

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
PARKE COUNTY, INDIANA

July 1, 2009 to June 30, 2011



**FILED**

03/12/2012



TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials .....   | 2           |
| Independent Auditor's Report on the Financial Statement and<br>Supplementary Schedule of Expenditures of Federal Awards .....   | 3-4         |
| Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of the Financial Statement<br>Performed in Accordance With Government Auditing Standards ..... | 5-6         |
| Financial Statement:<br>Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash<br>and Investment Balances - Regulatory Basis .....  | 9           |
| Notes to Financial Statement.....   | 10-14       |
| Supplementary Information:<br>Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses),<br>and Cash and Investment Balances - Regulatory Basis.....                                   | 16-23       |
| Schedule of Long-Term Debt .....  | 25          |
| Audit Results and Comments:   |             |
| Condition of Records .....  | 26          |
| Federal and State Agencies - Compliance Requirements .....  | 26-27       |
| Travel Policy .....   | 27          |
| Appropriations.....   | 27          |
| Credit Cards.....   | 28          |
| Bank Account Reconciliations .....  | 28          |
| Compensation and Benefits .....   | 29          |
| Errors on Claims .....  | 29-30       |
| Internal Controls - Payroll Withholding .....   | 30          |
| Condition of Records - Elementary ECA .....   | 30-31       |
| Internal Controls - High School ECA .....   | 31          |
| Penalties, Interest, and Other Charges .....  | 31-32       |
| Internal Controls Over Financial Transactions and Reporting .....   | 32          |
| Supplemental Audit of Federal Awards:   |             |
| Independent Auditor's Report on Compliance With Requirements<br>Applicable to Each Major Program and Internal Control Over<br>Compliance in Accordance With OMB Circular A-133.....                         | 34-35       |
| Schedule of Expenditures of Federal Awards .....  | 38          |
| Notes to Schedule of Expenditures of Federal Awards.....  | 39          |
| Schedule of Findings and Questioned Costs .....   | 40-49       |
| Auditee Prepared Schedules:   |             |
| Summary Schedule of Prior Audit Findings .....  | 50          |
| Corrective Action Plan.....   | 51-58       |
| Exit Conference.....  | 59          |

SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>  | <u>Term</u>  |
|----------------------------------|--|--|
| Treasurer                        | Teresa L. Veach  | 07-01-09 to 06-30-12   |
| Superintendent<br>of Schools     | Dr. Randall M. Kerkhoff<br>Sheila J. Rohr<br>Dr. Jerry Hawkins | 07-01-09 to 11-30-11<br>12-01-11 to 12-08-11<br>12-09-11 to 03-31-12 |
| President of the<br>School Board | Roger Bridge<br>Pamela J. Ferguson                             | 07-01-09 to 06-30-11<br>07-01-11 to 06-30-12                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE ROCKVILLE COMMUNITY  
SCHOOL CORPORATION, PARKE COUNTY, INDIANA

We have audited the accompanying financial statement of the Rockville Community School Corporation (School Corporation), for the years ended June 30, 2010 and 2011. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as stated in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

The School Corporation made numerous correcting entries between funds. The School Corporation did not maintain adequate documentation to support those correcting entries. The School Corporation's records did not permit adequate testing of those correcting entries.

In our opinion, except for the effects, if any, on the financial statement of the correcting entries discussed in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

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

In accordance with Government Auditing Standards, we have also issued a report dated February 7, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

STATE BOARD OF ACCOUNTS

February 7, 2012



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

TO: THE OFFICIALS OF THE ROCKVILLE COMMUNITY  
SCHOOL CORPORATION, PARKE COUNTY, INDIANA

We have audited the financial statement of the Rockville Community School Corporation (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 7, 2012. The opinion to the financial statement was qualified due to lack of documentation for numerous correcting entries between funds. 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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

Compliance and Other Matters

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

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's corrective action plan and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

February 7, 2012

## FINANCIAL STATEMENT

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

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ROCKVILLE COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2010 and 2011

|   | Cash and Investments |                      |                     | Other Financing Sources (Uses) | Cash and Investments |                     |                     | Other Financing Sources (Uses) | Cash and Investments |
|---|----------------------|----------------------|---------------------|--------------------------------|----------------------|---------------------|---------------------|--------------------------------|----------------------|
|   | 07-01-09             | Receipts             | Disbursements       |                                | 06-30-10             | Receipts            | Disbursements       |                                |                      |
| General   | \$ 47,349            | \$ 5,661,568         | \$ 5,269,312        | \$ 89,491                      | \$ 529,096           | \$ 5,438,198        | \$ 5,421,212        | \$ 9,456                       | \$ 555,538           |
| Debt Service  | 164,556              | 1,660,174            | 1,148,160           | -                              | 676,570              | 1,269,067           | 1,179,600           | (27,342)                       | 738,695              |
| Retirement/Severance Bond Debt Service                              | (15,868)             | 117,839              | 44,282              | -                              | 57,689               | 73,733              | 127,113             | (1,841)                        | 2,468                |
| Capital Projects  | 202,996              | 1,000,048            | 696,772             | -                              | 506,272              | 743,955             | 693,475             | (15,519)                       | 541,233              |
| School Transportation   | (54,431)             | 446,432              | 357,055             | 501                            | 35,447               | 345,377             | 370,576             | (5,638)                        | 4,610                |
| School Bus Replacement  | 231,150              | 75,264               | 85,000              | -                              | 221,414              | 44,727              | 708                 | (2,074)                        | 263,359              |
| Special Education Preschool   | 32,360               | 16,500               | 19,130              | (29,730)                       | -                    | -                   | -                   | -                              | -                    |
| Rainy Day   | 428,928              | 12,347               | 14,239              | -                              | 427,036              | -                   | 124,518             | 11,327                         | 313,845              |
| Retirement/Severance Bond   | 25,588               | -                    | -                   | -                              | 25,588               | -                   | -                   | -                              | 25,588               |
| Supplemental Construction Fund                                      | 64,303               | 127                  | 34                  | -                              | 64,396               | 1,217               | -                   | -                              | 65,613               |
| School Lunch  | 66,143               | 342,426              | 364,741             | 20,452                         | 64,280               | 348,169             | 339,443             | 2,577                          | 75,583               |
| Textbook Rental   | 41,462               | 82,634               | 93,237              | -                              | 30,859               | 102,783             | 33,926              | -                              | 99,716               |
| Levy Excess   | -                    | -                    | -                   | -                              | -                    | 11,327              | -                   | 42,674                         | 54,001               |
| Educational License Plates  | 560                  | 168                  | 63                  | -                              | 665                  | 150                 | 163                 | -                              | 652                  |
| Early Intervention Grant  | 3,066                | 33,409               | 51,699              | -                              | (15,224)             | 30,020              | 22,867              | -                              | (8,071)              |
| Donations, Gifts and Trusts   | 7,877                | -                    | 2,877               | (5,000)                        | -                    | -                   | 2,000               | 2,000                          | -                    |
| Scholarships and Awards   | -                    | 350                  | 850                 | -                              | (500)                | 1,350               | 850                 | -                              | -                    |
| Miscellaneous Programs  | 58,071               | 1,837                | -                   | (59,908)                       | -                    | -                   | -                   | -                              | -                    |
| Gifted and Talented Grant   | 8,048                | 29,153               | 23,080              | -                              | 14,121               | 28,508              | 22,551              | -                              | 20,078               |
| Medicaid Reimbursement  | 1,318                | 5,040                | -                   | -                              | 6,358                | -                   | -                   | (6,358)                        | -                    |
| School Technology   | 22,001               | 19,493               | 27,204              | -                              | 14,290               | 21,149              | 14,677              | -                              | 20,762               |
| Title I (2008-2009)   | 55,812               | 21,402               | 77,214              | -                              | -                    | -                   | -                   | -                              | -                    |
| Title I (2009-2010)   | -                    | 235,790              | 171,402             | -                              | 64,388               | 206,303             | 243,270             | -                              | 27,421               |
| Innovative Education Program Strategies Title V (Part A) 07-08      | 2,557                | -                    | -                   | (1,395)                        | 1,162                | -                   | 957                 | -                              | 205                  |
| Innovative Education Program Strategies Title V (Part A) 08-09      | -                    | -                    | -                   | 1,395                          | 1,395                | -                   | 1,256               | -                              | 139                  |
| Drug Free Schools (2008-2009)                                       | 2,468                | -                    | 212                 | -                              | 2,256                | -                   | 820                 | -                              | 1,436                |
| Nutritional Grant - State   | -                    | -                    | 75                  | -                              | (75)                 | 12,150              | 8,010               | -                              | 4,065                |
| Biomed Voc Grant 2008-2009  | (2,214)              | 6,942                | 835                 | (3,893)                        | -                    | -                   | -                   | -                              | -                    |
| Eli Lilly Grant 2008-2009   | -                    | -                    | 3,893               | 3,893                          | -                    | -                   | -                   | -                              | -                    |
| Biomed Voc Grant 2009-2010  | -                    | 15,508               | 15,638              | -                              | (130)                | 7,371               | 10,121              | -                              | (2,880)              |
| Medicaid Reimbursement - Federal                                    | 2,737                | 361                  | -                   | -                              | 3,098                | -                   | -                   | (3,098)                        | -                    |
| Improving Teaching Quality, No Child Left, Title II, Part A (07-08) | 67,680               | -                    | -                   | (67,680)                       | -                    | -                   | -                   | -                              | -                    |
| Improving Teaching Quality, No Child Left, Title II, Part A (08-09) | -                    | 11,833               | 37,130              | 67,680                         | 42,383               | 39,569              | 26,812              | -                              | 55,140               |
| ITQ, Enhanced Education Through Technology, Title II, Part D        | 25,523               | 26,450               | 39,105              | -                              | 12,868               | 2,313               | 13,484              | -                              | 1,697                |
| Rural Schools and Low Income Program - Pass Through State           | -                    | 15,000               | -                   | -                              | 15,000               | -                   | 7,232               | -                              | 7,768                |
| ARRA Fiscal Stabilization - Education                               | 467,354              | 169,003              | 636,357             | -                              | -                    | -                   | -                   | -                              | -                    |
| ARRA Title I - School Improvement                                   | 27,205               | 81,607               | 98,745              | -                              | 10,067               | 54,833              | 67,395              | -                              | (2,495)              |
| ARRA Special Education - Part B                                     | -                    | 68,689               | 53,360              | -                              | 15,329               | -                   | 2,030               | -                              | 13,299               |
| <b>Totals</b>   | <b>\$ 1,984,599</b>  | <b>\$ 10,157,394</b> | <b>\$ 9,331,701</b> | <b>\$ 15,806</b>               | <b>\$ 2,826,098</b>  | <b>\$ 8,782,269</b> | <b>\$ 8,735,066</b> | <b>\$ 6,164</b>                | <b>\$ 2,879,465</b>  |

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

The accompanying financial statement presents the financial information for the School Corporation (primary government).

