

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

AUDIT REPORT
OF
FRANKTON-LAPEL COMMUNITY SCHOOLS
MADISON COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED

06/24/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Hall	07-01-06 to 06-30-09
Superintendent of Schools	Ned L. Speicher Bobby Fields	07-01-06 to 06-30-08 07-01-08 to 06-30-11
President of the School Board	Nancy Likens Alan Bays	07-01-06 to 06-30-08 07-01-08 to 06-30-09



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frankton-Lapel Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 26, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 26, 2009



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frankton-Lapel Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated May 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

May 26, 2009

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 9,728,117	\$ -	\$ 74,429	\$ (9,653,688)
Support services	6,489,157	590,270	274,438	(5,624,449)
Community services	458,445	-	-	(458,445)
Nonprogrammed charges	1,981,035	-	-	(1,981,035)
Debt service	<u>4,272,304</u>	<u>-</u>	<u>-</u>	<u>(4,272,304)</u>
Total government	<u>\$ 22,929,058</u>	<u>\$ 590,270</u>	<u>\$ 348,867</u>	<u>(21,989,921)</u>
General receipts:				
Property taxes				3,929,203
Other local sources				1,432,845
State aid				9,306,085
Bonds and loans				1,236,991
Grants and contributions not restricted to specific programs				802,000
Sale of property, adjustments, and refunds				15,611
Investment earnings				<u>1,908,112</u>
Total general receipts, interfund loans, transfers, and special items				<u>18,630,847</u>
Change in net assets				(3,359,074)
Net assets - beginning				<u>6,969,393</u>
Net assets - ending				<u>\$ 3,610,319</u>
<u>Assets</u>				
Cash and investments				\$ 2,608,297
Restricted assets:				
Cash and investments				<u>1,002,022</u>
Total assets				<u>\$ 3,610,319</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,503
Other purposes				1,000,519
Unrestricted				<u>2,608,297</u>
Total net assets				<u>\$ 3,610,319</u>

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		Charges for Services	Operating Grants and Contributions	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 9,952,284	\$ -	\$ 105,314	\$ (9,846,970)
Support services	7,711,286	628,343	387,516	(6,695,427)
Community services	497,812	-	-	(497,812)
Nonprogrammed charges	2,685,455	-	-	(2,685,455)
Debt service	<u>13,217,750</u>	<u>-</u>	<u>-</u>	<u>(13,217,750)</u>
Total government	<u>\$ 34,064,587</u>	<u>\$ 628,343</u>	<u>\$ 492,830</u>	<u>(32,943,414)</u>
General receipts:				
Property taxes				9,058,627
Other local sources				2,491,736
State aid				9,329,467
Bonds and loans				8,507,143
Grants and contributions not restricted to specific programs				593,803
Sale of property, adjustments, and refunds				32,228
Investment earnings				<u>2,047,103</u>
Total general receipts, interfund loans, transfers, and special items				<u>32,060,107</u>
Change in net assets				(883,307)
Net assets - beginning				<u>3,610,319</u>
Net assets - ending				<u>\$ 2,727,012</u>
<u>Assets</u>				
Cash and investments				\$ 1,770,470
Restricted assets:				
Cash and investments				<u>956,542</u>
Total assets				<u>\$ 2,727,012</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,004
Other purposes				955,538
Unrestricted				<u>1,770,470</u>
Total net assets				<u>\$ 2,727,012</u>

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Local Rainy Day Fund	School Lunch	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:										
Local sources	\$ 2,316,318	\$ 646,177	\$ -	\$ 485,593	\$ 211,579	\$ 1,283,248	\$ 673,953	\$ 134,294	\$ 281,417	\$ 6,032,579
Intermediate sources	49	-	-	-	-	-	-	-	164,295	164,344
State sources	9,320,971	-	-	15,540	21,244	-	-	-	504,329	9,862,084
Federal sources	-	-	-	237,653	-	-	-	-	357,215	594,868
Bonds and loans	1,236,991	-	-	-	-	-	-	-	-	1,236,991
Sale of property, adjustments and refunds	1,641	6,668	-	7,301	-	-	-	-	-	15,610
Total receipts	12,875,970	652,845	-	746,087	232,823	1,283,248	673,953	134,294	1,307,256	17,906,476
Disbursements:										
Current:										
Instruction	9,148,887	-	-	-	-	-	-	-	579,230	9,728,117
Support services	2,700,072	1,190,923	-	683,793	193,757	-	1,159,500	192,809	368,303	6,489,157
Community services	267,706	-	-	-	-	-	-	-	190,739	458,445
Nonprogrammed charges	424,946	1,500	-	-	-	-	-	-	-	426,446
Debt services	1,116,574	-	-	-	-	2,915,079	-	-	240,651	4,272,304
Total disbursements	13,658,185	1,192,423	-	683,793	193,757	2,915,079	1,159,500	192,809	1,378,923	21,374,469
Excess (deficiency) of receipts over disbursements	(782,215)	(539,578)	-	62,294	39,066	(1,631,831)	(485,547)	(58,515)	(71,667)	(3,467,993)
Other financing sources (uses):										
Transfers in	261,992	589,136	631,000	51	-	981,353	378,492	2,791	298,679	3,143,494
Transfers out	(491,775)	(183,511)	(2,122,000)	-	-	(48,442)	(43,441)	(35,069)	(219,256)	(3,143,494)
Total other financing sources (uses)	(229,783)	405,625	(1,491,000)	51	-	932,911	335,051	(32,278)	79,423	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,011,998)	(133,953)	(1,491,000)	62,345	39,066	(698,920)	(150,496)	(90,793)	7,756	(3,467,993)
Cash and investments - beginning	1,055,905	136,459	2,969,374	319,975	149,664	699,918	152,351	99,787	494,360	6,077,793
Cash and investments - ending	\$ 43,907	\$ 2,506	\$ 1,478,374	\$ 382,320	\$ 188,730	\$ 998	\$ 1,855	\$ 8,994	\$ 502,116	2,609,800
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:										
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.										
										1,000,519
Net assets of governmental activities										<u>\$3,610,319</u>
Cash and Investment Assets - Ending										
Cash and investments	\$ 43,907	\$ 2,506	\$ 1,478,374	\$ 382,320	\$ 188,730	\$ -	\$ 1,855	\$ 8,994	\$ 501,611	\$ 2,608,297
Restricted assets:										
Cash and investments	-	-	-	-	-	998	-	-	505	1,503
Total cash and investment assets - ending	\$ 43,907	\$ 2,506	\$ 1,478,374	\$ 382,320	\$ 188,730	\$ 998	\$ 1,855	\$ 8,994	\$ 502,116	\$ 2,609,800
Cash and Investment Fund Balance - Ending										
Restricted for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 998	\$ -	\$ -	\$ 505	\$ 1,503
Unrestricted	43,907	2,506	1,478,374	382,320	188,730	-	1,855	8,994	501,611	2,608,297
Total cash and investment fund balance - ending	\$ 43,907	\$ 2,506	\$ 1,478,374	\$ 382,320	\$ 188,730	\$ 998	\$ 1,855	\$ 8,994	\$ 502,116	\$ 2,609,800

