

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, 2011 to December 31, 2012



FILED
10/02/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Teresa L. Veach	07-01-11 to 12-31-12
Superintendent of Schools	Dr. Randall M. Kerkhoff Sheila J. Rohr Dr. Jerry Hawkins Jana Crites and Dr. Thomas W. Rohr	07-01-11 to 11-30-11 12-01-11 to 12-08-11 12-09-11 to 06-03-12 06-04-12 to 12-31-12
President of the School Board	Pamela J. Ferguson	07-01-11 to 12-31-12



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Rockville Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. Except as stated in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to December 31, 2012.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The School Corporation made numerous correcting entries and fund adjustments and did not maintain adequate documentation to support those entries or adjustments. The School Corporation's records did not permit adequate testing of those correcting entries and fund adjustments.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the financial statement, if any, of the correcting entries and fund adjustments discussed in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* 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 period of July 1, 2011 to December 31, 2012, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the

INDEPENDENT AUDITOR'S REPORT
(Continued)

underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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



Bruce Hartman
State Examiner

August 8, 2013



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Rockville Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 8, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. The opinion to the financial statement relative to the regulatory basis of accounting was qualified due to numerous unsupported correcting entries and fund adjustments.

Internal Control Over Financial Reporting

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

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

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 to be material weaknesses.

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

Compliance and Other Matters

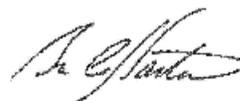
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Rockville Community School Corporation's Response to Findings

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

Purpose of This Report

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



Bruce Hartman
State Examiner

August 8, 2013

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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 Period of July 1, 2011 to December 31, 2012

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 12-31-12
General	\$ 555,538	\$ 5,234,475	\$ 5,431,884	\$ -	\$ 358,129	\$ 2,708,968	\$ 2,634,815	\$ (432,282)	\$ -
Debt Service	738,695	1,070,091	1,181,500	-	627,286	466,489	593,000	(500,775)	-
Retirement/Severance Bond Debt Service	2,468	101,661	45,460	-	58,669	45,632	61,762	(42,539)	-
Capital Projects	541,233	666,970	742,527	-	465,676	301,357	307,239	(459,794)	-
School Transportation	4,610	279,442	333,328	-	(49,276)	115,702	120,427	54,001	-
School Bus Replacement	263,359	(15,205)	46,218	-	201,936	17,394	-	(219,330)	-
Rainy Day	313,845	-	28,817	-	285,028	-	50,028	(235,000)	-
Retirement/Severance Bond	25,588	-	25,588	-	-	-	-	-	-
Supplemental Construction Fund	65,613	-	454	-	65,159	-	-	(65,159)	-
School Lunch	75,583	366,015	383,074	215	58,739	186,987	183,872	(61,854)	-
Textbook Rental	99,716	96,684	182,769	-	13,631	42,147	22,205	(33,573)	-
Levy Excess	54,001	-	-	-	54,001	4,268	-	(58,269)	-
Educational License Plates	652	94	622	-	124	75	199	-	-
Early Intervention Grant	(8,071)	9,853	1,782	-	-	-	-	-	-
Donations, Gifts and Trusts	-	-	-	-	-	-	1,641	1,641	-
Scholarships and Awards	-	850	350	-	500	-	500	-	-
Linebarger Award	-	2,050	453	-	1,597	-	-	(1,597)	-
Instruction Support	20,078	27,104	9,202	-	37,980	-	37,980	-	-
Medicaid Reimbursement	-	-	-	-	-	-	-	-	-
School Technology	20,762	19,333	17,298	-	22,797	10,095	16,636	(16,256)	-
School Security Equipt Grant	-	2,392	2,392	-	-	-	-	-	-
Title I - 2012-13	-	-	-	-	-	34,729	54,515	19,786	-
Title I (2008-2009)	-	-	-	-	-	-	-	-	-
Title I 2011-12	-	103,118	143,023	-	(39,905)	86,243	46,338	-	-
Title I 2010-11	27,421	37,647	65,068	-	-	-	-	-	-
Innovative Education Program Strategies Title V (Part A)	205	-	205	-	-	-	-	-	-
Title V 2008-2009	139	-	139	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	69,857	69,793	-	64	-	-	(64)	-
Drug Free Schools (2008-2009)	1,436	-	1,436	-	-	-	-	-	-
Game On Nutrition Grant	4,065	-	4,065	-	-	-	-	-	-
Biomed Voc Grant 09-10	(2,880)	2,880	-	-	-	-	-	-	-
Medicaid Reimbursement - Federal	-	-	-	-	-	-	-	-	-
Title II A 9/10	55,140	(3,821)	51,319	-	-	-	-	-	-
Title II A 10/11 FY10	-	23,816	23,906	-	(90)	17,420	17,330	-	-
Title II A 11/12 FY 11	-	-	-	-	-	-	9,076	9,076	-
ITQ, Enhanced Education Through Technology, Title II, Part D	1,697	-	1,697	-	-	-	-	-	-
Rural and Low Income 11-12	7,768	22,852	26,115	-	4,505	3,530	11,320	3,285	-
Fiscal Stabilization - Education	-	-	-	-	-	-	-	-	-
Title I - School Improvement	(2,495)	(430)	(2,925)	-	-	-	-	-	-
Special Education - Part B	13,299	3,377	15,385	-	1,291	-	-	(1,291)	-
Education Jobs	-	154,618	180,526	-	(25,908)	29,593	3,685	-	-
Payroll Clearing	48,137	1,216,708	1,235,254	-	29,591	573,446	586,441	(16,596)	-
Totals	\$ 2,927,602	\$ 9,492,431	\$ 10,248,724	\$ 215	\$ 2,171,524	\$ 4,644,075	\$ 4,759,009	\$ (2,056,590)	\$ -