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

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

*E. Disbursements*

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

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

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

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

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

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

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

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*F. Other financing sources and uses*

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

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

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

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*Funding Policy and Annual Pension Cost*

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

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010

|   | General    | Debt Service | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Special<br>Education<br>Preschool | Rainy<br>Day | Retirement/<br>Severance<br>Bond | Supplemental<br>Construction Fund |
|---|------------|--------------|---|---------------------|--------------------------|------------------------------|-----------------------------------|--------------|----------------------------------|-----------------------------------|
| Cash and investments - beginning  | \$ 47,349  | \$ 164,556   | \$ (15,868)   | \$ 202,996          | \$ (54,431)              | \$ 231,150                   | \$ 32,360                         | \$ 428,928   | \$ 25,588                        | \$ 64,303                         |
| Receipts:   |            |              |   |                     |                          |                              |                                   |              |                                  |                                   |
| Local sources   | 204,970    | 1,660,174    | 117,839   | 1,000,048           | 446,432                  | 75,264                       | -                                 | 12,347       | -                                | 127                               |
| Intermediate sources  | 147        | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| State sources   | 5,455,641  | -            | -   | -                   | -                        | -                            | 16,500                            | -            | -                                | -                                 |
| Federal sources   | -          | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Temporary loans   | -          | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Interfund loans   | -          | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Other   | 810        | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Total receipts  | 5,661,568  | 1,660,174    | 117,839   | 1,000,048           | 446,432                  | 75,264                       | 16,500                            | 12,347       | -                                | 127                               |
| Disbursements:  |            |              |   |                     |                          |                              |                                   |              |                                  |                                   |
| Current:  |            |              |   |                     |                          |                              |                                   |              |                                  |                                   |
| Instruction   | 3,682,923  | -            | -   | -                   | -                        | -                            | 19,130                            | -            | -                                | -                                 |
| Support services  | 1,303,946  | -            | -   | 464,819             | 357,055                  | 85,000                       | -                                 | 13,564       | -                                | -                                 |
| Noninstructional services   | 117,625    | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Facilities acquisition and construction   | -          | -            | -   | 231,953             | -                        | -                            | -                                 | 675          | -                                | 34                                |
| Debt services   | -          | 1,148,160    | 44,282  | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Nonprogrammed charges   | 164,818    | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Interfund loans   | -          | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Total disbursements   | 5,269,312  | 1,148,160    | 44,282  | 696,772             | 357,055                  | 85,000                       | 19,130                            | 14,239       | -                                | 34                                |
| Excess (deficiency) of receipts over disbursements  | 392,256    | 512,014      | 73,557  | 303,276             | 89,377                   | (9,736)                      | (2,630)                           | (1,892)      | -                                | 93                                |
| Other financing sources (uses):   |            |              |   |                     |                          |                              |                                   |              |                                  |                                   |
| Proceeds of long-term debt  | -          | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Sale of capital assets  | -          | -            | -   | -                   | 501                      | -                            | -                                 | -            | -                                | -                                 |
| Transfers in  | 89,491     | -            | -   | -                   | -                        | -                            | -                                 | -            | -                                | -                                 |
| Transfers out   | -          | -            | -   | -                   | -                        | -                            | (29,730)                          | -            | -                                | -                                 |
| Total other financing sources (uses)  | 89,491     | -            | -   | -                   | 501                      | -                            | (29,730)                          | -            | -                                | -                                 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 481,747    | 512,014      | 73,557  | 303,276             | 89,878                   | (9,736)                      | (32,360)                          | (1,892)      | -                                | 93                                |
| Cash and investments - ending   | \$ 529,096 | \$ 676,570   | \$ 57,689   | \$ 506,272          | \$ 35,447                | \$ 221,414                   | \$ -                              | \$ 427,036   | \$ 25,588                        | \$ 64,396                         |

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

|   | School Lunch | Textbook Rental | Levy Excess | Educational License Plates | Early Intervention Grant | Donations, Gifts and Trusts | Scholarships and Awards | Miscellaneous Programs | Gifted and Talented Grant | Medicaid Reimbursement |
|---|--------------|-----------------|-------------|----------------------------|--------------------------|-----------------------------|-------------------------|------------------------|---------------------------|------------------------|
| Cash and investments - beginning  | \$ 66,143    | \$ 41,462       | \$ -        | \$ 560                     | \$ 3,066                 | \$ 7,877                    | \$ -                    | \$ 58,071              | \$ 8,048                  | \$ 1,318               |
| Receipts:   |              |                 |             |                            |                          |                             |                         |                        |                           |                        |
| Local sources   | 153,615      | 50,380          | -           | -                          | -                        | -                           | 350                     | 1,837                  | -                         | -                      |
| Intermediate sources  | -            | -               | -           | 168                        | -                        | -                           | -                       | -                      | -                         | -                      |
| State sources   | 3,809        | 32,202          | -           | -                          | 33,409                   | -                           | -                       | -                      | 29,153                    | 5,040                  |
| Federal sources   | 185,002      | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Temporary loans   | -            | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Interfund loans   | -            | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Other   | -            | 52              | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Total receipts  | 342,426      | 82,634          | -           | 168                        | 33,409                   | -                           | 350                     | 1,837                  | 29,153                    | 5,040                  |
| Disbursements:  |              |                 |             |                            |                          |                             |                         |                        |                           |                        |
| Current:  |              |                 |             |                            |                          |                             |                         |                        |                           |                        |
| Instruction   | -            | -               | -           | -                          | 51,699                   | -                           | -                       | -                      | 23,080                    | -                      |
| Support services  | -            | 93,237          | -           | 63                         | -                        | 2,877                       | -                       | -                      | -                         | -                      |
| Noninstructional services   | 364,741      | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Facilities acquisition and construction   | -            | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Debt services   | -            | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Nonprogrammed charges   | -            | -               | -           | -                          | -                        | -                           | 850                     | -                      | -                         | -                      |
| Interfund loans   | -            | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Total disbursements   | 364,741      | 93,237          | -           | 63                         | 51,699                   | 2,877                       | 850                     | -                      | 23,080                    | -                      |
| Excess (deficiency) of receipts over disbursements  | (22,315)     | (10,603)        | -           | 105                        | (18,290)                 | (2,877)                     | (500)                   | 1,837                  | 6,073                     | 5,040                  |
| Other financing sources (uses):   |              |                 |             |                            |                          |                             |                         |                        |                           |                        |
| Proceeds of long-term debt  | -            | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Sale of capital assets  | 5,212        | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Transfers in  | 15,240       | -               | -           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Transfers out   | -            | -               | -           | -                          | -                        | (5,000)                     | -                       | (59,908)               | -                         | -                      |
| Total other financing sources (uses)  | 20,452       | -               | -           | -                          | -                        | (5,000)                     | -                       | (59,908)               | -                         | -                      |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (1,863)      | (10,603)        | -           | 105                        | (18,290)                 | (7,877)                     | (500)                   | (58,071)               | 6,073                     | 5,040                  |
| Cash and investments - ending   | \$ 64,280    | \$ 30,859       | \$ -        | \$ 665                     | \$ (15,224)              | \$ -                        | \$ (500)                | \$ -                   | \$ 14,121                 | \$ 6,358               |

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

|   | School<br>Technology | Title I<br>(2008-2009) | Title I<br>(2009-2010) | Innovative<br>Education<br>Program<br>Strategies<br>Title V<br>(Part A) 07-08 | Innovative<br>Education<br>Program<br>Strategies<br>Title V<br>(Part A) 08-09 | Drug Free<br>Schools (2008-2009) | Nutritional<br>Grant -<br>State | Biomed Voc<br>Grant<br>2008-2009 | Eli Lilly<br>Grant<br>2008-2009 | Biomed Voc<br>Grant<br>2009-2010 |
|---|----------------------|------------------------|------------------------|---|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Cash and investments - beginning  | \$ 22,001            | \$ 55,812              | \$ -                   | \$ 2,557  | \$ -  | \$ 2,468                         | \$ -                            | \$ (2,214)                       | \$ -                            | \$ -                             |
| Receipts:   |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Local sources   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Intermediate sources  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| State sources   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Federal sources   | -                    | 21,402                 | 235,790                | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Temporary loans   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Interfund loans   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Other   | 19,493               | -                      | -                      | -   | -   | -                                | -                               | 6,942                            | -                               | 15,508                           |
| Total receipts  | 19,493               | 21,402                 | 235,790                | -   | -   | -                                | -                               | 6,942                            | -                               | 15,508                           |
| Disbursements:  |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Current:  |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Instruction   | -                    | 73,529                 | 142,077                | -   | -   | -                                | -                               | 835                              | 3,893                           | 12,758                           |
| Support services  | 27,204               | 3,270                  | 27,869                 | -   | -   | 212                              | -                               | -                                | -                               | 2,880                            |
| Noninstructional services   | -                    | 415                    | 1,456                  | -   | -   | -                                | 75                              | -                                | -                               | -                                |
| Facilities acquisition and construction   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Debt services   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Nonprogrammed charges   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Interfund loans   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Total disbursements   | 27,204               | 77,214                 | 171,402                | -   | -   | 212                              | 75                              | 835                              | 3,893                           | 15,638                           |
| Excess (deficiency) of receipts over disbursements  | (7,711)              | (55,812)               | 64,388                 | -   | -   | (212)                            | (75)                            | 6,107                            | (3,893)                         | (130)                            |
| Other financing sources (uses):   |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Proceeds of long-term debt  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Sale of capital assets  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Transfers in  | -                    | -                      | -                      | -   | 1,395   | -                                | -                               | -                                | 3,893                           | -                                |
| Transfers out   | -                    | -                      | -                      | (1,395)   | -   | -                                | -                               | (3,893)                          | -                               | -                                |
| Total other financing sources (uses)  | -                    | -                      | -                      | (1,395)   | 1,395   | -                                | -                               | (3,893)                          | 3,893                           | -                                |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (7,711)              | (55,812)               | 64,388                 | (1,395)   | 1,395   | (212)                            | (75)                            | 2,214                            | -                               | (130)                            |
| Cash and investments - ending   | \$ 14,290            | \$ -                   | \$ 64,388              | \$ 1,162  | \$ 1,395  | \$ 2,256                         | \$ (75)                         | \$ -                             | \$ -                            | \$ (130)                         |