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Local Rainy Day Fund	School Lunch	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:										
Local sources	\$ 3,978,617	\$ 1,305,120	\$ -	\$ 543,402	\$ 249,832	\$ 3,832,485	\$ 1,472,552	\$ 203,486	\$ 577,629	\$ 12,163,123
Intermediate sources	49	-	-	-	-	-	-	-	200,574	200,623
State sources	9,388,194	-	-	15,732	45,655	-	-	-	248,255	9,697,836
Federal sources	-	-	-	326,129	-	-	-	-	392,135	718,264
Bonds and loans	3,507,143	950,000	-	-	-	2,500,000	800,000	-	750,000	8,507,143
Sale of property, adjustments and refunds	25,396	-	-	5,289	-	-	1,453	90	-	32,228
Total receipts	16,899,399	2,255,120	-	890,552	295,487	6,332,485	2,274,005	203,576	2,168,593	31,319,217
Disbursements:										
Current:										
Instruction	9,267,202	-	-	-	-	-	-	-	734,720	10,001,922
Support services	3,555,891	1,414,159	-	738,109	227,512	14,500	1,379,531	183,296	204,220	7,717,218
Community services	241,102	-	-	-	-	-	-	-	256,710	497,812
Nonprogrammed charges	718,206	3,055	-	847	-	-	733	-	-	722,841
Debt services	3,473,634	950,000	-	-	-	7,001,166	800,000	-	992,950	13,217,750
Total disbursements	17,256,035	2,367,214	-	738,956	227,512	7,015,666	2,180,264	183,296	2,188,600	32,157,543
Excess (deficiency) of receipts over disbursements	(356,636)	(112,094)	-	151,596	67,975	(683,181)	93,741	20,280	(20,007)	(838,326)
Other financing sources (uses):										
Transfers in	859,599	820,000	2,960,038	47	-	1,609,000	950,000	150,000	124,174	7,472,858
Transfers out	(190,000)	(707,152)	(4,438,000)	(174)	(31)	(926,000)	(1,035,886)	-	(175,615)	(7,472,858)
Total other financing sources (uses)	669,599	112,848	(1,477,962)	(127)	(31)	683,000	(85,886)	150,000	(51,441)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	312,963	754	(1,477,962)	151,469	67,944	(181)	7,855	170,280	(71,448)	(838,326)
Cash and investments - beginning	43,907	2,506	1,478,374	382,320	188,730	998	1,855	8,994	502,116	2,609,800
Cash and investments - ending	\$ 356,870	\$ 3,260	\$ 412	\$ 533,789	\$ 256,674	\$ 817	\$ 9,710	\$ 179,274	\$ 430,668	1,771,474
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:										
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.										
										955,538
Net assets of governmental activities										\$ 2,727,012
Cash and Investment Assets - Ending										
Cash and investments	\$ 356,870	\$ 3,260	\$ 412	\$ 533,789	\$ 256,674	\$ -	\$ 9,710	\$ 179,274	\$ 430,481	\$ 1,770,470
Restricted assets:										
Cash and investments	-	-	-	-	-	817	-	-	187	1,004
Total cash and investment assets - ending	\$ 356,870	\$ 3,260	\$ 412	\$ 533,789	\$ 256,674	\$ 817	\$ 9,710	\$ 179,274	\$ 430,668	\$ 1,771,474
Cash and Investment Fund Balance - Ending										
Restricted for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 817	\$ -	\$ -	\$ 187	\$ 1,004
Unrestricted	356,870	3,260	412	533,789	256,674	-	9,710	179,274	430,481	1,770,470
Total cash and investment fund balance - ending	\$ 356,870	\$ 3,260	\$ 412	\$ 533,789	\$ 256,674	\$ 817	\$ 9,710	\$ 179,274	\$ 430,668	\$ 1,771,474

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Miscellaneous	\$ 1,663,508
Total operating receipts	<u>1,663,508</u>
Operating disbursements:	
Insurance claims and expense	<u>1,554,589</u>
Total operating disbursements	<u>1,554,589</u>
Excess of operating receipts over operating disbursements	108,919
Cash and investment fund balance - beginning	<u>891,600</u>
Cash and investment fund balance - ending	<u>\$ 1,000,519</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 1,000,519</u>
Total cash and investment assets - ending	<u>\$ 1,000,519</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 1,000,519</u>
Total cash and investment fund balance - ending	<u>\$ 1,000,519</u>

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 1,917,633
Total operating receipts	1,917,633
Operating disbursements:	
Insurance claims and expense	1,111,556
Other	851,058
Total operating disbursements	1,962,614
Excess (deficiency) of operating receipts over operating disbursements	(44,981)
Cash and investment fund balance - beginning	1,000,519
Cash and investment fund balance - ending	\$ 955,538
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 955,538
Total cash and investment assets - ending	\$ 955,538
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 955,538
Total cash and investment fund balance - ending	\$ 955,538