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.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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 may include the following uses:

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

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

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

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

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

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

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.

F. Other Financing Sources and Uses

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

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.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. *Teacher's Retirement Fund*

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. *Negative Receipts and Disbursements*

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of the correction of errors from prior periods. The errors made in the prior period were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt/disbursement was shown in the current period.

Note 8. *Cash Balance Deficits*

The financial statement contains some funds with deficits in cash. Most of these were the result of reimbursable grants for which reimbursement was not received prior to year end. In at least two instances, it was the result of overspending.

ROCKVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Holding Corporation

The School Corporation has entered into two capital leases with Rockville School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2012, and the period ended December 31, 2012, totaled \$1,179,000 and \$590,500, respectively.

Note 10. School Consolidation

On December 31, 2012, Rockville Community School Corporation ceased operations and merged with Turkey Run Community School Corporation to form North Central Parke Community School Corporation. The December 31, 2012 fund balances were closed and transferred to the new School Corporation.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Supplemental Construction Fund	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 555,538	\$ 738,695	\$ 2,468	\$ 541,233	\$ 4,610	\$ 263,359	\$ 313,845	\$ 25,588	\$ 65,613	\$ 75,583	\$ 99,716
Receipts:											
Local sources	73,980	1,070,091	84,268	669,917	279,442	2,188	-	-	-	137,348	63,322
Intermediate sources	294	-	-	-	-	-	-	-	-	-	-
State sources	5,149,901	-	-	-	-	-	-	-	-	3,167	33,362
Federal sources	-	-	-	-	-	-	-	-	-	225,500	-
Temporary loans	-	-	17,393	-	-	(17,393)	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other	10,300	-	-	(2,947)	-	-	-	-	-	-	-
Total receipts	5,234,475	1,070,091	101,661	666,970	279,442	(15,205)	-	-	-	366,015	96,684
Disbursements:											
Current:											
Instruction	3,853,509	-	-	1,910	-	-	-	25,588	-	-	-
Support services	1,458,621	-	-	447,757	333,328	46,218	28,817	-	-	-	182,769
Noninstructional services	119,754	-	-	-	-	-	-	-	-	383,074	-
Facilities acquisition and construction	-	-	-	292,860	-	-	-	-	454	-	-
Debt services	-	1,181,500	45,460	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	5,431,884	1,181,500	45,460	742,527	333,328	46,218	28,817	25,588	454	383,074	182,769
Excess (deficiency) of receipts over disbursements	(197,409)	(111,409)	56,201	(75,557)	(53,886)	(61,423)	(28,817)	(25,588)	(454)	(17,059)	(86,085)
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	215	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	215	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(197,409)	(111,409)	56,201	(75,557)	(53,886)	(61,423)	(28,817)	(25,588)	(454)	(16,844)	(86,085)
Cash and investments - ending	\$ 358,129	\$ 627,286	\$ 58,669	\$ 465,676	\$ (49,276)	\$ 201,936	\$ 285,028	\$ -	\$ 65,159	\$ 58,739	\$ 13,631