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

|   | Medicaid<br>Reimbursement -<br>Federal | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A (07-08) | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A (08-09) | ITQ,<br>Enhanced<br>Education<br>Through<br>Technology,<br>Title II, Part D | Rural<br>Schools and<br>Low Income<br>Program -<br>Pass Through<br>State | ARRA Fiscal<br>Stabilization -<br>Education | ARRA Title I -<br>School<br>Improvement | ARRA Special<br>Education -<br>Part B | Totals       |
|---|--|--|--|---|--|---|---|---------------------------------------|--------------|
| Cash and investments - beginning  | \$ 2,737                               | \$ 67,680  | \$ -   | \$ 25,523   | \$ -   | \$ 467,354                                  | \$ 27,205                               | \$ -                                  | \$ 1,984,599 |
| Receipts:   |  |  |  |   |  |   |   |                                       |              |
| Local sources   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 3,723,383    |
| Intermediate sources  | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 315          |
| State sources   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 5,575,754    |
| Federal sources   | 361                                    | -  | 11,833   | 26,450  | 15,000   | 169,003                                     | 81,607                                  | 68,689                                | 815,137      |
| Temporary loans   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Interfund loans   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Other   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 42,805       |
| Total receipts  | 361                                    | -  | 11,833   | 26,450  | 15,000   | 169,003                                     | 81,607                                  | 68,689                                | 10,157,394   |
| Disbursements:  |  |  |  |   |  |   |   |                                       |              |
| Current:  |  |  |  |   |  |   |   |                                       |              |
| Instruction   | -                                      | -  | -  | 28,655  | -  | 615,934                                     | 75,573                                  | -                                     | 4,730,086    |
| Support services  | -                                      | -  | 37,130   | 10,450  | -  | 20,423                                      | 19,525                                  | 5,301                                 | 2,474,825    |
| Noninstructional services   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 484,312      |
| Facilities acquisition and construction   | -                                      | -  | -  | -   | -  | -   | 3,647                                   | 48,059                                | 284,368      |
| Debt services   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 1,192,442    |
| Nonprogrammed charges   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 165,668      |
| Interfund loans   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Total disbursements   | -                                      | -  | 37,130   | 39,105  | -  | 636,357                                     | 98,745                                  | 53,360                                | 9,331,701    |
| Excess (deficiency) of receipts over<br>disbursements   | 361                                    | -  | (25,297)   | (12,655)  | 15,000   | (467,354)                                   | (17,138)                                | 15,329                                | 825,693      |
| Other financing sources (uses):   |  |  |  |   |  |   |   |                                       |              |
| Proceeds of long-term debt  | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Sale of capital assets  | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 5,713        |
| Transfers in  | -                                      | -  | 67,680   | -   | -  | -   | -                                       | -                                     | 177,699      |
| Transfers out   | -                                      | (67,680)   | -  | -   | -  | -   | -                                       | -                                     | (167,606)    |
| Total other financing sources (uses)  | -                                      | (67,680)   | 67,680   | -   | -  | -   | -                                       | -                                     | 15,806       |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | 361                                    | (67,680)   | 42,383   | (12,655)  | 15,000   | (467,354)                                   | (17,138)                                | 15,329                                | 841,499      |
| Cash and investments - ending   | \$ 3,098                               | \$ -   | \$ 42,383  | \$ 12,868   | \$ 15,000  | \$ -  | \$ 10,067                               | \$ 15,329                             | \$ 2,826,098 |

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

|   | General           | Debt Service      | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Special<br>Education<br>Preschool | Rainy<br>Day      | Retirement/<br>Severance<br>Bond | Supplemental<br>Construction Fund |
|---|-------------------|-------------------|---|---------------------|--------------------------|------------------------------|-----------------------------------|-------------------|----------------------------------|-----------------------------------|
| Cash and investments - beginning  | \$ 529,096        | \$ 676,570        | \$ 57,689   | \$ 506,272          | \$ 35,447                | \$ 221,414                   | \$ -                              | \$ 427,036        | \$ 25,588                        | \$ 64,396                         |
| Receipts:   |                   |                   |   |                     |                          |                              |                                   |                   |                                  |                                   |
| Local sources   | 88,195            | 1,269,067         | 73,733  | 741,008             | 345,377                  | 44,727                       | -                                 | -                 | -                                | 1,217                             |
| Intermediate sources  | 441               | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| State sources   | 5,348,909         | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Federal sources   | -                 | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Temporary loans   | -                 | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Interfund loans   | -                 | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Other   | 653               | -                 | -   | 2,947               | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Total receipts  | <u>5,438,198</u>  | <u>1,269,067</u>  | <u>73,733</u>                                       | <u>743,955</u>      | <u>345,377</u>           | <u>44,727</u>                | <u>-</u>                          | <u>-</u>          | <u>-</u>                         | <u>1,217</u>                      |
| Disbursements:  |                   |                   |   |                     |                          |                              |                                   |                   |                                  |                                   |
| Current:  |                   |                   |   |                     |                          |                              |                                   |                   |                                  |                                   |
| Instruction   | 3,777,157         | -                 | -   | -                   | -                        | -                            | -                                 | 100,000           | -                                | -                                 |
| Support services  | 1,373,726         | -                 | -   | 431,780             | 370,576                  | 708                          | -                                 | -                 | -                                | -                                 |
| Noninstructional services   | 126,382           | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Facilities acquisition and construction   | -                 | -                 | -   | 261,695             | -                        | -                            | -                                 | 24,518            | -                                | -                                 |
| Debt services   | -                 | 1,179,600         | 127,113   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Nonprogrammed charges   | 143,947           | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Interfund loans   | -                 | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Total disbursements   | <u>5,421,212</u>  | <u>1,179,600</u>  | <u>127,113</u>                                      | <u>693,475</u>      | <u>370,576</u>           | <u>708</u>                   | <u>-</u>                          | <u>124,518</u>    | <u>-</u>                         | <u>-</u>                          |
| Excess (deficiency) of receipts over disbursements  | <u>16,986</u>     | <u>89,467</u>     | <u>(53,380)</u>                                     | <u>50,480</u>       | <u>(25,199)</u>          | <u>44,019</u>                | <u>-</u>                          | <u>(124,518)</u>  | <u>-</u>                         | <u>1,217</u>                      |
| Other financing sources (uses):   |                   |                   |   |                     |                          |                              |                                   |                   |                                  |                                   |
| Proceeds of long-term debt  | -                 | -                 | -   | -                   | -                        | -                            | -                                 | -                 | -                                | -                                 |
| Sale of capital assets  | -                 | -                 | -   | -                   | 1,587                    | -                            | -                                 | -                 | -                                | -                                 |
| Transfers in  | 9,456             | -                 | -   | -                   | -                        | -                            | -                                 | 11,327            | -                                | -                                 |
| Transfers out   | -                 | (27,342)          | (1,841)   | (15,519)            | (7,225)                  | (2,074)                      | -                                 | -                 | -                                | -                                 |
| Total other financing sources (uses)  | <u>9,456</u>      | <u>(27,342)</u>   | <u>(1,841)</u>                                      | <u>(15,519)</u>     | <u>(5,638)</u>           | <u>(2,074)</u>               | <u>-</u>                          | <u>11,327</u>     | <u>-</u>                         | <u>-</u>                          |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>26,442</u>     | <u>62,125</u>     | <u>(55,221)</u>                                     | <u>34,961</u>       | <u>(30,837)</u>          | <u>41,945</u>                | <u>-</u>                          | <u>(113,191)</u>  | <u>-</u>                         | <u>1,217</u>                      |
| Cash and investments - ending   | <u>\$ 555,538</u> | <u>\$ 738,695</u> | <u>\$ 2,468</u>                                     | <u>\$ 541,233</u>   | <u>\$ 4,610</u>          | <u>\$ 263,359</u>            | <u>\$ -</u>                       | <u>\$ 313,845</u> | <u>\$ 25,588</u>                 | <u>\$ 65,613</u>                  |

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

|   | School Lunch     | Textbook Rental  | Levy Excess      | Educational License Plates | Early Intervention Grant | Donations, Gifts and Trusts | Scholarships and Awards | Miscellaneous Programs | Gifted and Talented Grant | Medicaid Reimbursement |
|---|------------------|------------------|------------------|----------------------------|--------------------------|-----------------------------|-------------------------|------------------------|---------------------------|------------------------|
| Cash and investments - beginning  | \$ 64,280        | \$ 30,859        | \$ -             | \$ 665                     | \$ (15,224)              | \$ -                        | \$ (500)                | \$ -                   | \$ 14,121                 | \$ 6,358               |
| Receipts:   |                  |                  |                  |                            |                          |                             |                         |                        |                           |                        |
| Local sources   | 145,043          | 71,813           | 11,327           | -                          | -                        | -                           | 1,350                   | -                      | -                         | -                      |
| Intermediate sources  | -                | -                | -                | 150                        | -                        | -                           | -                       | -                      | -                         | -                      |
| State sources   | 3,320            | 30,970           | -                | -                          | 30,020                   | -                           | -                       | -                      | 28,508                    | -                      |
| Federal sources   | 199,806          | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Temporary loans   | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Interfund loans   | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Other   | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Total receipts  | <u>348,169</u>   | <u>102,783</u>   | <u>11,327</u>    | <u>150</u>                 | <u>30,020</u>            | <u>-</u>                    | <u>1,350</u>            | <u>-</u>               | <u>28,508</u>             | <u>-</u>               |
| Disbursements:  |                  |                  |                  |                            |                          |                             |                         |                        |                           |                        |
| Current:  |                  |                  |                  |                            |                          |                             |                         |                        |                           |                        |
| Instruction   | -                | -                | -                | -                          | 22,867                   | -                           | -                       | -                      | 22,551                    | -                      |
| Support services  | -                | 33,926           | -                | 163                        | -                        | 2,000                       | -                       | -                      | -                         | -                      |
| Noninstructional services   | 339,443          | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Facilities acquisition and construction   | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Debt services   | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Nonprogrammed charges   | -                | -                | -                | -                          | -                        | -                           | 850                     | -                      | -                         | -                      |
| Interfund loans   | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Total disbursements   | <u>339,443</u>   | <u>33,926</u>    | <u>-</u>         | <u>163</u>                 | <u>22,867</u>            | <u>2,000</u>                | <u>850</u>              | <u>-</u>               | <u>22,551</u>             | <u>-</u>               |
| Excess (deficiency) of receipts over disbursements  | <u>8,726</u>     | <u>68,857</u>    | <u>11,327</u>    | <u>(13)</u>                | <u>7,153</u>             | <u>(2,000)</u>              | <u>500</u>              | <u>-</u>               | <u>5,957</u>              | <u>-</u>               |
| Other financing sources (uses):   |                  |                  |                  |                            |                          |                             |                         |                        |                           |                        |
| Proceeds of long-term debt  | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Sale of capital assets  | 2,577            | -                | -                | -                          | -                        | 2,000                       | -                       | -                      | -                         | -                      |
| Transfers in  | -                | -                | 42,674           | -                          | -                        | -                           | -                       | -                      | -                         | -                      |
| Transfers out   | -                | -                | -                | -                          | -                        | -                           | -                       | -                      | -                         | (6,358)                |
| Total other financing sources (uses)  | <u>2,577</u>     | <u>-</u>         | <u>42,674</u>    | <u>-</u>                   | <u>-</u>                 | <u>2,000</u>                | <u>-</u>                | <u>-</u>               | <u>-</u>                  | <u>(6,358)</u>         |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>11,303</u>    | <u>68,857</u>    | <u>54,001</u>    | <u>(13)</u>                | <u>7,153</u>             | <u>-</u>                    | <u>500</u>              | <u>-</u>               | <u>5,957</u>              | <u>(6,358)</u>         |
| Cash and investments - ending   | <u>\$ 75,583</u> | <u>\$ 99,716</u> | <u>\$ 54,001</u> | <u>\$ 652</u>              | <u>\$ (8,071)</u>        | <u>\$ -</u>                 | <u>\$ -</u>             | <u>\$ -</u>            | <u>\$ 20,078</u>          | <u>\$ -</u>            |