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 353,579	
Total contributions	<u>-</u>	<u>353,579</u>	
Investment earnings:			
Interest	<u>45,009</u>	<u>-</u>	
Total investment earnings	<u>45,009</u>	<u>-</u>	
Total additions	<u>45,009</u>	<u>353,579</u>	
Deductions:			
Benefits	39,019	-	
Administrative and general	<u>-</u>	<u>148,434</u>	
Total deductions	<u>39,019</u>	<u>148,434</u>	
Excess of total additions over total deductions	5,990	205,145	
Cash and investment fund balance - beginning	<u>1,031,197</u>	<u>19,901</u>	
Cash and investment fund balance - ending	<u>\$ 1,037,187</u>	<u>\$ 225,046</u>	<u>\$ 7,240</u>
Net assets:			
Cash and investments	<u>\$ 1,037,187</u>	<u>\$ 225,046</u>	
Total net assets - cash and investment basis held in trust	<u>\$ 1,037,187</u>	<u>\$ 225,046</u>	

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 100,931	
Total contributions	-	100,931	
Investment earnings:			
Interest	37,323	-	
Total investment earnings	37,323	-	
Total additions	37,323	100,931	
Deductions:			
Benefits	98,446	-	
Administrative and general	-	215,927	
Total deductions	98,446	215,927	
Deficiency of total additions over total deductions	(61,123)	(114,996)	
Cash and investment fund balance - beginning	1,037,187	225,046	
Cash and investment fund balance - ending	\$ 976,064	\$ 110,050	\$ (3,629)
Net assts:			
Cash and investments	\$ 976,064	\$ 110,050	
Total net assets - cash and investment basis held in trust	\$ 976,064	\$ 110,050	

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Frankton-Lapel Community Schools

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

Joint Venture

The School Corporation is a participant with Carmel-Clay Schools, Noblesville Schools, Hamilton Heights School Corporation, Hamilton Southeastern Schools, Westfield Washington Schools, and Marion-Adams Schools in a joint venture to operate the Hamilton-Boone-Madison Special Services Cooperative which was created to provide for the special education needs of member schools. The School Corporation is obligated by contract to remit their students' proportional share of cost annually to supplement the joint venture to Carmel-Clay Schools, as administrators. The joint venture's continued existence depends on continued funding by the member school corporations. Complete financial statements for the joint venture can be obtained from Carmel-Clay Schools, 5201 East 131st Street, Carmel, IN 46033.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

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

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

The School Corporation reports the following major governmental funds:

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

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

The local rainy day fund is to account for funds in accordance with Indiana Code 36-.1-8-5 and a locally adopted resolution.

The school lunch fund is used to account for receipts and disbursements for the food service program.

The textbook rental fund is used to account for receipts and disbursements concerning textbooks and workbooks furnished to students.

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

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for risk financing associated with medical benefits to employees, retirees and dependents (excluding postemployment benefits), all lines aggregate liability insurance, and is provided to other departments on premium charged basis.

The pension trust funds account for the activities of the retirement / severance bond fund, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the school corporation.

Agency funds account for assets held by the School Corporation as an agent for payroll related withholdings and serve as control accounts for certain cash transactions during the time they are a liability to the school corporation; that is, from the time they are expensed to the government or withheld from the employee's wages until they are transmitted to the proper payee for the purpose withheld.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

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

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	06-30-07	06-30-08
Child Care Program	\$ -	\$ 16,242
07-08 Safe Haven Grant	-	561
Summer School/Driver Education	-	9,769
Special Ed Coop Grant/Certified	47,258	25,095
Special Ed Coop Grant/Noncertified	-	753
Beginning Teacher Intern Program	-	7,907
GOE Remediation Grant	55,570	-
Testing/Instructional Assistance	40	-
07-08 Title IV, Part A/Grant	-	1,260
Scholarships and Awards Fund	1,000	-
Frankton Elementary Painting Fund	3,622	-
LHS Bull Dog Statue	-	5,662
Tuition	5,611	-
Clearing Account	-	3,629

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$3,809,497. Of this amount, the following was exposed to custodial credit risk:

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

	06-30-07	06-30-08
Uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name	\$ 4,879,791	\$ 3,809,497
Totals	\$ 4,879,791	\$ 3,809,497

The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of June 30, 2008, the School Corporation had no investments.

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General Fund	Transportation Operating	\$ 2,553	\$ -
	Local Rainy Day Fund	444,489	175,000
	Other governmental funds	44,733	15,000
Transportation Operating	Local Rainy Day Fund	-	707,152
	Other governmental funds	183,511	-
Local Rainy Day Fund	General Fund	175,000	800,000
	Transportation Operating	555,000	820,000
	Debt Service	926,000	1,609,000
	Capital Project	350,000	950,000
	School Bus Replacement	-	150,000
	Other governmental funds	116,000	109,000

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

Transfer From	Transfer To	2007	2008
School Lunch	Other governmental funds	-	174
Textbook Rental	School Lunch	-	31
School Bus Replacement	Other governmental funds	35,069	-
Debt Service	Local Rainy Day Fund	-	926,000
	Other governmental funds	48,442	-
Capital Project	Local Rainy Day Fund	-	1,035,886
	Other governmental funds	43,441	-
Other governmental funds	General Fund	86,992	59,599
	Transportation Operating	31,583	-
	Local Rainy Day Fund	3,000	116,000
	School Lunch	51	16
	Debt Service	55,353	-
	Capital Project	28,492	-
	School Bus Replacement	2,791	-
	Other governmental funds	10,994	-
Totals		<u>\$ 3,143,494</u>	<u>\$ 7,472,858</u>

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

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported June 30, 2006	Fund Reclassification	Balance as Restated July 1, 2006
Private-Purpose Trust Funds	\$ 30,433	\$ (10,532)	\$ 19,901
Governmental Funds	6,067,261	10,532	6,077,793

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

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

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$50,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into capital leases with the Frankton-Lapel North Elementary School Building Corporation (lessor) and the Frankton-Lapel South High School Building Corporation (lessor). The lessors were 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 lessors have been determined to be a related party of the School Corporation. Lease payments during the years ended June 30 2007 and 2008, totaled \$2,753,500 and \$4,288,500, respectively.