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, 2012
 (Continued)

	Levy Excess	Educational License Plates	Early Intervention Grant	Donations, Gifts and Trusts	Scholarships and Awards	Linebarger Award	Instruction Support	Medicaid Reimbursement	School Technology	School Security Equip Grant	Title I 2012-13
Cash and investments - beginning	\$ 54,001	\$ 652	\$ (8,071)	\$ -	\$ -	\$ -	\$ 20,078	\$ -	\$ 20,762	\$ -	\$ -
Receipts:											
Local sources	-	-	-	-	850	2,050	-	-	-	-	-
Intermediate sources	-	94	-	-	-	-	-	-	-	-	-
State sources	-	-	9,853	-	-	-	27,104	-	4,110	2,392	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	15,223	-	-
Total receipts	-	94	9,853	-	850	2,050	27,104	-	19,333	2,392	-
Disbursements:											
Current:											
Instruction	-	-	1,782	-	-	-	9,202	-	-	-	-
Support services	-	622	-	-	-	-	-	-	17,298	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	2,392	-
Debt services	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	350	453	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	622	1,782	-	350	453	9,202	-	17,298	2,392	-
Excess (deficiency) of receipts over disbursements	-	(528)	8,071	-	500	1,597	17,902	-	2,035	-	-
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	-	(528)	8,071	-	500	1,597	17,902	-	2,035	-	-
Cash and investments - ending	\$ 54,001	\$ 124	\$ -	\$ -	\$ 500	\$ 1,597	\$ 37,980	\$ -	\$ 22,797	\$ -	\$ -

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, 2012
 (Continued)

	Title I (2008-2009)	Title I 2011-12	Title I 2010-11	Innovative Education Program Strategies Title V (Part A)	Title V 2008-2009	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Drug Free Schools (2008-2009)	Game On Nutrition Grant	Biomed Voc Grant 09-10	Medicaid Reimbursement Federal
Cash and investments - beginning	\$ -	\$ -	\$ 27,421	\$ 205	\$ 139	\$ -	\$ 1,436	\$ 4,065	\$ (2,880)	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	103,118	37,647	-	-	69,857	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	2,880	-
Total receipts	-	103,118	37,647	-	-	69,857	-	-	2,880	-
Disbursements:										
Current:										
Instruction	-	134,196	64,425	-	-	-	-	-	-	-
Support services	-	7,861	213	205	139	1,292	1,436	-	-	-
Noninstructional services	-	966	430	-	-	-	-	4,065	-	-
Facilities acquisition and construction	-	-	-	-	-	68,501	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	143,023	65,068	205	139	69,793	1,436	4,065	-	-
Excess (deficiency) of receipts over disbursements	-	(39,905)	(27,421)	(205)	(139)	64	(1,436)	(4,065)	2,880	-
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	-	(39,905)	(27,421)	(205)	(139)	64	(1,436)	(4,065)	2,880	-
Cash and investments - ending	\$ -	\$ (39,905)	\$ -	\$ -	\$ -	\$ 64	\$ -	\$ -	\$ -	\$ -

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, 2012
 (Continued)

	Title II A 09/10	Title II A 10/11 FY10	ITQ Enhanced Education Through Technology Title II, Part D	Rural and Low Income 11-12	Fiscal Stabilization Education	Title I School Improvement	Special Education Part B	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ 55,140	\$ -	\$ 1,697	\$ 7,768	\$ -	\$ (2,495)	\$ 13,299	\$ -	\$ 48,137	\$ 2,927,602
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	2,383,456
Intermediate sources	-	-	-	-	-	-	-	-	-	388
State sources	-	-	-	-	-	-	-	-	-	5,229,889
Federal sources	(3,821)	23,816	-	22,852	-	(430)	3,377	154,618	-	636,534
Temporary loans	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	1,216,708	1,242,164
Total receipts	(3,821)	23,816	-	22,852	-	(430)	3,377	154,618	1,216,708	9,492,431
Disbursements:										
Current:										
Instruction	38,011	14,301	1,697	19,688	-	(2,925)	3,163	180,526	-	4,345,073
Support services	13,308	9,605	-	6,427	-	-	12,222	-	-	2,568,138
Noninstructional services	-	-	-	-	-	-	-	-	-	508,289
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	364,207
Debt services	-	-	-	-	-	-	-	-	-	1,226,960
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	803
Interfund loans	-	-	-	-	-	-	-	-	1,235,254	1,235,254
Total disbursements	51,319	23,906	1,697	26,115	-	(2,925)	15,385	180,526	1,235,254	10,248,724
Excess (deficiency) of receipts over disbursements	(55,140)	(90)	(1,697)	(3,263)	-	2,495	(12,008)	(25,908)	(18,546)	(756,293)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	215
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	215
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(55,140)	(90)	(1,697)	(3,263)	-	2,495	(12,008)	(25,908)	(18,546)	(756,078)
Cash and investments - ending	\$ -	\$ (90)	\$ -	\$ 4,505	\$ -	\$ -	\$ 1,291	\$ (25,908)	\$ 29,591	\$ 2,171,524

ROCKVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Period Ended December 31, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Supplemental Construction Fund	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 358,129	\$ 627,286	\$ 58,669	\$ 465,676	\$ (49,276)	\$ 201,936	\$ 285,028	\$ -	\$ 65,159	\$ 58,739	\$ 13,631
Receipts:											
Local sources	62,835	466,489	45,632	301,357	115,702	-	-	-	-	85,282	42,147
Intermediate sources	147	-	-	-	-	-	-	-	-	-	-
State sources	2,645,986	-	-	-	-	-	-	-	-	3,215	-
Federal sources	-	-	-	-	-	-	-	-	-	98,490	-
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	17,394	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total receipts	2,708,968	466,489	45,632	301,357	115,702	17,394	-	-	-	186,987	42,147
Disbursements:											
Current:											
Instruction	1,890,110	-	-	(1,910)	-	-	-	-	-	-	-
Support services	702,548	-	-	211,113	120,427	-	50,028	-	-	-	22,205
Noninstructional services	42,157	-	-	-	-	-	-	-	-	183,872	-
Facilities acquisition and construction	-	-	-	98,036	-	-	-	-	-	-	-
Debt services	-	593,000	44,368	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	17,394	-	-	-	-	-	-	-	-
Total disbursements	2,634,815	593,000	61,762	307,239	120,427	-	50,028	-	-	183,872	22,205
Excess (deficiency) of receipts over disbursements	74,153	(126,511)	(16,130)	(5,882)	(4,725)	17,394	(50,028)	-	-	3,115	19,942
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	226	-
Transfers in	-	-	-	-	54,001	-	-	-	-	-	-
Transfers out	(432,282)	(500,775)	(42,539)	(459,794)	-	(219,330)	(235,000)	-	(65,159)	(62,080)	(33,573)
Total other financing sources (uses)	(432,282)	(500,775)	(42,539)	(459,794)	54,001	(219,330)	(235,000)	-	(65,159)	(61,854)	(33,573)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(358,129)	(627,286)	(58,669)	(465,676)	49,276	(201,936)	(285,028)	-	(65,159)	(58,739)	(13,631)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ROCKVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Period Ended December 31, 2012
 (Continued)

	Levy Excess	Educational License Plates	Early Intervention Grant	Donations, Gifts and Trusts	Scholarships and Awards	Linebarger Award	Instruction Support	Medicaid Reimbursement	School Technology	School Security Equipmt Grant	Title I 2012-13
Cash and investments - beginning	\$ 54,001	\$ 124	\$ -	\$ -	\$ 500	\$ 1,597	\$ 37,980	\$ -	\$ 22,797	\$ -	\$ -
Receipts:											
Local sources	4,268	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	75	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	2,175	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	34,729
Temporary loans	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	7,920	-	-
Total receipts	4,268	75	-	-	-	-	-	-	10,095	-	34,729
Disbursements:											
Current:											
Instruction	-	-	-	-	-	-	37,980	-	-	-	54,215
Support services	-	199	-	-	-	-	-	-	16,636	-	300
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,641	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	500	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	199	-	1,641	500	-	37,980	-	16,636	-	54,515
Excess (deficiency) of receipts over disbursements	4,268	(124)	-	(1,641)	(500)	-	(37,980)	-	(6,541)	-	(19,786)
Other financing sources (uses):											
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	1,641	-	-	-	-	-	-	19,786
Transfers out	(58,269)	-	-	-	-	(1,597)	-	-	(16,256)	-	-
Total other financing sources (uses)	(58,269)	-	-	1,641	-	(1,597)	-	-	(16,256)	-	19,786
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(54,001)	(124)	-	-	(500)	(1,597)	(37,980)	-	(22,797)	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ROCKVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Period Ended December 31, 2012
 (Continued)

