achieved.

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. . . ."

OMB Circular A-133, Subpart D, section .400(d) states in part:

"A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement that have a direct and material effect to the program could have resulted in the loss of federal funds to the School Corporation.

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and comply with the Subrecipient Monitoring requirements of the program.

FINDING 2014-010 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS

Federal Agency: 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): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Special Test and Provision - Highly Qualified Teachers and Paraprofessionals.

The School Corporation did not have sufficient documentation on file for 39 percent of teachers tested to support that they met the definition of a highly qualified teacher.

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. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or passthrough entity in the case of a subrecipient."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted 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 comply with the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements of the program.

FINDING 2014-011 - SPECIAL TESTS AND PROVISIONS - ANNUAL REPORT CARD, HIGH SCHOOL GRADUATION RATE

Federal Agency: 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): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Special Test and Provision - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not always have sufficient documentation for students who were removed from the cohorts and reported as transferred to another public or nonpublic school. Of the 40 students tested who were removed from the cohorts for the 2012-2013 and 2013-2014 school years, 8 transfers did not contain sufficient documentation.

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 200.19(ii)(B) states in part:

"(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma./
- (2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort. . . ."

The failure to establish internal control enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could have resulted 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 comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements of the program.

FINDING 2014-012 - CASH MANAGEMENT, REPORTING, LEVEL OF EFFORT, AND PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal Agency: 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): 14211-033-PN01, 14212-033-PN01, 14213-033-PN01, 14214-033-PN01, 99914-033-TA01, 45712-033-PN01, 45713-033-PN01, 45714-033-PN01

Pass-Through Entity: Indiana Department of Education

FRANKLIN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Reporting, Level of Effort, and Period of Availability of Federal Funds.

Cash Management and Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no segregation of duties, such as an oversight, review, or approval process or another compensating control.

Level of Effort

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Excess Cost Calculator and Maintenance of Effort worksheets were accurately prepared. One person was responsible for preparing and submitting the worksheets. There was no segregation of duties, such as an oversight, review, or approval process or another compensating control.

Period of Availability of Federal Funds

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the expenditures were within the period of availability. One person was responsible for preparing and submitting the worksheets. There was no segregation of duties, such as an oversight, review, or approval process or another compensating control.

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 of the grant agreement or the compliance requirements could have resulted 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.

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AUDITEE-PREPARED DOCUMENTS

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

Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

April 16, 2015

Federal Agency

**Participation by Private School Children and Teachers
(Finding 2012-2)**

Contact Person:

Jeffrey R. Mercer

Title of Contact Person:

Executive Director of Finance

Contact Number:

(317) 738-5800

Summary Schedule of Prior Audit Findings

As a result of our prior audit findings the Franklin Community School Corporation reached out to Dre Knox with the Indiana Department of Education. Mr. Knox asked that we send a letter to the Private School in question in Franklin inviting them to participate in our "Blue Key" program. That letter was generated and sent to the Principal (Kelly England) of the Private School on May 22, 2013.

In addition, we notified our remaining Administrators of the issue and reminded them of the need to consult the Franklin Private School during the planning phase of any/all grants which include this as a requirement.

Sincerely yours,



Jeffrey R. Mercer
Executive Director of Finance



Dr. David Clendening
Superintendent

Mrs. Maria Woodke
Assistant Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

April 15, 2015

Federal Agency: Department of Education

Federal Program: Title I and Special Education

Pass Through Entity: Indiana Department of Education

RE: Corrective Action for 2010/2011 and 2011/12

Franklin Community School Corporation has enacted the following corrective actions in order to ensure proper, accurate, and timely reporting for both the Title I and Special Education programs:

1. The Coordinator of Title I meets at the beginning of each school year with the Human Resource Director and other Franklin Community Schools' Central Office Staff to determine all split-funded employees of Franklin Community Schools. The Coordinator of Title I then prepares Time and Effort Logs for all split-funded employees, and meets with the employees to train them on the proper completion of the logs. If an employee is funded solely from a Title I grant, then the Title I Coordinator completes and submits a Semi-Annual Report for said employees.
2. The Title I Coordinator reviews and signs the Time and Effort logs of all corporation employees each month. These logs are then stored in a Master File at FCS Central Office.
3. At the completion of each school semester, the Title I Coordinator reviews all Time and Effort Logs and Semi-Annual Reports to ensure that copies of all said documents are complete, accurate, and stored in the Master File at FCS Central Office.
4. The Coordinator of Title I provides the Superintendent with quarterly written updates on all compliance requirements for this Federal Grant. These reports are shared and stored electronically.
5. At the beginning of each school year, the Coordinator of Title I presents existing policies and procedures and any changes to the policies and procedures to the Elementary Principals at a district Elementary Principals' Meeting. The Coordinator then meets with each principal to provide additional clarification and/or answer questions. The Coordinator of Title I shares the Indiana Department of Education's monthly Title I newsletter with each Elementary Principal, and distributes any required components of the Title I grant. The Title I Coordinator provides to the Elementary Principals any example or template required to substantiate documentation for compliance submission.
6. The Superintendent has performed internal audits pertaining to the Time and Effort documentation on several occasions and offered feedback to the Coordinator of Title I.

As acting Title I Coordinator, I have been very cognizant of the need to comply with the requirements of all Federal grants. The system is in place and documentation is available for review by the State Board of Accounts and the IDOE Title I office, by request, at any time.

Respectfully submitted,

Cheryl Moran
Title I Coordinator
Franklin Community Schools



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

September 9, 2016

Finding 2014-001 and 2014-003

Federal Agency:

U.S. Department of Agriculture

Federal Program:

National School Lunch Program; School Breakfast Program; Summer Food Service Program for Children 10.555; 10.553; 10.559

CFDA Number:

Federal Award Year :

2012-2013 and 2013-2014

Pass Thru Entity:

Indiana Department of Education

Contact Person:

Jeffrey R. Mercer

Title of Contact Person:

Director of Finance

Contact Number:

(317) 738-5800

Corrective Action Plan

Franklin Community School Corporation is enacting the following corrective actions in order to ensure that there is an effective internal control system in place.

1. All financial documents prepared in the Food Service office are being reviewed by a Food Service office employee who did not initiate the original document. That is, a review of one food service office employee's completed work is being completed by someone other than the preparer of the detailed work. Documentation that the item has been reviewed is acknowledged by date stamping the review date plus initialing the document by the reviewing individual. Documents reviewed include; payroll reports, claims, receipts, bank deposits, mileage claims, reimbursement claims and supporting documents from which the claim is prepared. All claims sent for payment to vendors are also reviewed by the Accounts Payable Clerk in the Business office. The Deputy Treasurer also reviews all deposits processed in the Food Service Office.
2. Purchase orders are initiated and processed by a Food Service office employee after approved in advance by the Food Service Director. Once prepared, the purchase order is checked by the Business office Accounts Payable Clerk. The purchases are checked in/received by another Food Service office employee, i.e. not the same employee who initiated the purchase order. The Food Service Director signs the purchase order and passes it to the Accounts Payable Clerk for payment.

3. The departmental payroll spreadsheet that is prepared in the FS office from the time and attendance program, K-time, has been revised to include the total dollars expended for payroll per 2 week pay period. The Food Service Director compares the spreadsheet dollars to the monthly expenditure reports to verify that only Food Service personnel payroll is being charged to the Food Service Department. Discrepancies are reported to and corrected by the Payroll Clerk in the Business office.



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

September 9, 2016

Finding 2014-002:

Federal Agency:

U.S. Department of Agriculture

Federal Program:

National School Lunch Program; School Breakfast Program

CFDA Number:

10.553; 10.555

Federal Award Year :

2012-2013 and 2013-2014

Pass Thru Entity:

Indiana Department of Education

Contact Person:

Jeffrey R. Mercer

Title of Contact Person:

Director of Finance

Contact Number:

(317) 738-5800

Corrective Action Plan

The Franklin Community Schools recognizes the importance of indirect cost allocation reporting. The following mistake occurred and corresponding corrective measure was taken:

Food purchases in the amount of \$1,012,993 for the school year 2010-2011 and \$1,06,510 for the school year 2011-2012 were posted incorrectly to object code 314.

1. It was discovered in January, 2014 that the above listed purchases were posted to an incorrect object code (314). Subsequently, the correction was made and the purchases were posted to the correct object code 614. All current purchases adhere to the accurate object code (614).

In addition, we have begun the process of revising our Internal Control process. Included in the control revision is both a formal Central Office Control assessment and review resulting in an identification of all applicable segregation of duties.