C. Termination Benefits

In January 2008, an end of service/retirement option was made available to certified staff of the Frankton-Lapel Community Schools (FLCS) who had attained the age of fifty-five (55) years of age and have completed at least ten (10) years of teaching experience with FLCS. The option offered was that the dollar amount to be received (by the employee) shall be \$800 per month and shall continue at that rate for a maximum of seven (7) years or until the teacher reaches the age of sixty-five (65), whichever comes first. This dollar amount may be used to purchase a health insurance policy or may be taken as salary. Seven (six full-time and one half-time) certified staff accepted this option. Disbursements for this benefit are recognized on a pay-as-you-go basis. The termination date for this early retirement option was June 30, 2008; therefore, during the school year ended June 30, 2008, there were no disbursements recognized as the cost of this benefit.

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

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 101,619
Interest on net pension obligation	(6,565)
Adjustment to annual required contribution	7,481
Annual pension cost	102,535
Contributions made	87,876
Increase in net pension obligation	14,659
Net pension obligation, beginning of year	(90,545)
Net pension obligation, end of year	\$ (75,886)

	PERF
Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
	30 years
Amortization period	
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 78,759	83%	\$ (117,491)
	06-30-07	98,724	73%	(90,545)
	06-30-08	102,535	86%	(75,886)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$215,501, \$240,554, and \$210,754, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

FRANKTON-LAPEL COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,431,557	\$ 1,548,428	\$ (116,871)	92%	\$ 1,382,414	(8%)
07-01-07	1,644,867	1,756,362	(111,495)	94%	1,414,001	(8%)
07-01-08	1,785,732	1,876,388	(90,656)	95%	1,411,856	(6%)

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	Levy Excess	Child Care Program	05/06 Early Intervention Grant	04/05 Gifted and Talented	Full Day Kindergarten
Receipts:						
Local sources	\$ 5,527	\$ -	\$ 148,583	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	68,053	-	-	2,000	-	12,510
Federal sources	-	-	-	-	-	-
Total receipts	<u>73,580</u>	<u>-</u>	<u>148,583</u>	<u>2,000</u>	<u>-</u>	<u>12,510</u>
Disbursements:						
Current:						
Instruction	59,004	-	-	-	-	20,947
Support services	-	-	-	2,500	-	-
Community services	-	-	187,048	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>59,004</u>	<u>-</u>	<u>187,048</u>	<u>2,500</u>	<u>-</u>	<u>20,947</u>
Excess (deficiency) of receipts over disbursements	<u>14,576</u>	<u>-</u>	<u>(38,465)</u>	<u>(500)</u>	<u>-</u>	<u>(8,437)</u>
Other financing sources (uses):						
Transfers in	264	176,659	-	-	-	-
Transfers out	(208)	(211,231)	(51)	-	-	-
Total other financing sources (uses)	<u>56</u>	<u>(34,572)</u>	<u>(51)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>14,632</u>	<u>(34,572)</u>	<u>(38,516)</u>	<u>(500)</u>	<u>-</u>	<u>(8,437)</u>
Cash and investments - beginning	<u>20,393</u>	<u>270,830</u>	<u>102,546</u>	<u>500</u>	<u>3,000</u>	<u>8,437</u>
Cash and investments - ending	<u>\$ 35,025</u>	<u>\$ 236,258</u>	<u>\$ 64,030</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 35,025	\$ 236,258	\$ 64,030	\$ -	\$ 3,000	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 35,025</u>	<u>\$ 236,258</u>	<u>\$ 64,030</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	35,025	236,258	64,030	-	3,000	-
Total cash and investment fund balance - ending	<u>\$ 35,025</u>	<u>\$ 236,258</u>	<u>\$ 64,030</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Pepsi	04/05 Indiana Next Grant	05/06 Gifted/ Talented Grant	06/07 Gifted/ Talented Grant	Summer School/ Driver Education	Storm Damage
Receipts:						
Local sources	\$ 20	\$ -	\$ -	\$ -	\$ 725	\$ -
Intermediate sources	26,018	-	-	-	-	18,839
State sources	-	-	-	14,423	28,005	-
Federal sources	-	-	-	-	-	-
Total receipts	<u>26,038</u>	<u>-</u>	<u>-</u>	<u>14,423</u>	<u>28,730</u>	<u>18,839</u>
Disbursements:						
Current:						
Instruction	-	-	9,593	3,131	24,730	-
Support services	25,434	-	-	-	2,966	10,058
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>25,434</u>	<u>-</u>	<u>9,593</u>	<u>3,131</u>	<u>27,696</u>	<u>10,058</u>
Excess (deficiency) of receipts over disbursements	<u>604</u>	<u>-</u>	<u>(9,593)</u>	<u>11,292</u>	<u>1,034</u>	<u>8,781</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>604</u>	<u>-</u>	<u>(9,593)</u>	<u>11,292</u>	<u>1,034</u>	<u>8,781</u>
Cash and investments - beginning	<u>1,844</u>	<u>251</u>	<u>10,100</u>	<u>-</u>	<u>22,364</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,448</u>	<u>\$ 251</u>	<u>\$ 507</u>	<u>\$ 11,292</u>	<u>\$ 23,398</u>	<u>\$ 8,781</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,448	\$ 251	\$ 507	\$ 11,292	\$ 23,398	\$ 8,781
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 2,448</u>	<u>\$ 251</u>	<u>\$ 507</u>	<u>\$ 11,292</u>	<u>\$ 23,398</u>	<u>\$ 8,781</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,448	251	507	11,292	23,398	8,781
Total cash and investment fund balance - ending	<u>\$ 2,448</u>	<u>\$ 251</u>	<u>\$ 507</u>	<u>\$ 11,292</u>	<u>\$ 23,398</u>	<u>\$ 8,781</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Special Ed Coop Grant/ Certified	Special Ed Coop Grant/ Noncertified	Non - English Speaking Grant	Technology Grant #1	Technology Grant #2	Technology Plan Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	22,927	96,351	-	-	-	-
State sources	-	-	39	220,075	47,497	94,650
Federal sources	-	-	-	-	-	-
Total receipts	<u>22,927</u>	<u>96,351</u>	<u>39</u>	<u>220,075</u>	<u>47,497</u>	<u>94,650</u>
Disbursements:						
Current:						
Instruction	68,357	78,348	-	-	-	-
Support services	-	-	-	220,075	47,497	-
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>68,357</u>	<u>78,348</u>	<u>-</u>	<u>220,075</u>	<u>47,497</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(45,430)</u>	<u>18,003</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>94,650</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>(45,430)</u>	<u>18,003</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>94,650</u>
Cash and investments - beginning	<u>(1,828)</u>	<u>(493)</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (47,258)</u>	<u>\$ 17,510</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,650</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (47,258)	\$ 17,510	\$ 65	\$ -	\$ -	\$ 94,650
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (47,258)</u>	<u>\$ 17,510</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,650</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(47,258)</u>	<u>17,510</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>94,650</u>
Total cash and investment fund balance - ending	<u>\$ (47,258)</u>	<u>\$ 17,510</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,650</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Beg Teacher Intern Program	GQE Remediation Grant	Testing/ Instructional Assistance	Cape Grant	06/07 School Improvement Grant	05/06 Title 1
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	160	-	-	-
State sources	7,530	9,547	-	-	-	-
Federal sources	-	-	-	-	14,575	33,413
Total receipts	7,530	9,547	160	-	14,575	33,413
Disbursements:						
Current:						
Instruction	6,864	84,895	-	16,137	10,401	-
Support services	-	-	480	-	-	15,361
Community services	-	-	-	-	-	919
Debt services	-	-	-	-	-	-
Total disbursements	6,864	84,895	480	16,137	10,401	16,280
Excess (deficiency) of receipts over disbursements	666	(75,348)	(320)	(16,137)	4,174	17,133
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	666	(75,348)	(320)	(16,137)	4,174	17,133
Cash and investments - beginning	-	19,778	280	18,391	-	(17,133)
Cash and investments - ending	\$ 666	\$ (55,570)	\$ (40)	\$ 2,254	\$ 4,174	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 666	\$ (55,570)	\$ (40)	\$ 2,254	\$ 4,174	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 666	\$ (55,570)	\$ (40)	\$ 2,254	\$ 4,174	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	666	(55,570)	(40)	2,254	4,174	-
Total cash and investment fund balance - ending	\$ 666	\$ (55,570)	\$ (40)	\$ 2,254	\$ 4,174	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	06/07 Title 1	05/06 Title V	05/06 Title V, Part A/ Tech	06/07 Title V	04/05 Title IV, Part A/ Drug	05/06 Title IV, Part A/ Drug
Receipts:						
Local sources	\$ 282	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	224,683	-	-	3,628	-	-
Total receipts	224,965	-	-	3,628	-	-
Disbursements:						
Current:						
Instruction	95,577	1,352	404	3,628	2,050	-
Support services	43,932	-	-	-	-	-
Community services	2,772	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	142,281	1,352	404	3,628	2,050	-
Excess (deficiency) of receipts over disbursements	82,684	(1,352)	(404)	-	(2,050)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	82,684	(1,352)	(404)	-	(2,050)	-
Cash and investments - beginning	-	1,352	7,278	-	3,000	5,962
Cash and investments - ending	\$ 82,684	\$ -	\$ 6,874	\$ -	\$ 950	\$ 5,962
Cash and Investment Assets - Ending						
Cash and investments	\$ 82,684	\$ -	\$ 6,874	\$ -	\$ 950	\$ 5,962
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 82,684	\$ -	\$ 6,874	\$ -	\$ 950	\$ 5,962
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	82,684	-	6,874	-	950	5,962
Total cash and investment fund balance - ending	\$ 82,684	\$ -	\$ 6,874	\$ -	\$ 950	\$ 5,962