	Title II A 10/11 FY10	Title II A 11/12 FY11	ITQ Enhanced Education Through Technology Title II, Part D	Rural and Low Income 11-12	Fiscal Stabilization Education	Title I School Improvement	Special Education Part B	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (90)	\$ -	\$ -	\$ 4,505	\$ -	\$ -	\$ 1,291	\$ (25,908)	\$ 29,591	\$ 2,171,524
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	1,123,712
Intermediate sources	-	-	-	-	-	-	-	-	-	222
State sources	-	-	-	-	-	-	-	-	-	2,651,376
Federal sources	17,420	-	-	3,530	-	-	-	29,593	-	270,005
Temporary loans	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	17,394
Other	-	-	-	-	-	-	-	-	573,446	581,366
Total receipts	17,420	-	-	3,530	-	-	-	29,593	573,446	4,644,075
Disbursements:										
Current:										
Instruction	-	-	-	7,326	-	-	-	3,685	-	2,037,005
Support services	17,330	9,076	-	3,994	-	-	-	-	-	1,154,595
Noninstructional services	-	-	-	-	-	-	-	-	-	226,029
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	99,677
Debt services	-	-	-	-	-	-	-	-	-	637,368
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	500
Interfund loans	-	-	-	-	-	-	-	-	586,441	603,835
Total disbursements	17,330	9,076	-	11,320	-	-	-	3,685	586,441	4,759,009
Excess (deficiency) of receipts over disbursements	90	(9,076)	-	(7,790)	-	-	-	25,908	(12,995)	(114,934)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	226
Transfers in	-	9,076	-	3,285	-	-	-	-	-	87,789
Transfers out	-	-	-	-	-	-	(1,291)	-	(16,596)	(2,144,605)
Total other financing sources (uses)	-	9,076	-	3,285	-	-	(1,291)	-	(16,596)	(2,056,590)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	90	-	-	(4,505)	-	-	(1,291)	25,908	(29,591)	(2,171,524)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ROCKVILLE COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Capital leases:		
1999 Elementary School Remodel	\$ 3,480,000	\$ 541,000
2006 High School Remodel	7,915,000	640,000
Bonds payable:		
General obligation bonds:		
Pension Bond	<u>120,000</u>	<u>85,460</u>
Total debt	<u>\$ 11,515,000</u>	<u>\$ 1,266,460</u>

ROCKVILLE COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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

	Ending Balance
Other:	
Capital assets, not being depreciated:	
Land	\$ 291,530
Infrastructure	1,381,621
Buildings	15,240,264
Improvements other than buildings	685,263
Machinery and equipment	1,242,158
Construction in progress	-
Total other capital assets	18,840,836
Total capital assets not being depreciated	\$ 18,840,836

ROCKVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

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 the 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 remain 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 statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
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.
4. **Schedule of Expenditures of Federal Awards:** The School Corporation did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Financial records presented for audit included numerous error corrections, adjustments, and transactions recorded as "negative" receipts and disbursements. Validity for these transactions was unable to be determined. The adjustments and corrections were not approved or reviewed by management.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

The North Central Parke School Corporation paid penalties, interest, and other charges to the Internal Revenue Service, after the consolidation, in the amount of \$4,528.74 on behalf of Rockville Community School Corporation because Rockville Community School Corporation had not remitted payments on a timely basis.

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.

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)

FUND SOURCES AND USES

Printing, publishing, and supply disbursements of \$15,000 were transferred to the Capital Projects Fund at the end of the year to "balance appropriations." These expenses are not an appropriate use of the Capital Projects Fund.

Office supplies were purchased from the Capital Projects Fund in the amount of \$12.56. These should have been purchased from the General Fund.

A tire repair for a push cart used by the band was paid from the Transportation Fund in the amount of \$8.38. This should have been paid from the band's extra-curricular account.

Educational fees collected in conjunction with textbook rental fees were not transferred to the General Fund.

Numerous purchases of instructional supplies (such as: kindermats, paints, pebble board, recorders, and sketchbooks) were made from the Textbook Rental Fund. These purchases should have been made from the General Fund.

ROCKVILLE COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2012.