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

|   | School<br>Technology | Title I<br>(2008-2009) | Title I<br>(2009-2010) | Innovative<br>Education<br>Program<br>Strategies<br>Title V<br>(Part A) 07-08 | Innovative<br>Education<br>Program<br>Strategies<br>Title V<br>(Part A) 08-09 | Drug Free<br>Schools (2008-2009) | Nutritional<br>Grant -<br>State | Biomed Voc<br>Grant<br>2008-2009 | Eli Lilly<br>Grant<br>2008-2009 | Biomed Voc<br>Grant<br>2009-2010 |
|---|----------------------|------------------------|------------------------|---|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Cash and investments - beginning  | \$ 14,290            | \$ -                   | \$ 64,388              | \$ 1,162  | \$ 1,395  | \$ 2,256                         | \$ (75)                         | \$ -                             | \$ -                            | \$ (130)                         |
| Receipts:   |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Local sources   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Intermediate sources  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| State sources   | 4,110                | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Federal sources   | -                    | -                      | 206,303                | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Temporary loans   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Interfund loans   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Other   | 17,039               | -                      | -                      | -   | -   | -                                | 12,150                          | -                                | -                               | 7,371                            |
| Total receipts  | 21,149               | -                      | 206,303                | -   | -   | -                                | 12,150                          | -                                | -                               | 7,371                            |
| Disbursements:  |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Current:  |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Instruction   | -                    | -                      | 232,940                | -   | -   | -                                | 59                              | -                                | -                               | 10,121                           |
| Support services  | 14,677               | -                      | 9,567                  | 957   | 1,256   | 820                              | -                               | -                                | -                               | -                                |
| Noninstructional services   | -                    | -                      | 763                    | -   | -   | -                                | 7,951                           | -                                | -                               | -                                |
| Facilities acquisition and construction   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Debt services   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Nonprogrammed charges   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Interfund loans   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Total disbursements   | 14,677               | -                      | 243,270                | 957   | 1,256   | 820                              | 8,010                           | -                                | -                               | 10,121                           |
| Excess (deficiency) of receipts over disbursements  | 6,472                | -                      | (36,967)               | (957)   | (1,256)   | (820)                            | 4,140                           | -                                | -                               | (2,750)                          |
| Other financing sources (uses):   |                      |                        |                        |   |   |                                  |                                 |                                  |                                 |                                  |
| Proceeds of long-term debt  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Sale of capital assets  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Transfers in  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Transfers out   | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Total other financing sources (uses)  | -                    | -                      | -                      | -   | -   | -                                | -                               | -                                | -                               | -                                |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 6,472                | -                      | (36,967)               | (957)   | (1,256)   | (820)                            | 4,140                           | -                                | -                               | (2,750)                          |
| Cash and investments - ending   | \$ 20,762            | \$ -                   | \$ 27,421              | \$ 205  | \$ 139  | \$ 1,436                         | \$ 4,065                        | \$ -                             | \$ -                            | \$ (2,880)                       |

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

|   | Medicaid<br>Reimbursement -<br>Federal | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A (07-08) | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A (08-09) | ITQ,<br>Enhanced<br>Education<br>Through<br>Technology,<br>Title II, Part D | Rural<br>Schools and<br>Low Income<br>Program -<br>Pass Through<br>State | ARRA Fiscal<br>Stabilization -<br>Education | ARRA Title I -<br>School<br>Improvement | ARRA Special<br>Education -<br>Part B | Totals       |
|---|--|--|--|---|--|---|---|---------------------------------------|--------------|
| Cash and investments - beginning  | \$ 3,098                               | \$ -   | \$ 42,383  | \$ 12,868   | \$ 15,000  | \$ -  | \$ 10,067                               | \$ 15,329                             | \$ 2,826,098 |
| Receipts:   |  |  |  |   |  |   |   |                                       |              |
| Local sources   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 2,792,857    |
| Intermediate sources  | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 591          |
| State sources   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 5,445,837    |
| Federal sources   | -                                      | -  | 39,569   | 2,313   | -  | -   | 54,833                                  | -                                     | 502,824      |
| Temporary loans   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Interfund loans   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Other   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 40,160       |
| Total receipts  | -                                      | -  | 39,569   | 2,313   | -  | -   | 54,833                                  | -                                     | 8,782,269    |
| Disbursements:  |  |  |  |   |  |   |   |                                       |              |
| Current:  |  |  |  |   |  |   |   |                                       |              |
| Instruction   | -                                      | -  | -  | 5,464   | 7,232  | -   | 66,974                                  | -                                     | 4,245,365    |
| Support services  | -                                      | -  | 26,812   | 8,020   | -  | -   | 421                                     | 2,030                                 | 2,277,439    |
| Noninstructional services   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 474,539      |
| Facilities acquisition and construction   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 286,213      |
| Debt services   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 1,306,713    |
| Nonprogrammed charges   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 144,797      |
| Interfund loans   | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Total disbursements   | -                                      | -  | 26,812   | 13,484  | 7,232  | -   | 67,395                                  | 2,030                                 | 8,735,066    |
| Excess (deficiency) of receipts over disbursements  | -                                      | -  | 12,757   | (11,171)  | (7,232)  | -   | (12,562)                                | (2,030)                               | 47,203       |
| Other financing sources (uses):   |  |  |  |   |  |   |   |                                       |              |
| Proceeds of long-term debt  | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | -            |
| Sale of capital assets  | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 6,164        |
| Transfers in  | -                                      | -  | -  | -   | -  | -   | -                                       | -                                     | 63,457       |
| Transfers out   | (3,098)                                | -  | -  | -   | -  | -   | -                                       | -                                     | (63,457)     |
| Total other financing sources (uses)  | (3,098)                                | -  | -  | -   | -  | -   | -                                       | -                                     | 6,164        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (3,098)                                | -  | 12,757   | (11,171)  | (7,232)  | -   | (12,562)                                | (2,030)                               | 53,367       |
| Cash and investments - ending   | \$ -                                   | \$ -   | \$ 55,140  | \$ 1,697  | \$ 7,768   | \$ -  | \$ (2,495)                              | \$ 13,299                             | \$ 2,879,465 |

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ROCKVILLE COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2011

| Description of Debt               | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-----------------------------------|--------------------------------|---|
| Capital leases:                   |                                |   |
| 1999 Elementary School remodeling | \$ 4,025,000                   | \$ 539,000  |
| 2006 High School remodeling       | 8,270,000                      | 640,000   |
| Bonds payable:                    |                                |   |
| General obligation bonds:         |                                |   |
| Pension bonds                     | <u>200,000</u>                 | <u>89,828</u>                                       |
| Total debt                        | <u>\$ 12,495,000</u>           | <u>\$ 1,268,828</u>                                 |

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

The following deficiencies relating to the recordkeeping were noted:

- (1) Record balances were not reconciled to depository balances.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

- (2) Receipts for state and local distributions were not properly posted. The errors for state distributions included one school lunch distribution of \$10,450.79 posted to the wrong fund and one school lunch distribution was posted to the correct fund but the wrong account number within the fund. The errors for local distributions included a Commercial Vehicle Excise Tax distribution receipted to the wrong fund and two distributions were posted to the correct fund but the wrong account numbers within the fund.

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

- (3) Some transactions were recorded as "negative" receipts and disbursements.

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)

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

The School Corporation was not in compliance with the cash management requirements of the ARRA - State Fiscal Stabilization Fund –Education State Grants, Recovery Act Cluster (Fiscal Stabilization) program, the Title I, Part A Cluster programs and the ARRA - Special Education Grants to States, Recovery Act (Special Ed Stimulus) program. An excessive cash balance was accumulated in each program.

The School Corporation was not in compliance with the reporting requirements of the Fiscal Stabilization program and Title I, Part A Cluster programs. The Fiscal Stabilization Fund quarterly subaward progress reports were not filed and the report of interest earned reports and summary of fund 7950 reports were not filed timely. The monitoring reports and annual expenditure reports for the Title I, Part A Cluster programs were not filed timely and did not trace to the Corporation's financial records.

The School Corporation was not in compliance with the allowable cost requirements of the Title I, Part A Cluster programs and the Special Education Stimulus program. Claims totaling \$230.92 were paid for Special Education Stimulus supplies with Title I, Part A Cluster funds. The reimbursement request forms for Title I, Part A Cluster programs totaling \$310,677 did not have supporting documentation and were not easily traced to the financial records. Special Education Stimulus reimbursement claims for \$15,567.22 were filed with the Covered Bridge Special Education District for reimbursement but these claims were not paid from special education funds. One reimbursement claim for the Special Education Stimulus program was submitted for \$2,946.78 but did not have any supporting documentation and could not be traced as a disbursement from the Corporation's financial records.