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	06/07 Title IV, Part A/ Drug	05/06 Title II Part A	06/07 Title II Part A	05/06 Title II, Part D/ Tech	Pension Bond Debt Service	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 126,280	\$ 281,417
Intermediate sources	-	-	-	-	-	164,295
State sources	-	-	-	-	-	504,329
Federal sources	<u>7,240</u>	-	<u>71,676</u>	<u>2,000</u>	-	<u>357,215</u>
Total receipts	<u>7,240</u>	-	<u>71,676</u>	<u>2,000</u>	<u>126,280</u>	<u>1,307,256</u>
Disbursements:						
Current:						
Instruction	7,240	15,431	68,415	2,726	-	579,230
Support services	-	-	-	-	-	368,303
Community services	-	-	-	-	-	190,739
Debt services	-	-	-	-	<u>240,651</u>	<u>240,651</u>
Total disbursements	<u>7,240</u>	<u>15,431</u>	<u>68,415</u>	<u>2,726</u>	<u>240,651</u>	<u>1,378,923</u>
Excess (deficiency) of receipts over disbursements	-	(15,431)	3,261	(726)	(114,371)	(71,667)
Other financing sources (uses):						
Transfers in	-	-	-	-	121,756	298,679
Transfers out	-	-	-	-	<u>(7,766)</u>	<u>(219,256)</u>
Total other financing sources (uses)	-	-	-	-	<u>113,990</u>	<u>79,423</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(15,431)	3,261	(726)	(381)	7,756
Cash and investments - beginning	-	15,431	-	1,165	886	494,360
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,261</u>	<u>\$ 439</u>	<u>\$ 505</u>	<u>\$ 502,116</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 3,261	\$ 439	\$ -	\$ 501,611
Restricted assets:						
Cash and investments	-	-	-	-	<u>505</u>	<u>505</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,261</u>	<u>\$ 439</u>	<u>\$ 505</u>	<u>\$ 502,116</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	505	505
Unrestricted	-	-	<u>3,261</u>	<u>439</u>	-	<u>501,611</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,261</u>	<u>\$ 439</u>	<u>\$ 505</u>	<u>\$ 502,116</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	Levy Excess	Child Care Program	07/08 Safe Haven Grant	Reading Recovery/ Teacher Training	04/05 Gifted/ Talented	Full Day Kindergarten
Receipts:							
Local sources	\$ 9,862	\$ -	\$ 125,554	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	47,098	-	-	-	-
State sources	69,682	-	-	2,614	2,500	-	124,372
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	79,544	-	172,652	2,614	2,500	-	124,372
Disbursements:							
Current:							
Instruction	71,699	-	-	-	-	3,000	72,904
Support services	97	-	-	-	2,500	-	-
Community services	-	-	253,082	3,175	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	71,796	-	253,082	3,175	2,500	3,000	72,904
Excess (deficiency) of receipts over disbursements	7,748	-	(80,430)	(561)	-	(3,000)	51,468
Other financing sources (uses):							
Transfers in	-	-	174	-	-	-	-
Transfers out	-	(59,599)	(16)	-	-	-	-
Total other financing sources (uses)	-	(59,599)	158	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,748	(59,599)	(80,272)	(561)	-	(3,000)	51,468
Cash and investments - beginning	35,025	236,258	64,030	-	-	3,000	-
Cash and investments - ending	<u>\$ 42,773</u>	<u>\$ 176,659</u>	<u>\$ (16,242)</u>	<u>\$ (561)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,468</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 42,773	\$ 176,659	\$ (16,242)	\$ (561)	\$ -	\$ -	\$ 51,468
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 42,773	\$ 176,659	\$ (16,242)	\$ (561)	\$ -	\$ -	\$ 51,468
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	42,773	176,659	(16,242)	(561)	-	-	51,468
Total cash and investment fund balance - ending	\$ 42,773	\$ 176,659	\$ (16,242)	\$ (561)	\$ -	\$ -	\$ 51,468