The enrollment count date for 2011 was September 16, 2011. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Verified Enrollment Figures</u>	<u>Difference</u>
2011-2012	Kindergarten	31	31	-
2011-2012	1 through 6	364	364	-
2011-2012	7 through 12	365	366	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CONTRACTS

Payments totaling \$4,000 were made to an individual for Title I teaching services during the 2011-2012 school year. A teacher's contract was not presented for audit.

Payments to a teacher did not match her teacher's contract for the 2012-2013 school year. She was underpaid \$105.45 for the audit period of July 1, 2012 through December 31, 2012.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PUBLIC RECORDS RETENTION

The Collective Bargaining Agreement for the audit period was not presented for audit.

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

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Report on Compliance for Each Major Federal Program

We have audited the Rockville Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to December 31, 2012. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to December 31, 2012.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3 and 2012-4. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2 and 2012-5 to be material weaknesses.

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

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

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



Bruce Hartman
State Examiner

August 8, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards was prepared by 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 Period of July 1, 2011 to December 31, 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 12-31-12
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program				
	10.553			
		SY 10-11	\$ 9,316	\$ -
		SY 11-12	49,594	10,648
		SY 12-13	-	13,099
			<u>58,910</u>	<u>23,747</u>
Total for program				
National School Lunch Program				
	10.555			
		SY 10-11	30,851	-
		SY 11-12	159,783	35,707
		SY 12-13	-	44,290
			<u>190,634</u>	<u>79,997</u>
Total for program				
Total for cluster				
			<u>249,544</u>	<u>103,744</u>
Child and Adult Care Food Program				
	10.558			
		SY 10-11	418	-
Team Nutrition Grants				
	10.574			
		A58-0-10SS-075	4,065	-
Total for federal grantor agency				
			<u>254,028</u>	<u>103,744</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
	84.010			
		SY 10-11	37,647	-
		SY 11-12	103,118	86,243
		SY 12-13	-	34,729
			<u>140,766</u>	<u>120,972</u>
Total for program				
Special Education Cluster (IDEA)				
	84.027			
		H027A90084	69,857	-

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period of July 1, 2011 to December 31, 2012
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 12-31-12
<u>UNITED STATES DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Covered Bridge Special Education District ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-062-SN01	15,385	-
Total for cluster			<u>85,242</u>	<u>-</u>
Pass-Through Indiana Department of Education Educational Technology State Grants Cluster Educational Technology State Grant	84.318	S318-XO-80014	1,697	-
Total for cluster			<u>1,697</u>	<u>-</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	08-6300	1,436	-
Rural Education	84.358			
		S358B090014	5,779	-
		S358B100014	-	3,530
		S358B110014	17,073	-
Total for program			<u>22,852</u>	<u>3,530</u>
Improving Teacher Quality State Grants	84.367			
		S367A090013	6,065	-
		S367A100013	13,929	17,420
Total for program			<u>19,994</u>	<u>17,420</u>
Education Jobs Fund	84.410			
		SY11-12	180,526	3,686
Total for federal grantor agency			<u>452,512</u>	<u>145,608</u>
Total federal awards expended			<u>\$ 706,540</u>	<u>\$ 249,352</u>

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

ROCKVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Rockville Community School Corporation (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 year ending June 30, 2012 and the period ended December 31, 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011-12	2012
School Breakfast Program	10.553	\$ 5,765	\$ 525
National School Lunch Program	10.555	18,697	4,728

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:	Adverse as to GAAP; Qualified as to Regulatory Basis
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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - 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 the 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 remain undetected.

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

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 statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
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.
4. **Schedule of Expenditures of Federal Awards:** The School Corporation did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control that operates effectively, material misstatements of the SEFA could remain undetected.

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TITLE I, PART A CLUSTER

Federal Agency: United States Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): SY10-11, SY11-12, SY12-13

Pass-Through Entity: Indiana Department of Education

Management of the School Board has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching; Level of Effort, Earmarking; Period of Availability; Procurement, Suspension and Debarment; Reporting; and

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

Special Tests and Provisions. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

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

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

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

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

FINDING 2012-3 - ALLOWABLE COST

Federal Agency: United States Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): SY10-11, SY11-12, SY12-13

Pass-Through Entity: Indiana Department of Education

Sheila Rohr, Title I Director, was paid \$4,000 from Title I funds for the 2011-2012 school year. The School Corporation did not provide a teacher's contract for Mrs. Rohr for the school year.