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

September 9, 2016

Finding 2014-003 and 2014-007

Federal Agency:	U.S. Department of Education
Federal Program:	Twenty-First Century Community Learning Centers
CFDA Number:	84.287
Federal Award Year :	2011-2012, 2012-2013 and 2013-2014
Pass Thru Entity:	Indiana Department of Education
Contact Person:	Jeffrey R. Mercer
Title of Contact Person:	Director of Finance
Contact Number:	(317) 738-5800

Corrective Action Plan

Effective December 31, 2014 the Twenty-First Century Community Learning Center grant expired for Franklin Community Schools.

With that said, we do recognize the importance of establishing internal controls over any/all such Federal Grants. Therefore, the following items shall be enacted on any such future grants:

- Direct oversight from the building Treasurer and secondary oversight from our Asst. Deputy Treasurer at the Central Office who coordinates all grants.
- Building Principal shall sign off on all purchases through said grant.
- Directors in any affected area (i.e. Technology) shall sign off on all purchases that they initiate on behalf of said grant.
- Time and effort logs will be maintained when appropriate for all affected grants



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

September 9, 2016

Finding 2014-004:

Federal Agency:

Federal Program:

CFDA Number:

Federal Award Year:

Pass Thru Entity:

Contact Person:

Title of Contact Person:

Contact Number:

U.S. Department of Agriculture

**National School Lunch Program; School Breakfast
Program; Summer Food Service Program for Children**

10.553; 10.555; 10.559

2012-2013 and 2013-2014

Indiana Department of Education

Jeffrey R. Mercer

Director of Finance

(317) 738-5800

The Franklin Community Schools Food Service Department has enacted the following procedure to limit its net cash resources.

Corrective Action Plan

1. On August 1, 2015, a report of current customer account balances was run for all student and adult accounts by school building. The total dollar amount for each building was transferred into newly created meal prepayment accounts established for each school. In addition, beginning August 1, all meal pre-payments are being posted and receipted into the separate clearing accounts for each school building.
 - o In addition, the separation of revenue into two accounts; one that is the clearing account for meal pre-payment and the other for Food Service revenue, will reduce the net cash resources for the department for repairs and purchases of equipment.
2. A detailed plan for equipment purchases/replacement will be developed and approved by the IN DOE School and Community Nutrition office. The plan will include the items that will be purchased, their approximate cost and the timeline for purchases.



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

September 9, 2016

Finding 2014-005:

Federal Agency:

Federal Program:

U.S. Department of Agriculture

National School Lunch Program, School Breakfast Program, Summer School Program for Children

10.553, 10.555, 10.559

CFDA Number:

Federal Award Year:

2012-2013 and 2013-2014

Pass Thru Entity:

Indiana Department of Education

Contact Person:

Jeffrey R. Mercer

Title of Contact Person:

Director of Finance

Contact Number:

(317) 738-5800

Corrective Action Plan

The Food Service Department has enacted the following change in processes effective August 1, 2015 in order to correct the findings related to Program income.

- On August 1, 2015, a report of current customer account balances was run for all student and adult accounts by school building. The total dollar amount for each building was transferred into newly created meal prepayment accounts established for each school.
- In addition, beginning August 1, all meal pre-payments are being posted and receipted into the separate clearing accounts for each school building.
- On a weekly basis, as the sales of meals are made, the amount of money equal to the dollars expended for meals and ala carte purchases are transferred from the "holding/clearing" account into the Food Service revenue accounts for each school.
- A new deposit worksheet has been developed and implemented to ensure that all sales are accurately receipted as recorded on the Meal Magic sales reports (the Z and Cash - Out reports). The sales reports are run by the individual school building cafeteria manager who then prepares the deposit worksheet and bank deposit slip. After the manager takes the deposit for the day to the bank, the deposit slip and worksheet are sent to the Food Service office. The worksheet is checked for accuracy by one of the FS office staff. This individual initials the worksheet. The deposit information is then entered/posted to the appropriate building revenue account in our financial program (Komputrol) by another FS office staff person. Another Meal Magic financial activity report is run for each building and compared to the receipt posting report as an additional check for accuracy. The receipts are then given to the Deputy Treasurer for review.