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Pepsi	04/05 Indiana Next Grant	05/06 Gifted/ Talented Grant	06/07 Gifted/ Talented Grant	07/08 High Ability (GT) Grant	Summer School/Driver Education	Storm Damage
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220	\$ -
Intermediate sources	27,397	-	-	-	-	-	30,461
State sources	-	-	-	-	35,808	9,481	-
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	27,397	-	-	-	35,808	9,701	30,461
Disbursements:							
Current:							
Instruction	-	-	507	8,044	7,451	42,868	-
Support services	27,454	-	-	-	-	-	4,755
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	27,454	-	507	8,044	7,451	42,868	4,755
Excess (deficiency) of receipts over disbursements	(57)	-	(507)	(8,044)	28,357	(33,167)	25,706
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(57)	-	(507)	(8,044)	28,357	(33,167)	25,706
Cash and investments - beginning	2,448	251	507	11,292	-	23,398	8,781
Cash and investments - ending	<u>\$ 2,391</u>	<u>\$ 251</u>	<u>\$ -</u>	<u>\$ 3,248</u>	<u>\$ 28,357</u>	<u>\$ (9,769)</u>	<u>\$ 34,487</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,391	\$ 251	\$ -	\$ 3,248	\$ 28,357	\$ (9,769)	\$ 34,487
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 2,391	\$ 251	\$ -	\$ 3,248	\$ 28,357	\$ (9,769)	\$ 34,487
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,391	251	-	3,248	28,357	(9,769)	34,487
Total cash and investment fund balance - ending	\$ 2,391	\$ 251	\$ -	\$ 3,248	\$ 28,357	\$ (9,769)	\$ 34,487

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Special Ed Coop Grant/ Certified	Special Ed Coop Grant/ Noncertified	Non-English Speaking Program	Technology Plan Grant	IN Access High School Grant	Beg Teacher Intern Program
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	22,163	73,415	-	-	-	-
State sources	-	-	1,298	-	2,500	-
Federal sources	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Total receipts	22,163	73,415	1,298	-	2,500	-
Disbursements:						
Current:						
Instruction	-	91,678	65	-	-	8,573
Support services	-	-	-	81,123	-	-
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	91,678	65	81,123	-	8,573
Excess (deficiency) of receipts over disbursements	22,163	(18,263)	1,233	(81,123)	2,500	(8,573)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,163	(18,263)	1,233	(81,123)	2,500	(8,573)
Cash and investments - beginning	(47,258)	17,510	65	94,650	-	666
Cash and investments - ending	<u>(25,095)</u>	<u>(753)</u>	<u>1,298</u>	<u>13,527</u>	<u>2,500</u>	<u>(7,907)</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (25,095)	\$ (753)	\$ 1,298	\$ 13,527	\$ 2,500	\$ (7,907)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>(25,095)</u>	<u>(753)</u>	<u>1,298</u>	<u>13,527</u>	<u>2,500</u>	<u>(7,907)</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(25,095)	(753)	1,298	13,527	2,500	(7,907)
Total cash and investment fund balance - ending	<u>(25,095)</u>	<u>(753)</u>	<u>1,298</u>	<u>13,527</u>	<u>2,500</u>	<u>(7,907)</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	GQE Remediation Grant	Testing/ Instructional Assistance	Cape Grant	06/07 School Improvement Grant	07/08 School Improvement Grant	06/07 Title I
Receipts:						
Local sources	\$ 55,570	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	40	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	28,478	-
Bonds and loans	-	-	-	-	-	-
Total receipts	55,570	40	-	-	28,478	-
Disbursements:						
Current:						
Instruction	-	-	2,254	4,174	15,238	82,684
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	2,254	4,174	15,238	82,684
Excess (deficiency) of receipts over disbursements	55,570	40	(2,254)	(4,174)	13,240	(82,684)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	55,570	40	(2,254)	(4,174)	13,240	(82,684)
Cash and investments - beginning	(55,570)	(40)	2,254	4,174	-	82,684
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 13,240	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 13,240	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ -	\$ -	\$ 13,240	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	13,240	-
Total cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 13,240	\$ -