34 CFR 80.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards: . . . (6) *Source documentation*. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

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

The School Corporation is not in compliance with the allowable cost requirement for this program. The contract was not presented for audit; therefore, the payroll amount paid to Sheila Rohr could not be verified for compliance with allowable cost. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Corporation's management ensure that all supporting documentation for expenditures for allowable cost be retained for future audit.

FINDING 2012-4 - PERIOD OF AVAILABILITY

Federal Agency: United States Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): SY10-11, SY11-12, SY12-13
Pass-Through Entity: Indiana Department of Education

The School Corporation has set up separate funds for each grant year. Expenditures totaling \$46,989.39 were made from the Title I SY10-11 grant after the period of availability. The Corporation Treasurer realized the error and made a correcting entry to the Title I SY10-11 grant fund to show the expenses from the Title I SY11-12 grant fund but did not correct the entire amount. The balance of \$5,314.38 was shown as being spent after the period of availability.

The Notification of Grant Award provided by the Indiana Department of Education indicates the grant funds must be obligated by the end of the grant period, or June 30th of each grant year.

34 CFR 80.3 defines obligations as follows: "Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period."

The grant expenditures noted above as obligated outside of applicable periods of availability are appropriate expenditures for the grants but the wrong Title I grant fund was used for payment.

The School Corporation is not in compliance with the period of availability requirement for this program. The School Corporation should develop procedures to insure grant funds are only disbursed for obligations within the appropriate period of availability. All purchasing individuals should be made aware of each grant's period of availability and definition of obligation. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that the School Corporation's management ensure that funding is obligated prior to the end of the period of availability.

FINDING 2012-5 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD NUTRITION CLUSTER

Federal Agency: United States Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program
CFDA Number: 10.553 and 10.555
Federal Award Number and Year (or Other Identifying Number): SY10-11, SY11-12, SY12-13
Pass-Through Entity: Indiana Department of Education

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

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed/Allowable Cost; Cash Management; Eligibility; Procurement, Suspension and Debarment; Program Income; Reporting and Special Tests and Provisions. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

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

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

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

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



Rockville Community School Corporation

602 Howard Avenue • Rockville, Indiana 47872 • (765) 569-5582 Fax: (765) 569-6650

Dr. Thomas Rohr
Interim Superintendent

David D. Mahurin
Jr/Sr High Principal

Jeffrey B. Eslinger
Elementary Principal

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-2, Internal Controls over Financial Transactions and Reporting

Original SBA Audit Report Number: B40167
Fiscal Year FY 08-09, FY 09-10, FY 10-11
Auditee Contact Person Teresa L. Veach
Title of Contact Person Corporation Treasurer
Phone Number 765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

Finding Number 2011-3, Cash Management – ARRA – State Fiscal Stabilization Fund

Original SBA Audit Report Number: B40167
Fiscal Year FY 09-10
Auditee Contact Person Teresa L. Veach
Title of Contact Person Corporation Treasurer
Phone Number 765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

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Jeffrey S. Gooch

Roger L. Bridge
Rusty Akers

Pamela S. Burgess
-46- Ronald B. Wheeler

Pamela J. Ferguson
Gary Hanner – Legal Counsel



Rockville Community School Corporation

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Dr. Thomas Robr
Interim Superintendent

David D. Mahurin
Jr/Sr High Principal

Jeffrey B. Eslinger
Elementary Principal

Finding Number 2011-4, Reporting – ARRA – State Fiscal Stabilization Fund

Original SBA Audit Report Number:	B40167
Fiscal Year	FY 08-09, FY 09-10
Auditee Contact Person	Teresa L. Veach
Title of Contact Person	Corporation Treasurer
Phone Number	765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

Finding Number 2011-5, Allowable Cost – Title I, Part A Cluster

Original SBA Audit Report Number:	B40167
Fiscal Year	FY 08-09, FY 09-10, FY 10-11
Auditee Contact Person	Teresa L. Veach
Title of Contact Person	Corporation Treasurer
Phone Number	765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

Finding Number 2011-6, Cash Management – Title I, Part A Cluster

Original SBA Audit Report Number:	B40167
Fiscal Year	FY 08-09, FY 09-10, FY 10-11

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Dr. Thomas Rohr
Interim Superintendent
Auditee Contact Person