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

September 9, 2016

Finding 2014-006:

Federal Agency:

Federal Program:

CFDA Number:

Federal Award Year:

Pass Thru Entity:

Contact Person:

Title of Contact Person:

Contact Number:

U.S. Department of Agriculture

**School Breakfast Program; National School Lunch
Program; Summer Food Service Program for Children**

10.553; 10.555; 10.559

2012-2013 and 2013-2014

Indiana Department of Education

Jeffrey R. Mercer

Director of Finance

(317) 738-5800

Corrective Action Plan

In order to comply fully with internal controls related to procurement, suspension, and debarment, the following procedures are being implemented.

- The Cooperative will develop and implement policies and procedures to ensure compliance with all procurement, suspension, and debarment rules.
- All vendors from which purchases are made will be checked annually for compliance with suspension and debarment regulations. The IDOA site will be checked annually for the list of vendors currently suspended from doing business in the State of Indiana. The SAM (System for Award Management) site will be searched by vendor to check suspension or debarment with federal agencies. In addition, each vendor will be sent suspension and debarment documents that must be returned indicating that they are not prohibited from doing business either with either the State of Indiana or Federal agencies. This documentation will be shared with all corporations who are a part of the Cooperative.
- For transactions/purchases not covered with Cooperative bids, all State and Federal procurement guidelines will be followed as outlined in 2 CFR Part 200 Procurement Standards.
- A memo dated November 13, 2015 was received from USDA related to guidance on competitive procurement standards for program operators. The section cited in this memo, 7 CFR Part 210.21 has been reviewed. to ensure that our program is conducting procurement transactions in accordance with governing regulations.

- Additional guidance is being provided by IDOE through procurement trainings. The trainings are intended to assist FS directors in identifying key considerations for implementing a fair, open, and cost-effective procurement system in the School Nutrition Program. The training will be attended by the FS Director for Franklin Schools in early February, 2016.

FINDING 2014-008

Federal Agency: Department of Education

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

CFDA Number: 84.010, 84.389

Federal Award Number and Year (or Other Identifying Number): 2011-2012, 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Contact Person: Dr. David Clendening

Title of Contact Person: Superintendent

Contact Number: (317) 738-5800

Corrective Action plan:

1. **The Coordinator of Title I will establish protocol for expending funds from the Title I grant which includes a segregation of duties and responsibilities:**
 - a) **The Coordinator will review budget history reports on a monthly basis**
 - b) **The Coordinator will receive a digital copy of the budget history. This will be stored in the office of the coordinator.**
 - c) **The coordinator will approve all claims, by signature, and send to accounts payable for processing.**
 - d) **Building Treasurers/Administration will submit a requisition to purchase to the Title I program Administrative Assistant.**
 - e) **The Administrative Assistant will verify that requested items are approved in the current grant.**
 - f) **The Administrative Assistant will requisition proposed items.**
 - g) **The invoices will be submitted to the Title I Coordinator for approval of payment.**
 - h) **Accounts Payable Vouchers will be submitted to Accounts Payable to be processed**
2. **Eligibility compliance for Title 1 funding:**
 - a) **The Food Service Director will submit the approved Free and Reduced file on a weekly basis to the FCS data base personnel.**
 - b) **The submitted data is uploaded into our student management system.**
 - c) **Furthermore, the data base personnel will store a digital copy in a Title 1 electronic folder. This folder will be reviewed on a bi-weekly basis by the FCS Coordinator.**
 - d) **Non-public school notification, submitted to the LEA, with student's name, legal residence, and name of the non-public school will be scan, and placed in the digital Title 1 folder.**

3. Level of Effort:

a) The Special Director or designee will cross reference all expenditures. The Director will record findings on a monthly basis.

1. The Coordinator of Title I will establish protocol for expending funds from the Title I grant which includes a segregation of duties and responsibilities.
2. Building Treasurers/Administration will submit a requisition to purchase to the Title I program Administrative Assistant.
3. The Administrative Assistant will verify that requested items are approved in the current grant.
4. The Administrative Assistant will requisition proposed items.
5. The invoices will be submitted to the Title I Coordinator for approval of payment.
6. Accounts Payable Vouchers will be submitted to Accounts Payable to be processed.