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

The School Corporation was not in compliance with the special tests and provisions requirements of the Title I, Part A Cluster programs. The high school benefitted from Title I, Part A Cluster funds during the 2009-2010 audit period. The School Corporation did not meet the poverty eligibility requirements for a school wide program, so there should be no high school expenditures from Title I, Part A Cluster funds. The amount of \$2,877.37 was spent on high school supplies and hardware.

The School Corporation was not in compliance with the reporting requirements for the school lunch program. The CND-1 State Reports are due to the Indiana Department of Education (IDOE) by the tenth of the following month. Four of the eight reports tested were not filed timely.

The School Corporation was not in compliance with the eligibility requirements for the school lunch program. Applications for free and reduced school provided meals were approved incorrectly. All of the applications on file at the elementary school were reviewed to determine whether households provided required information and whether the School Food Authority (SFA) properly approved applications. The resulting violation falls within the State Agency's guidelines for granting a waiver for amounts under \$600, no fiscal sanctions will be made. Temporarily approved applications were not reviewed for continuing eligibility. Proper procedures were not followed when changing student benefit status or notifying households of changes in benefits upon verification.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***TRAVEL POLICY***

A travel policy was not presented for audit.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***APPROPRIATIONS***

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Transportation School Fund    2010    \$   100,963

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CREDIT CARDS**

The School Corporation is using credit cards for purchase of supplies, teaching materials and books, without an approved credit card policy.

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

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

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**BANK ACCOUNT RECONCILIATIONS**

The reconciliation as of June 30, 2011, showed that the bank balance was more than the total fund balance by \$457.70. Improved procedures need to be implemented to identify differences between the bank accounts and the fund balances.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COMPENSATION AND BENEFITS**

Board members compensation was paid through the claim process and not through the payroll system. No FICA withholdings or employers matching FICA were paid.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

**ERRORS ON CLAIMS**

The following deficiencies were noted on claims reviewed during the audit period:

- (1) One claim in the amount of \$11,900.53 for utility payments to the Town of Rockville and one claim in the amount of \$174.93 to Amazon.com were missing.
- (2) Some claims were not adequately itemized. One credit card payment of \$381.33 was paid from the credit card statement without attached receipts. One mileage claim for \$52.47 was not properly itemized. One claim of \$1,597.11 for gasoline was paid from the statement without attached invoices.
- (3) One claim in the amount of \$150 for security at a football game and one claim in the amount of \$80.54 for supplies did not show evidence of board approval.
- (4) Two claims were paid from the wrong fund. The claim for security at a football game was paid from the Innovative Education Program Strategies Title V (Part A) 08-09 fund and a claim for payment of a credit card allocated \$425.66 to the Capital Projects fund but the invoices did not indicate items allowed from this fund.
- (5) On one claim the invoices attached did not agree to the statement. One invoice for \$39.46 was missing.
- (6) On one claim for \$70 the payee did not agree with the payee on the check.
- (7) One claim to Great America Leasing Corporation for \$182.98 included late charges of \$52.

Indiana Code 5-11-10-1.6 states in part:

" . . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

***INTERNAL CONTROLS – PAYROLL WITHHOLDING***

A number of payroll withholding accounts had unidentified balances. Balances in payroll withholding accounts should generally be zero or should reconcile to amounts not yet remitted. There were no control procedures in place to reconcile payroll withholding accounts. We recommended that procedures be implemented to analyze payroll withholding balances and that necessary corrections be made.

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

***CONDITION OF RECORDS - ELEMENTARY ECA***

The Elementary school did not submit a copy of their Financial Report of School Extra-Curricular Accounts (SA-5-1) and Cash Reconciliation (SA-5-2) to the Corporation for the Superintendent and School Board to review.

The Elementary school did not prepare the year-end Report Certificate (SA-5-4). This report should be submitted to the Corporation for the Superintendent and School Board to review.

Disbursement files for the months of February 2010 and April 2011 were examined for the Elementary school. The Elementary school is not using Claim for Payment (SA-7) or the Purchase Order and Accounts Payable Voucher (SA-1) for all disbursements.

In 2008-2009, the Rockville Elementary School began using Harmony Software for the ECA Treasurer's reports. The accounts in the report lack any identifying account number and are only identified by name. The nature of the receipt and the purpose of the expenditures were not classified or described, making review more difficult.

The Financial Report of School Extra-Curricular Accounts (SA 5-1) should begin with the close of the last report and cover the school year. The report should be made in triplicate. One copy shall be filed in the school business office, a copy shall be filed with the school board and the third copy shall be filed with the superintendent of schools. The report is to be filed as an official record and must be preserved for a period of five years. All bank statements, canceled checks, duplicate checks, duplicate receipts, invoices, purchase orders, payment authorizations, claims and ledger accounts from which the report is prepared must be filed

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

with that year-end report and preserved for five years. The law permits an audit of the records of the school extra-curricular treasurer by the State Board of Accounts and an appreciable amount of time can be saved by an orderly preservation of all records. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

The Report Certificate (SA-5-4) includes vital information, such as the name and location of the bank, date of closing school, and the official bond of the treasurer of the extra-curricular account. The Report Certificate (SA-5-4) also includes the certificate of the treasurer and principal of the school extra-curricular account. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

The Purchase Order and Accounts Payable Voucher (SA-1) are to be used when a purchase is made for delivery at a later date. The form is to be executed in full and signed by the person authorized to purchase for the particular activity concerned. Before the activity is permitted to use the Purchase Order and Accounts Payable Voucher (SA-1), the extra-curricular account treasurer must determine if there is sufficient balance in the fund of the activity to make payment upon receipt of the merchandise. The treasurer is required to certify as to the unobligated balance. The sponsor must also know that approval for the purchase has been given by the membership of the activity, as applicable, except in the case of athletic, school lunch, and textbook rental purchases. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

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

### ***INTERNAL CONTROLS - HIGH SCHOOL ECA***

The controls over the financial activities of the high school extra-curricular accounts were insufficient. The ECA Treasurer used the Principal's signature stamp, with his approval, to stamp the principal's name on checks that required the principal's signature and review. Documents were not reviewed by the Principal prior to signatures being made.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

### ***PENALTIES, INTEREST, AND OTHER CHARGES***

The Internal Revenue Service placed a tax levy on the School Corporation's checking account in August 2009 for \$1,357.91 and October 2010 for \$1,873.42. These levies were for penalties and interest on late filings of Internal Revenue Service Forms 941. The total penalties and interest paid was \$3,231.33.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

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 ROCKVILLE COMMUNITY  
SCHOOL CORPORATION, PARKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Rockville Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

As described in items 2011-8 and 2011-9, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Allowable Costs that are applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-3 through 2011-7, 2011-10, and 2011-11.

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)

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's corrective action plan and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

February 7, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2010 and 2011

| Federal Grantor Agency/Pass-Through Entity<br>Cluster Title/Program Title/Project Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-10 | Total<br>Federal Awards<br>Expended<br>06-30-11 |
|--|---------------------------|--|---|---|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                           |  |   |   |
| Pass-Through Indiana Department of Education<br>Child Nutrition Cluster<br>School Breakfast Program  | 10.553                    |  |   |   |
|  |                           | FY 09-10   | \$ 49,382                                       | \$ -  |
|  |                           | FY 10-11   | -   | 33,635  |
| Total for program  |                           |  | <u>49,382</u>                                   | <u>33,635</u>                                   |
| National School Lunch Program  | 10.555                    |  |   |   |
|  |                           | FY 09-10   | 182,407   | -   |
|  |                           | FY 10-11   | -   | 129,834   |
| Total for program  |                           |  | <u>182,407</u>                                  | <u>129,834</u>                                  |
| Total for cluster  |                           |  | <u>231,789</u>                                  | <u>163,469</u>                                  |
| Team Nutrition Grants  | 10.574                    |  |   |   |
|  |                           | A58-0-10SS-075   | 75  | 8,010   |
| Fresh Fruit and Vegetable Program  | 10.582                    |  |   |   |
|  |                           | FY 09  | -   | 4,825   |
| Total for federal grantor agency   |                           |  | <u>231,864</u>                                  | <u>176,304</u>                                  |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                           |  |   |   |
| Pass-Through Indiana Department of Education<br>Title I, Part A Cluster<br>Title I Grants to Local Educational Agencies  | 84.010                    |  |   |   |
|  |                           | SY 08-09   | 77,212  | -   |
|  |                           | SY 09-10   | 171,402   | 75,430  |
|  |                           | SY 10-11   | -   | 167,840   |
| Total for program  |                           |  | <u>248,614</u>                                  | <u>243,270</u>                                  |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act  | 84.389                    |  |   |   |
|  |                           | 10-6300  | 98,744  | -   |
|  |                           | 11-6300  | -   | 67,397  |
| Total for program  |                           |  | <u>98,744</u>                                   | <u>67,397</u>                                   |
| Total for cluster  |                           |  | <u>347,358</u>                                  | <u>310,667</u>                                  |
| Educational Technology State Grants Cluster<br>Educational Technology State Grant  | 84.318                    |  |   |   |
|  |                           | S318-XO-80014  | 39,105  | 13,486  |
| Pass-Through Covered Bridge Special Education District<br>Special Education Cluster<br>ARRA - Special Education - Grants to States, Recovery Act                                   | 84.391                    | 33310-062-SN01   | 53,360  | 2,030   |
| Pass-Through Indiana Department of Education<br>State Fiscal Stabilization Fund Cluster<br>ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,<br>Recovery Act | 84.394                    | FY 09  | 636,356   | -   |
| Pass-Through Indiana Department of Workforce Development<br>Career and Technical Education - Basic Grants to States  | 84.048                    |  |   |   |
|  |                           | V048070014A-08/09  | 835   | -   |
|  |                           | V048070014A-09/10  | 15,638  | 10,121  |
| Total for program  |                           |  | <u>16,473</u>                                   | <u>10,121</u>                                   |
| Pass-Through Indiana Department of Education<br>State Grants for Innovative Programs   | 84.298                    |  |   |   |
|  |                           | FY 07-08   | -   | 957   |
|  |                           | FY 08-09   | -   | 1,256   |
| Total for program  |                           |  | <u>-</u>  | <u>2,213</u>                                    |
| Rural Education  | 84.358                    |  |   |   |
|  |                           | 5U79SM058392-02  | -   | 7,232   |
| Improving Teacher Quality State Grants   | 84.367                    |  |   |   |
|  |                           | 09-6300  | 37,130  | 26,813  |
| Total for federal grantor agency   |                           |  | <u>1,129,782</u>                                | <u>372,562</u>                                  |
| Total federal awards expended  |                           |  | <u>\$ 1,361,646</u>                             | <u>\$ 548,866</u>                               |