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	07/08 Title I	05/06 Title V, Part A/ Tech	07/08 Title V, Part A	04/05 Title IV, Part A/ Drug	05/06 Title IV, Part A/ Drug	07/08 Title IV, Part A/ Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	276,717	-	3,508	-	2,980	7,217
Bonds and loans	-	-	-	-	-	-
Total receipts	<u>276,717</u>	<u>-</u>	<u>3,508</u>	<u>-</u>	<u>2,980</u>	<u>7,217</u>
Disbursements:						
Current:						
Instruction	213,041	6,874	3,508	950	8,942	8,477
Support services	23,410	-	-	-	-	-
Community services	453	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>236,904</u>	<u>6,874</u>	<u>3,508</u>	<u>950</u>	<u>8,942</u>	<u>8,477</u>
Excess (deficiency) of receipts over disbursements	<u>39,813</u>	<u>(6,874)</u>	<u>-</u>	<u>(950)</u>	<u>(5,962)</u>	<u>(1,260)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>39,813</u>	<u>(6,874)</u>	<u>-</u>	<u>(950)</u>	<u>(5,962)</u>	<u>(1,260)</u>
Cash and investments - beginning	<u>-</u>	<u>6,874</u>	<u>-</u>	<u>950</u>	<u>5,962</u>	<u>-</u>
Cash and investments - ending	<u>\$ 39,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,260)</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 39,813	\$ -	\$ -	\$ -	\$ -	\$ (1,260)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 39,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,260)</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>39,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,260)</u>
Total cash and investment fund balance - ending	<u>\$ 39,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,260)</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	06/07 Title II, Part A	07/08 Title II, Part A	05/06 Title II, Part D/ Tech	Pension Bond Debt Service	Construction Fund	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 234,632	\$ 151,791	\$ 577,629
Intermediate sources	-	-	-	-	-	200,574
State sources	-	-	-	-	-	248,255
Federal sources	-	73,235	-	-	-	392,135
Bonds and loans	-	-	-	750,000	-	750,000
Total receipts	-	73,235	-	984,632	151,791	2,168,593
Disbursements:						
Current:						
Instruction	3,261	69,762	439	-	8,327	734,720
Support services	-	-	-	-	64,881	204,220
Community services	-	-	-	-	-	256,710
Debt services	-	-	-	992,950	-	992,950
Total disbursements	3,261	69,762	439	992,950	73,208	2,188,600
Excess (deficiency) of receipts over disbursements	(3,261)	3,473	(439)	(8,318)	78,583	(20,007)
Other financing sources (uses):						
Transfers in	-	-	-	124,000	-	124,174
Transfers out	-	-	-	(116,000)	-	(175,615)
Total other financing sources (uses)	-	-	-	8,000	-	(51,441)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,261)	3,473	(439)	(318)	78,583	(71,448)
Cash and investments - beginning	3,261	-	439	505	-	502,116
Cash and investments - ending	\$ -	\$ 3,473	\$ -	\$ 187	\$ 78,583	\$ 430,668
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 3,473	\$ -	\$ -	\$ 78,583	\$ 430,481
Restricted assets:						
Cash and investments	-	-	-	187	-	187
Total cash and investment assets - ending	\$ -	\$ 3,473	\$ -	\$ 187	\$ 78,583	\$ 430,668
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 187	\$ -	\$ 187
Unrestricted	-	3,473	-	-	78,583	430,481
Total cash and investment fund balance - ending	\$ -	\$ 3,473	\$ -	\$ 187	\$ 78,583	\$ 430,668

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Scholarships and Awards</u>	<u>Dickison Scholarship/ FJSHS</u>	<u>Copeland Reading Scholarship</u>	<u>Hurricane Aid Grant</u>	<u>Frankton Elementary Painting</u>
Additions:					
Contributions:					
Other	\$ 1,500	\$ 1,500	\$ 120	\$ -	\$ -
Total additions	<u>1,500</u>	<u>1,500</u>	<u>120</u>	<u>-</u>	<u>-</u>
Deductions:					
Administrative and general	<u>3,000</u>	<u>-</u>	<u>600</u>	<u>6,000</u>	<u>8,000</u>
Excess (deficiency) of total additions over total deductions	(1,500)	1,500	(480)	(6,000)	(8,000)
Cash and investment fund balance - beginning	<u>500</u>	<u>5,961</u>	<u>2,610</u>	<u>6,000</u>	<u>4,378</u>
Cash and investments - June 30	<u><u>\$ (1,000)</u></u>	<u><u>\$ 7,461</u></u>	<u><u>\$ 2,130</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (3,622)</u></u>
Net assets:					
Cash and investments	\$ (1,000)	\$ 7,461	\$ 2,130	\$ -	\$ (3,622)
Total net assets - cash and investment basis held in trust	<u><u>\$ (1,000)</u></u>	<u><u>\$ 7,461</u></u>	<u><u>\$ 2,130</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (3,622)</u></u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	LHS Bull Dog Statue	Tuition	Cape Assistance Grant	Lapel Land Building Corporation	Totals
Additions:					
Contributions:					
Other	\$ 11,924	\$ 113,535	\$ -	\$ 225,000	\$ 353,579
Total additions	11,924	113,535	-	225,000	353,579
Deductions:					
Administrative and general	11,688	119,146	-	-	148,434
Excess (deficiency) of total additions over total deductions	236	(5,611)	-	225,000	205,145
Cash and investment fund balance - beginning	-	-	452	-	19,901
Cash and investments - June 30	\$ 236	\$ (5,611)	\$ 452	\$ 225,000	\$ 225,046
Net assets:					
Cash and investments	\$ 236	\$ (5,611)	\$ 452	\$ 225,000	\$ 225,046
Total net assets - cash and investment basis held in trust	\$ 236	\$ (5,611)	\$ 452	\$ 225,000	\$ 225,046