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

FINDING 2014-009

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 2011-2012, 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Contact Person: Dr. David Clendening

Title of Contact Person: Superintendent

Contact Number: (317) 738-5800

Corrective Action Plan:

1. The Coordinator of Title I will provide building budgets to each subrecipient which will include the CFDA title and number and the federal award name and number to its subrecipient.
2. The Coordinator of Title I will prepare Time and Effort logs for all employees that are receiving partial funding of salary from Title I and employed by the subrecipient. The Coordinator of Title I will collect forms and maintain them in a Master File at the FCS Central Office. This file will be stored digitally and hard copy form.
3. The Coordinator of Title I will train the subrecipient on established protocol for expending funds from the Title I grant.
4. Subrecipients, FCS Principals, and entity Treasurers will be required to participate in quarterly policy and procedure training via written and oral presentation.
5. Subrecipient Monitoring- The Subrecipient will submit a payroll report, listing the teacher, pay dates, and gross pay to the ELA verifying funds were used for reimbursement of Professional Services.



Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

FINDING 2014-010

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

Contact Person: Dr. David Clendening

Title of Contact Person: Superintendent

Contact Number: (317) 738-5800

Corrective Action Plan:

1. During the Franklin Community Schools' onboarding process the Human Resource department will provide new hires with all Highly Qualified verification forms, as posted by the IDOE.
2. The new employees are required to show proof of highly qualified status.
3. The FCS Human Resource department will collect documentation proving the Highly Qualified Status of each person.
4. All Highly Qualified verification forms will be kept in the respective employee's personnel file.
5. The Director of Title 1 will perform quarterly audits of new hires, certified and non-certified personnel, and submit findings to the superintendent.
6. The superintendent, or designee, will place audit findings in the Title 1 binder in the business office.
7. These findings will be stored and retained as per the Indiana retention schedule.
8. All teachers in FCS will be Highly Qualified. A record of their disposition will remain on file, in their respective personnel file.

FINDING 2014-011

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): School Years 2012-2013,
2013-2014

Pass-Through Entity: Indiana Department of Education

Contact Person: Dr. David Clendening

Title of Contact Person: Superintendent

Contact Number: (317) 738-5800

The following steps are being enacted to ensure proper, accurate, and timely reports are maintained and controlled:

1. The Franklin Community High School registrar will be the only staff member withdrawing students from the cohort upon receiving a signed request for transcript from receiving school on school letterhead.
2. The Franklin Community High School registrar will send a digital copy of the withdrawal to the Principal or designee and file in student's permanent record.
3. The Franklin Community High School Counselors will perform monthly cohort audits to ensure proper documentation has been submitted for withdrawn students.
4. The Principal or Principal's designee will perform quarterly cohort audits to ensure proper documentation has been submitted for withdrawn students. A written summary will be provided to the Coordinator of Title I within in 5 days of this internal review.

FRANKLIN COMMUNITY SCHOOLS

Student-Centered • Innovative

Dr. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Bill Doty
Director of Operations

September 9, 2016

Finding 2014-012:

Federal Agency:

Federal Program:

U.S. Department of Education

**Special Education, Grants to States, Special Education,
Preschool Grants**

CFDA Number:

84.027, 84.173

Federal Award Year :

14211-033PN01;14212-033-PN01

14213-033-PN01;14214-033-PN01

99914-033-TA01;45712-033-PN01

45713-033-PN01;45714-033PN01

Pass Thru Entity:

Indiana Department of Education

Contact Person:

Jeffrey R. Mercer

Title of Contact Person:

Director of Finance

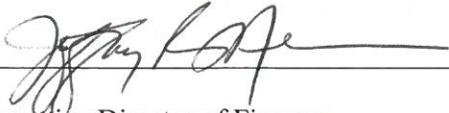
Contact Number:

(317) 738-5800

Corrective Action Plan

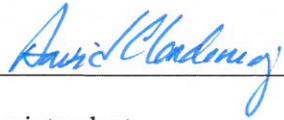
While we have historically utilized one individual in the completion of Maintenance of Effort and Excess Cost Calculator with a review of the worksheets by another individual, we are undergoing a full Internal Control strategy to ensure segregation of duties and appropriate oversight.

Therefore, by May of 2017 we will have a fully developed and Board approved Internal Controls Plan that will govern oversight of all programs.

Signed: 

Title: Executive Director of Finance

Date: 9/13/16

Signed: 

Title: Superintendent

Date: 9/14/2016

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.