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

ROCKVILLE COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Rockville Community Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

| Program Title                 | Federal<br>CFDA<br>Number | 2010     | 2011     |
|-------------------------------|---------------------------|----------|----------|
| School Breakfast Program      | 10.553                    | \$ 5,693 | \$ 4,366 |
| National School Lunch Program | 10.555                    | 15,620   | 16,129   |

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

|  |               |
|--|---------------|
| Type of auditor's report issued:                     | Qualified     |
| Internal control over financial reporting:           |               |
| Material weaknesses identified?                      | yes           |
| Significant deficiencies identified?                 | none reported |
| Noncompliance material to financial statement noted? | no            |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | yes           |
| Significant deficiencies identified?   | none reported |
| Type of auditor's report issued on compliance for major programs:  |               |
| Special Education Cluster  | Qualified     |
| Title I, Part A Cluster  | Unqualified   |
| State Fiscal Stabilization Fund Cluster  | Unqualified   |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | yes           |

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster  
Special Education Cluster  
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section II – Financial Statement Findings**

**FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2011-2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

Federal Agency: United States Department of Education  
Federal Program: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act

CFDA Number: 84.394

Pass-Through Entity: Indiana Department of Education

Award Number and Year: FY 08-09, FY 09-10

Federal Agency: United States Department of Education  
Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I Grants to  
Local Educational Agencies, Recovery Act

CFDA Number: 84.010, 84.389

Pass-Through Entity: Indiana Department of Education

Award Number and Year: FY 08-09, FY 09-10, FY 10-11

Federal Agency: United States Department of Education  
Federal Program: ARRA - Special Education - Grants to States, Recovery Act  
CFDA Number: 84.391

Pass-Through Entity: Indiana Department of Education

Award Number and Year: 33310-062-SN01

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statements and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

***FINDING 2011-3 - CASH MANAGEMENT - ARRA - STATE FISCAL STABILIZATION FUND***

Federal Agency: United States Department of Education

Federal Program: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act

CFDA Number: 84.394

Pass-Through Entity: Indiana Department of Education

Award Number and Year: FY 09-10

Amounts received by the School Corporation for the ARRA - State Fiscal Stabilization Fund – Grants to States, Recovery Act were not paid out timely. The cash balance of the grant exceeded the allowable cash balance based on estimated future requirements for 4 of the 12 months during the audit period.

34 CFR 80.20 (b)(7) states:

"Cash Management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that the School Board take steps to establish internal controls, communicate, and implement consequences for not following internal controls. The Treasurer and School Board should work together in monitoring the grant fund balances to ensure that the proper portion of expenditures are attributed to the grant and that grant funds are expended promptly.

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2011-4 - REPORTING - ARRA - STATE FISCAL STABILIZATION FUND**

Federal Agency: United States Department of Education  
Federal Program: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
CFDA Number: 84.394  
Pass-Through Entity: Indiana Department of Education  
Award Number and Year: FY 08-09, FY 09-10

A memo from the Indiana Department of Education, Division of Finance discloses the reporting requirements pertinent to the American Recovery and Reinvestment Act of 2009 (ARRA) is to file a Quarterly Subaward Progress Report and Quarterly Report of Interest Earned Report. The reports are due no later than ten days following the end of every quarter.

As part of the grant agreement between the School Corporation and the Indiana Department of Education, the School Corporation is required to file quarterly reports for interest earned and a progress report to Indiana Department of Education; however, the Corporation did not file these reports timely. The School Board for the School Corporation has not established any controls or procedures for preparing or filing the required reports.

**From Circular A-133: Subpart C--Auditees § 300.300 Auditee responsibilities.** The auditee shall:  
(a) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. (b) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The School Corporation is not in compliance with reporting requirements for this program. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Board take steps to establish internal controls, and communicate and implement consequences for not following internal controls. We recommended that officials prepare all required reports on a timely basis.

**FINDING 2011-5 - ALLOWABLE COST - TITLE I, PART A CLUSTER**

Federal Agency: United States Department of Education  
Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I Grants to Local  
Educational Agencies, Recovery Act  
CFDA Number: 84.010, 84.389  
Pass-Through Entity: Indiana Department of Education  
Award Number and Year: FY 08-09, FY 09-10, FY 10-11

As part of the grant agreement between the School Corporation and the Indiana Department of Education, the Corporation is required to expend grant funds on allowable activities and allowable cost for the Title I program. During the first year, the School Corporation paid three invoices totaling \$230.92 for special education supplies that should not have been paid from Title I funds. The second year of the audit period the Title I grant was a reimbursement grant. The reimbursement claims did not have supporting documentation and could not be easily traced to the financial records. The disbursements for the second year total \$310,667. The unallowable costs plus the disbursements lacking proper supporting documentation result in questioned costs of \$310,897.92.

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 80.20 states in part:

" . . . (b) The financial management systems of other grantees and subgrantees must meet the following standards: . . . (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. . . ."

The School Corporation is not in compliance with the Allowable Cost requirements for this program. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Board take steps to establish internal controls, and communicate and implement consequences for not following internal controls. The Treasurer and Title I Director should work together in monitoring the expenditures of the grant and determine that they are being expended for allowable activities and allowable costs.

***FINDING 2011-6 - CASH MANAGEMENT - TITLE I, PART A CLUSTER***

|                        |   |
|------------------------|---|
| Federal Agency:        | United States Department of Education   |
| Federal Program:       | Title I Grants to Local Educational Agencies, ARRA - Title I Grants to Local Educational Agencies, Recovery Act |
| CFDA Number:           | 84.010, 84.389  |
| Pass-Through Entity:   | Indiana Department of Education   |
| Award Number and Year: | FY 08-09, FY 09-10, FY 10-11  |

The first year of the audit period the amounts were drawn down in advance for the Title I Grant. When the application was made, a drawdown schedule was submitted. The School Corporation did not adequately monitor cash balance and did not pay expenses timely which resulted in an excessive cash balance in the fund for twelve months of the fifteen month grant period. The second year of the audit period the Title I grant was a reimbursement grant. The reimbursement claims did not have supporting documentation and could not be easily traced to the financial records. The School Corporation is not paying expenses prior to requesting reimbursement. The grant had an excess balance each month for the second year.

34 CFR 80.20 (b)(7) states:

"Cash Management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

31 CFR Section 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Surplus cash and expenditures being paid after the receipt of the reimbursement indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency or a reduction in the funding provided to the pass-through agency. The grantor agency could also request that the School Corporation return the unspent portion.

We recommend that the School Board take steps to establish internal controls, communicate, and implement consequences for not following internal controls. The Treasurer and Title I Director should work together in monitoring the grant fund balances to ensure that the proper portion of expenditures are attributed to the grant and that grant funds are expended promptly.

***FINDING 2011-7 - REPORTING - TITLE I, PART A CLUSTER***

Federal Agency: United States Department of Education  
Federal Program: Title I, Part A, Grants to Local Educational Agencies, ARRA- Title I Grants to  
Local Educational Agencies, Recovery Act  
CFDA Number: 84.010, 84.389  
Pass-Through Entity: Indiana Department of Education  
Award Number and Year: FY 08-09, FY 09-10, FY 10-11

A memo from the Indiana Department of Education, Division of Finance discloses the reporting requirements pertinent to the American Recovery and Reinvestment Act of 2009 (ARRA) is to file a Monthly Report beginning October 5, 2009, and on the 10th of each month thereafter.

As part of the grant agreement between the School Corporation and the Indiana Department of Education, the School Corporation is required to submit monthly and quarterly reports to the Indiana Department of Education. However, the School Corporation did not file these reports timely and the reports did not trace to the financial records. The School Board for the School Corporation has not established any controls or procedures for preparing or filing the required reports.

**From Circular A-133: Subpart C--Auditees § 300.300 Auditee responsibilities.** The auditee shall:  
(a) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. (b) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The School Corporation is not in compliance with reporting requirements for this program. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Board take steps to establish internal controls, communicate, and implement consequences for not following internal controls. We recommended that officials prepare all required reports on a timely basis and attach supporting documentation to verify the calculations.

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2011-8 - CASH MANAGEMENT - SPECIAL EDUCATION***

Federal Agency: United States Department of Education  
Federal Program: ARRA - Special Education - Grants to States, Recovery Act  
CFDA Number: 84.391  
Pass-Through Entity: Covered Bridge Special Education District  
Award Number and Year: 33310-062-SN01

The ARRA - Special Education – Grant to States was a reimbursement grant. Reimbursement claims for \$15,567.22 were filed with the Covered Bridge Special Education District for reimbursement of claims which were not paid from special education funds. The School Corporation is not paying expenses prior to requesting reimbursement which resulted in an excess fund balance.

31 CFR Section 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

Excess cash balances and expenditures being paid after the receipt of the reimbursement indicate noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency or a reduction in the funding provided to the pass-through agency. The grantor agency could also request that the School Corporation return the unspent portion.

We recommended that the School Board take steps to establish internal controls, communicate, and implement consequences for not following internal controls. The Treasurer and School Board should work together in monitoring the grant fund balances to ensure that the proper portion of expenditures are attributed to the grant and that grant funds are expended promptly.

***FINDING 2011-9 - ALLOWABLE COST - SPECIAL EDUCATION***

Federal Agency: United States Department of Education  
Federal Program: ARRA - Special Education Grants to States, Recovery Act  
CFDA Number: 84.391  
Pass-Through Entity: Covered Bridge Special Education District  
Award Number and Year: 33310-062-SN01

As part of the grant agreement between the School Corporation and the Covered Bridge Special Education District, the School Corporation is required to expend the funds on allowable activities and allowable cost for the ARRA - Special Education – Grants to States, Recovery Act program. Reimbursement claims for \$15,567.22 were filed with the Covered Bridge Special Education District for reimbursement of claims which were not paid from special education funds. One reimbursement claim submitted for \$2,946.78 did not have any supporting documentation and could not be traced as a disbursement from the School Corporation's financial records. The entire amount of \$18,514 is questioned cost.

34 CFR 80.20 states in part:

" . . . (b) The financial management systems of other grantees and subgrantees must meet the following standards: . . . (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation is not in compliance with the Allowable Cost requirements for this program. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Board take steps to establish internal controls, communicate, and implement consequences for not following internal controls. The Treasurer and School Board should work together in monitoring the expenditures of the grant and determine that they are being expended for allowable activities and allowable costs.