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Elementary Library Gift	Charley's Fund for Children	Scholarships and Awards	Dickison Scholarship/ FJSHS	Copeland Reading Scholarship	Marvin Pike/ LHS Scholarship	Anderson Huffman/LHS Scholarship
Additions:							
Contributions:							
Other	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ 150	\$ 865	\$ 10,000
Deductions:							
Administrative and general	-	-	-	-	300	865	5,000
Excess (deficiency) of total additions over total deductions	1,000	1,000	1,000	-	(150)	-	5,000
Cash and investment fund balance - beginning	-	-	(1,000)	7,461	2,130	-	-
Cash and investments - June 30	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 7,461</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Net assets:							
Cash and investments	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 7,461</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 7,461</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 5,000</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Frankton Elementary Painting	LHS Bull Dog Statue	Tuition	Cape Assistance Grant	Lapel Land Building Corporation	Totals
Additions:						
Contributions:						
Other	\$ 3,622	\$ 7,197	\$ 76,097	\$ -	\$ -	\$ 100,931
Deductions:						
Administrative and general	-	13,095	6,883	452	189,332	215,927
Excess (deficiency) of total additions over total deductions	3,622	(5,898)	69,214	(452)	(189,332)	(114,996)
Cash and investment fund balance - beginning	(3,622)	236	(5,611)	452	225,000	225,046
Cash and investments - June 30	<u>\$ -</u>	<u>\$ (5,662)</u>	<u>\$ 63,603</u>	<u>\$ -</u>	<u>\$ 35,668</u>	<u>\$ 110,050</u>
Net assets:						
Cash and investments	<u>\$ -</u>	<u>\$ (5,662)</u>	<u>\$ 63,603</u>	<u>\$ -</u>	<u>\$ 35,668</u>	<u>\$ 110,050</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ (5,662)</u>	<u>\$ 63,603</u>	<u>\$ -</u>	<u>\$ 35,668</u>	<u>\$ 110,050</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Frankton-Lapel North Elementary	\$ 1,541,937	\$ 1,072,500
Frankton Elementary	16,950,808	1,402,500
New Lapel High School	33,505,000	1,857,000
Notes and loans payable	344,113	173,223
Bonds payable:		
General obligation bonds:		
Retirement/severance bonds	<u>1,000,000</u>	<u>125,755</u>
Total governmental activities debt	<u>\$ 53,341,858</u>	<u>\$ 4,630,978</u>

FRANKTON-LAPEL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

DISBURSEMENT DOCUMENTATION

Three credit card claim payments were observed which did not contain adequate supporting documentation such as detailed receipts or invoices for meals at four restaurants which totaled \$345.48. Also, we noted that no documentation was provided for a charge of \$5,999.94 on October 11, 2007, paid on December 13, 2007, and reimbursed by the holding corporation on December 27, 2007.

Three travel claim payments were observed which did not contain adequate supporting documentation such as receipts, bills, and invoices, and six did not contain sufficient information (point of origin; destination; odometer readings) to support/verify the travel being claimed.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BONDS

There were no official bonds recorded in the office of the County Recorder for the 2006-2007 and 2007-2008 school years. The official bonds were recorded for 2008-2009 school year.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the individual Payroll Withholding Funds. Payroll withholdings are accounted for through one fund, known as the "Clearing Fund." The records presented did not provide sufficient information to audit or establish individual payroll withholding beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

FRANKTON-LAPEL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at June 30, 2007: Special Ed Coop Grant/Certified Fund; GQE Remediation Grant Fund; Testing/Instructional Assistance Fund; Scholarships and Award Fund; Frankton Elementary Painting Fund; and Tuition Fund.

The cash balances of the following funds were overdrawn at June 30, 2008: Child Care Program Fund; 07-08 Safe Haven Grant Fund; Special Ed Coop Grant/Certified Fund; Special Ed Coop Grant/Noncertified Fund; Beginning Teacher Intern Program Fund; 07-08 Title IV, Part A, Grant Fund; LHS Bull Dog Statue Fund; and Clearing Account Fund.

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

FRANKTON-LAPEL COMMUNITY SCHOOLS
OTHER REPORT

Supplemental Report:

Break-Ins, Burglaries or Other Crimes
Automobile Mileage Allowance

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Compliance

We have audited the compliance of the Frankton-Lapel Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

STATE BOARD OF ACCOUNTS

May 26, 2009

FRANKTON LAPEL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
FY 2007/2008		07-5245	\$ 22,665	\$ -
FY 2008/2009		08-5245	-	28,084
National School Lunch Program	10.555			
FY 2007/2008		07-5245	280,040	-
FY 2008/2009		08-5245	-	330,379
			<u>302,705</u>	<u>358,463</u>
Total for federal grantor agency				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
School Improvement Grants		07-5245	10,401	4,174
		08-5245	-	15,238
Helping Disadvantaged Children Meet High Standards		06-5245	1,367	-
		07-5245	142,281	82,684
		08-5245	-	236,904
			<u>154,049</u>	<u>339,000</u>
Total for program				
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		04-189	2,050	950
		05-182	-	8,942
		5245-06	7,240	-
		5245-07	-	8,477
			<u>9,290</u>	<u>18,369</u>
Total for program				
State Grants for Innovative Programs	84.298			
		04-047	1,352	-
		05-055	404	6,874
		06-5245	3,628	-
		07-5245	-	3,508
			<u>5,384</u>	<u>10,382</u>
Total for program				
Education Technology State Grants	84.318	S318X050014	2,726	439
			<u>2,726</u>	<u>439</u>
Total for program				
Improving Teacher Quality State Grants	84.367			
		05-018	15,431	-
		07-5245	68,415	3,261
		08-5245	-	69,762
			<u>83,846</u>	<u>73,023</u>
Total for program				
Total for federal grantor agency			<u>255,295</u>	<u>441,213</u>
Total federal awards expended			<u>\$ 558,000</u>	<u>\$ 799,676</u>

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

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

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
School Breakfast Program	10.553	\$ 4,827	\$ 4,929
National School Lunch Program	10.555	59,708	58,077

FRANKTON-LAPEL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

FRANKTON-LAPEL COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FRANKTON-LAPEL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on June 1, 2009, with Bobby Fields, Superintendent of Schools; Lynn Hall, Treasurer; Michael Lacey, School Attorney; and Lorri Barnett, Technology Director.