***FINDING 2011-10 - SPECIAL TEST & PROVISIONS - SCHOOLWIDE PROGRAM - TITLE I***

Federal Agency: United States Department of Education  
Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I Grants to  
Local Educational Agencies, Recovery Act  
CFDA Number: 84.010, 84.389  
Pass-Through Entity: Indiana Department of Education  
Award Number and Year: FY 08-09, FY 09-10, FY 10-11

Rockville High School did not qualify for the Title I schoolwide program for the 2009-2010 audit period. The poverty level for the high school was 38 percent which does not meet the minimum of 40 percent guideline. The high school benefited from ARRA - Title I, Grants to Local Education Agencies, Recovery Act funds during the 2009-2010 school year. The amount of \$2,877.37 is questioned cost due to awards being expended for the school that do not meet the poverty eligibility requirements.

Per Title I, Part A Section 1114. "Schoolwide Programs: A local educational agency may consolidate and use funds under this part, together with other Federal, State, and local funds, in order to upgrade the entire educational program of a school that serves an eligible school attendance area in which not less than 40 percent of the children are from low-income families, or not less than 40 percent of the children enrolled in the school are from such families."

The School Corporation is not in compliance with the Special Test and Provisions requirements for this program. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Board take steps to establish internal controls, communicate, and implement consequences for not following internal controls. The Treasurer and Title I Director should work together in monitoring the expenditures of the grant and determine that they are being expended for schools that meet the poverty eligibility requirements.

***FINDING 2011-11 - ELIGIBILITY - CHILD NUTRITION***

Federal Agency: United States Department of Agriculture  
Federal Program (CFDA Title): Child Nutrition Cluster  
CFDA Numbers: 10.553 and 10.555  
Pass-Through Entity: Indiana Department of Education  
Federal Award Number and Year: FY 09-10 and FY 10-11

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Applications for free and reduced school provided meals were approved incorrectly. All of the applications on file at the Elementary School were reviewed to determine whether households provided required information and whether the School Food Authority (SFA) properly approved applications. The resulting violation falls within the State Agency's guidelines for granting a waiver for amounts under \$600, no fiscal sanctions will be made. Temporarily approved applications were not reviewed for continuing eligibility. Proper procedures were not followed when changing student benefit status or notifying households of changes in benefits upon verification.

7 CFR 245.6(a) states in part:

" . . . (j) Adverse action. If verification activities fail to confirm eligibility for free or reduced price benefits or should the household fail to cooperate with verification efforts, the school or local educational agency shall reduce or terminate benefits, as applicable, as follows: Ten days advance notification shall be provided to households that are to receive a reduction or termination of benefits, prior to the actual reduction or termination. The first Day of the 10 day advance notice period shall be the day the notice is sent. The notice shall advise the household of (1) The change; (2) The reasons for the change; (3) Notification of the right to appeal and when the appeal must be filed to ensure continued benefits while awaiting a hearing and decision; (4) Instructions on how to appeal; and (5) The right to reapply at any time during the school year. The reasons for ineligibility shall be properly documented and retained on file at the local educational agency."

7CFR 210.18(b)(l) states: "All free, reduced-price, and paid lunches claimed for reimbursement are served only to children eligible for free, reduced-price, and paid lunches, respectively; and counted, recorded, consolidated and reported through a system which consistently yields correct claims."

Temporarily approved applications must be reevaluated every 30-45 days to ensure continued eligibility. If the income or benefit status of the child should change as a result of contact with the household, the status should be communicated with the appropriate personnel, documented with a date, and initialed.

7 CFR Part 245.6(a) states in part:

". . . State agencies shall ensure that by December 15 of each School Year, local educational agencies have selected and verified a sample of their approved free and reduced price applications in accordance with the conditions and procedures described in this section. Verification activity may begin at the start of the school year but the final required sample size shall be based on the number of approved applications on file as of October 31."

7 CFR 245.6(c) states in part: ". . . The local educational agency must determine household eligibility, for free or reduced price meals, either through direct certification or the application process at or about the beginning of the school year. . . ."

The School Corporation had a deficiency within its approval process for eligibility of free and reduced applications and lacked procedures to follow for changing student benefit status upon verification. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommend that the School Board take steps to establish internal controls, communicate, and implement consequences for not following internal controls. The School Lunch Director should properly complete and document the approval process of each student application and maintain adequate, auditable records.



# Rockville Community School Corporation

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Interim Superintendent

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Jr/Sr High Principal

Sheila J. Rohr  
Elementary Principal

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2009-2, REPORTING

|                                   |                       |
|-----------------------------------|-----------------------|
| Original SBA Audit Report Number: | B35939                |
| Fiscal Year                       | FY09                  |
| Auditee Contact Person            | Teresa L. Veach       |
| Title of Contact Person           | Corporation Treasurer |
| Phone Number                      | 765-569-5582          |

### Summary of Finding:

The amounts reported on the Quarterly Monitoring reports and the Annual Expenditure report did not agree with the amounts shown on the School Corporation's financial records. For instance, the quarterly monitoring report dated June 30, 2009 reported a cash balance of \$15,394 while the School Corporation's fund ledger had a balance of \$55,812. The 2008-2009 Annual Expenditure report reported an unexpended balance of \$26,908 while the School Corporation's fund ledger had a balance of \$20,249.

### Status of Finding:

This finding has not been corrected but a corrective plan was created in response to this finding but not fully implemented. Going forward quarterly monitoring reports will be reviewed by the Title I coordinator, Superintendent or designee, and Treasurer. Since the last audit we have had help from a retired treasurer and understand more how to separate and track individual grants. Specifically noting not to inter mingle grants for more precise monitoring within each grant year to achieve the proper execution of the grant's specific guidelines.

Signature:   
 Title: Treasurer  
 Date: 2-7-2012

Education...A continuous process...Its responsibility must be a combined effort to the school, home and community.

School Board of Trustees

J. Sue Berry  
Jeffrey S. Gooch

Roger L. Bridge  
Rusty Akers

Pamela S. Burgess  
Ronald B. Wheeler

Pamela J. Ferguson  
Gary Hanner - Legal Counsel



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## ROCKVILLE COMMUNITY SCHOOL CORPORATION CORRECTIVE ACTION PLAN

### FEDERAL FINDING 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Title of Contact Person: Teresa Veach  
Phone Number: 765-569-5582  
Expected Completion Date: March 1, 2012

#### Corrective Action:

After discussions with the SBOA auditor, we understand the concerns pertaining to only two people being in an office and the possibilities of fraud related to receipts, disbursements, payroll and related liabilities.

Bank Reconciliations: Treasurer will open all bank statements and write down balances and initial. Deputy Treasurer will balance all banks to the fund report, initial and give to Treasurer or designee (High School ECA Treasurer) for verification. Report will be given to Superintendent to verify and then kept in the Bank Statement Book.

Claims: After claims are processed and given to the Board for approval of payment, Treasurer will give the claims and the claims voucher register to Deputy Treasurer who will then in turn file the claims and check vendors and amounts against information provided.

Deposits: Treasurer receipts money into Komputrol and issues receipts. Before posting – Treasurer will give Deputy Treasurer a copy of Revenue Receipt Edit and Deputy Treasurer will check that receipt numbers are numerical and there are no missing receipt numbers. Deputy Treasurer will initial and date the report. After posting, Treasurer will review Revenue History Report and initial verifying correct fund, amount and period. This report will be kept in the Edit Book.

Payroll: The Deputy Treasurer will put in all information for payroll after the building principals have reviewed and signed non-certified time card or additional vouchers for payroll payment. (ex: tutoring, meetings) After Deputy Treasurer processes payroll she will print out a report and give to Treasurer or designee (High School ECA Treasurer) along with a list of employees to be paid. Treasurer or designee (High School ECA Treasurer) will review and verify no employees are missing and dollar amounts are correct. Report will be dated and returned to Deputy Treasurer to post payroll. Deputy Treasurer will prepare and submit to the Board a report with employee name and amount paid. All reports and documentation will be kept with the payroll distribution report.



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## FEDERAL FINDING 2011-2, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

|                           |  |
|---------------------------|--|
| Federal Agency:           | United States Department of Education  |
| Federal Program:          | ARRA- State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act                        |
| CFDA Number:              | 84.394   |
| Pass-Through Entity:      | Indiana Department of Education  |
| Award Number and Year:    | FY 08-09, FY 09-10   |
| Federal Agency:           | United States Department of Education  |
| Federal Program:          | Title I, Part A, Grants to Local Educational Agencies, ARRA - Title I Grants to Local Educational Agencies |
| CFDA Numbers:             | 84.010, 84.389   |
| Pass-Through Entity:      | Indiana Department of Education  |
| Award Number and Year:    | FY 08-09, FY 09-10, FY 10-11   |
| Federal Agency:           | United States Department of Education  |
| Federal Program:          | ARRA- Special Education Grants to States   |
| CFDA Numbers:             | 84.027, 84.391   |
| Pass-Through Entity:      | Indiana Department of Education  |
| Award Number and Year:    | 33310-062-SN01   |
| Title of Contact Person:  | Teresa Veach   |
| Phone Number:             | 765-569-5582   |
| Expected Completion Date: | December 1, 2011   |

### Corrective Action:

Starting December 2011, the Treasurer took over the duties of applying for and documenting the reimbursable expenses pertaining to the grant. The Deputy Treasurer will be providing additional supporting documentation on a monthly basis to be turned in to the state for immediate reimbursement. The Deputy Treasurer will have the financial information for the payroll expenses while any additional expenses such as supplies, conferences, etc. will be provided through voucher edits, along with documentation. By the grants going through the Treasurer this will allow for a timely manner in which to receive money.

After documentation is compiled at the end of each month the information the Treasurer will submit for reimbursement. All supporting information documenting expenses will be kept with reimbursement claim.



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## FINDING NO. 2011-3, CASH MANAGEMENT – ARRA - STATE FISCAL STABILIZATION FUND

|                           |   |
|---------------------------|---|
| Federal Agency:           | United States Department of Education   |
| Federal Program:          | ARRA- State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act |
| CFDA Number:              | 84.394  |
| Pass-Through Entity:      | Indiana Department of Education   |
| Award Number and Year:    | FY 09-10  |
| Title of Contact Person:  | Teresa Veach  |
| Phone Number:             | 765-569-5582  |
| Expected Completion Date: | December 1, 2011  |

### Corrective Action:

Starting December 2011, the Treasurer took over the duties of applying for and documenting the reimbursable expenses pertaining to the grant. The Deputy Treasurer will be providing additional supporting documentation on a monthly basis to be turned in to the state for immediate reimbursement. The Deputy Treasurer will have the financial information for the payroll expenses while any additional expenses such as supplies, conferences, etc. will be provided through voucher edits, along with documentation. By the grants going through the Treasurer this will allow for a timely manner in which to receive money.

After documentation is compiled at the end of each month the information the Treasurer will submit for reimbursement. All supporting information documenting expenses will be kept with reimbursement claim.

## FINDING NO. 2011-4, REPORTING - ARRA - STATE FISCAL STABILIZATION FUND

|                           |   |
|---------------------------|---|
| Federal Agency:           | United States Department of Education   |
| Federal Program:          | ARRA- State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act |
| CFDA Number:              | 84.394  |
| Pass-Through Entity:      | Indiana Department of Education   |
| Award Number and Year:    | FY 08-09, FY 09-10  |
| Title of Contact Person:  | Teresa Veach  |
| Phone Number:             | 765-569-5582  |
| Expected Completion Date: | December 1, 2011  |

### Corrective Action:

Information concerning filing times for reports will be added to check list each month for verification of completion. Upon completion of monthly cycles the report will be given to the Superintendent for review and initialed. This report will be kept in the Edit Book. Completed Quarterly Monitoring Reports will be kept in the grant file.



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## FINDING NO. 2011-5, ALLOWABLE COST - TITLE I, PART A CLUSTER

|                           |  |
|---------------------------|--|
| Federal Agency:           | United States Department of Education  |
| Federal Program:          | Title I Grants to Local Educational Agencies,<br>ARRA - Title I Grants to Local Educational Agencies |
| CFDA Numbers:             | 84.010, 84.389   |
| Pass-Through Entity:      | Indiana Department of Education  |
| Award Number and Year:    | FY 08-09, FY 09-10, FY 10-11   |
| Title of Contact Person:  | Teresa Veach   |
| Phone Number:             | 765-569-5582   |
| Expected Completion Date: | February 10, 2012  |

### Corrective Action:

Starting December 2011, the Treasurer took over the duties of applying for and documenting the reimbursable expenses pertaining to the grant. The Deputy Treasurer and Title I Coordinator will be providing additional supporting documentation on a monthly basis to be turned in to the state for immediate reimbursement. The Deputy Treasurer will have the financial information for the payroll expenses while the Title I Coordinator will have any additional expenses such as supplies, conferences, etc. along with documentation.

After documentation is compiled at the end of each month the information will be sent to Title I Coordinator for verification. Once expenses are verified and initialed by the Title I Coordinator, the Treasurer will submit the reimbursement. All supporting information documenting expenses will be kept with reimbursement claim. Any requests for purchases for Title I must be signed by the Title I Coordinator and initialed by the building secretary before the Treasurer will cut a purchase order.



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## FINDING NO. 2011-6, CASH MANAGEMENT - TITLE I, PART A CLUSTER

|                           |  |
|---------------------------|--|
| Federal Agency:           | United States Department of Education  |
| Federal Program:          | Title I, Part A, Grants to Local Educational Agencies, ARRA - Title I Grants to Local Educational Agencies |
| CFDA Numbers:             | 84.010, 84.389   |
| Pass-Through Entity:      | Indiana Department of Education  |
| Award Number and Year:    | FY 08-09, FY 09-10, FY 10-11   |
| Title of Contact Person:  | Teresa Veach   |
| Phone Number:             | 765-569-5582   |
| Expected Completion Date: | February 10, 2012  |

### Corrective Action:

Starting December 2011, the Treasurer took over the duties of applying for and documenting the reimbursable expenses pertaining to the grant. The Deputy Treasurer and Title I Coordinator will be providing additional supporting documentation on a monthly basis to be turned in to the state for immediate reimbursement. The Deputy Treasurer will have the financial information for the payroll expenses while the Title I Coordinator will have any additional expenses such as supplies, conferences, etc. along with documentation. By the grants going through the Treasurer this will allow for a timely manner in which to receive money.

After documentation is compiled at the end of each month the information will be sent to Title I Coordinator for verification. Once expenses are verified the Treasurer will submit for reimbursement. All supporting information documenting expenses will be kept with reimbursement claim.

All quarterly reports are done by the Treasurer and sent to the Title I Coordinator for verification. The Title I Coordinator and Treasurer will work on the year-end report and submit to the state after review and verification.



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## FINDING NO. 2011-7, REPORTING - TITLE I, PART A CLUSTER

|                           |  |
|---------------------------|--|
| Federal Agency:           | United States Department of Education  |
| Federal Program:          | Title I, Part A, Grants to Local Educational Agencies,<br>ARRA- Title I Grants to Local Educational Agencies |
| CFDA Numbers:             | 84.010, 84.389   |
| Pass-Through Entity:      | Indiana Department of Education  |
| Award Number and Year:    | FY 08-09, FY 09-10, FY 10-11   |
| Title of Contact Person:  | Teresa Veach   |
| Phone Number:             | 765-569-5582   |
| Expected Completion Date: | February 2012  |

### Corrective Action:

Information concerning filing times for reports will be added to check list each month for verification of completion. Upon completion of monthly cycles the report will be given to the Superintendent for review and initialed. This report will be kept in the Edit Book. Completed Quarterly Monitoring Reports will be kept in the grant file.

All quarterly reports are done by the Treasurer and sent to the Title I Coordinator for verification. The Title I Coordinator and Treasurer will work on the year-end report and submit to the state after review and verification.

## FINDING NO. 2011-8, CASH MANAGEMENT - SPECIAL EDUCATION

|                           |   |
|---------------------------|---|
| Federal Agency:           | United States Department of Education     |
| Federal Program:          | ARRA- Special Education Grants to States  |
| CFDA Numbers:             | 84.027, 84.391                            |
| Pass-Through Entity:      | Covered Bridge Special Education District |
| Award Number and Year:    | 33310-062-SN01                            |
| Title of Contact Person:  | Teresa Veach                              |
| Phone Number:             | 765-569-5582                              |
| Expected Completion Date: | February 29, 2012                         |

### Corrective Action:

Starting December 2011, the Treasurer took over the duties of applying for and documenting the reimbursable expenses pertaining to the grant. The Deputy Treasurer will be providing additional supporting documentation on a monthly basis to be turned in to the state for immediate reimbursement. The Deputy Treasurer will have the financial information for the payroll expenses while any additional expenses such as supplies, conferences, etc. will be provided through voucher edits, along with documentation. By the grants going through the Treasurer this will allow for a timely manner in which to receive money.

After documentation is compiled at the end of each month the information the Treasurer will submit for reimbursement. All supporting information documenting expenses will be kept with reimbursement claim.



# Rockville Community School Corporation

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Dr. Jerry Hawkins  
Interim Superintendent

David D. Mahurin  
Jr/Sr High Principal

Sheila J. Rohr  
Elementary Principal

## FINDING NO. 2011-9, ALLOWABLE COST - SPECIAL EDUCATION

|                           |   |
|---------------------------|---|
| Federal Agency:           | United States Department of Education     |
| Federal Program:          | ARRA- Special Education Grants to States  |
| CFDA Numbers:             | 84.027, 84.391                            |
| Pass-Through Entity:      | Covered Bridge Special Education District |
| Award Number and Year:    | 33310-062-SN01                            |
| Title of Contact Person:  | Teresa Veach                              |
| Phone Number:             | 765-569-5582                              |
| Expected Completion Date: | February 10, 2012                         |

### Corrective Action:

Anyone submitting a request for purchase of any items for Special Education must include details of items and fund and account number information. Treasurer will check to make sure building secretary(s) – who send request over for Purchase Order – has initialed request. Building Principals will monitor purchases to assure items purchased for Special Education are actually used in special education classrooms.

## FEDERAL FINDING 2011-10, SPECIAL TEST & PROVISIONS - SCHOOLWIDE PROGRAM - TITLE I

|                           |   |
|---------------------------|---|
| Federal Agency:           | United States Department of Education   |
| Federal Program:          | Title I, Part A, Grants to Local Educational Agencies,<br>ARRA - Title I Grants to Local Educational Agencies |
| CFDA Numbers:             | 84.010, 84.389  |
| Pass-Through Entity:      | Indiana Department of Education   |
| Award Number and Year:    | FY 08-09, FY 09-10, FY 10-11  |
| Title of Contact Person:  | Teresa Veach  |
| Phone Number:             | 765-569-5582  |
| Expected Completion Date: | Next Application Cycle  |

### Corrective Action:

The Treasurer will verify on the Title I grant application which schools will qualify for the school wide program. Specifically checking that the poverty level must be over 40% for the school to qualify. The Treasurer will give the report to the Superintendent for review to be initialed and filed with the grant.

The Treasurer will submit expenses to the Title I Coordinator for review and verification that the money spent is being spent in the proper building. Any requests for purchases must include a fund number and account number otherwise the request will be returned to individual for completion of information.



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## FEDERAL FINDING 2011-11, ELIGIBILITY – CHILD NUTRITION

|                           |   |
|---------------------------|---|
| Federal Agency:           | United States Department of Agriculture |
| Federal Program:          | Child Nutrition Cluster                 |
| CFDA Numbers:             | 10.553 and 10.555                       |
| Pass-through Entity:      | Indiana Department of Education         |
| Award Number and Year:    | FY 09-10 and FY 10-11                   |
| Title of Contact Person:  | Cheryl Jones                            |
| Phone Number:             | 765-569-4308                            |
| Expected Completion Date: | May 14, 2010                            |

### Corrective Action:

The Cafeteria Director compares the information on Harmony to the paper applications received from each household to verify each child listed as free or reduced has an application or is on the Direct Certification provided by the state.

If a household is on a temporary application the Cafeteria Director will review them every 30-45 day to verify any changes in the household finances. This information will be documented, dated and initialed by the cafeteria staff member doing the follow-up. The Cafeteria Director will flag the temporary households in Harmony as a secondary check.

If the Cafeteria Director finds there is a benefits increase for the household the student eligibility status will be updated no more than 3 days after the change is made. Households will be notified.

If the Cafeteria Director finds there is a decrease in benefits a written notice must be given within 10 days prior to changing the student's status.

Teresa L. Veach, Corporation Treasurer

February 9, 2012

ROCKVILLE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2012, with Pamela J. Ferguson, President of the School Board; Rusty Akers, School Board member; Ronald Wheeler, School Board member; Dr. Jerry Hawkins, Interim Superintendent of Schools; Sheila J. Rohr, Elementary Principal; David Mahurin, High School Principal; and Teresa L. Veach, Treasurer.