David D. Mahurin
Jr/Sr High Principal
Teresa L. Veach

Jeffrey B. Eslinger
Elementary Principal

Title of Contact Person

Corporation Treasurer

Phone Number

765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

Finding Number 2011-7, Reporting – Title I, Part A Cluster

Original SBA Audit Report Number:

B40167

Fiscal Year

FY 08-09, FY 09-10, FY 10-11

Auditee Contact Person

Teresa L. Veach

Title of Contact Person

Corporation Treasurer

Phone Number

765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

Finding Number 2011-8, Cash Management – Special Education

Original SBA Audit Report Number:

B40167

Fiscal Year

Auditee Contact Person

Teresa L. Veach

Title of Contact Person

Corporation Treasurer

Phone Number

765-569-5582

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Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

Finding Number 2011-9, Allowable Cost – Special Education

Original SBA Audit Report Number:	B40167
Fiscal Year	
Auditee Contact Person	Teresa L. Veach
Title of Contact Person	Corporation Treasurer
Phone Number	765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

Finding Number 2011-10, Special Test & Provision – Schoolwide Program – Title I

Original SBA Audit Report Number:	B40167
Fiscal Year	FY 08-09, FY 09-10, FY 10-11
Auditee Contact Person	Teresa L. Veach
Title of Contact Person	Corporation Treasurer
Phone Number	765-569-5582

Status of Finding:

Following the last audit, new procedures were put in place as suggested by the State Board of Accounts. However, with several staff changes not all procedures could be followed consistently. As of January 1, 2013, Rockville Community Schools has merged with Turkey Run Community Schools and all money will be monitored under North Central Parke Community Schools.

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Finding Number 2011-11, Eligibility – Child Nutrition

Original SBA Audit Report Number:	B40167
Fiscal Year	FY 09-10 and FY 10-11
Auditee Contact Person	Teresa L. Veach
Title of Contact Person	Corporation Treasurer
Phone Number	765-569-5582

Status of Finding:

Following the last audit procedures were put in place as suggested by the State Board of Accounts. The Food Service Director sends letters to the 3% standard selected applications for verification requesting ten days to reply with proof of eligibility. Ten days advance notification was provided to households that were to receive a reduction or termination of benefits, prior to the actual reduction or termination. The notice advised 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;
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.

The Food Service Director called every 30 to 45 days to those families with temporarily approved applications days to update eligibility. As of June 1, 2012, temporary approval is no longer allowed; therefore, the Foods Director will not be making calls. If an application is turned in with no income checked, it is approved based on face value and then verify the application for cause.

Signature: 
 Title: Treasurer
 Date: June 11, 2013

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ROCKVILLE COMMUNITY SCHOOL CORPORATION CORRECTIVE ACTION PLAN

FINDING 2012 - 1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person: Teresa L. Veach
Title of Contact Person: Treasurer
Phone Number: 765-569-5582
Expected Completion Date: N/A

Corrective Action:

Since Rockville Community School Corporation ceases to exist as of December 31, 2012, no corrective plan can be implemented. Consideration will be given to the internal control findings of auditors by the successor school corporation managements.

FINDING 2012-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO (TITLE I, PART A CLUSTER)

Contact Person: Teresa L. Veach
Title of Contact Person: Treasurer
Phone Number: 765-569-5582
Expected Completion Date: N/A

Corrective Action:

Since Rockville Community School Corporation ceases to exist as of December 31, 2012, no corrective plan can be implemented. Consideration will be given to the internal control findings of auditors by the successor school corporation managements.

FINDING 2012-3 – Activities Allowed/Allowable Cost – Title I, Part A Cluster

Federal Agency: United States Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): SY10-11, SY11-12, SY12-13
Pass-Through Entity: Indiana Department of Education

Contact Person: Teresa L. Veach
Title of Contact Person: Treasurer
Phone Number: 765-569-5582
Expected Completion Date: N/A

Corrective Action:

Since Rockville Community School Corporation ceases to exist as of December 31, 2012, no corrective plan can be implemented. Consideration will be given to the internal control findings of auditors by the successor school corporation managements.

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FINDING 2012-4, Period of Availability - Title I, Part A Cluster

Federal Agency: United States Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): SY10-11, SY11-12, SY12-13
Pass-Through Entity: Indiana Department of Education

Contact Person: Teresa L. Veach
Title of Contact Person: Treasurer
Phone Number: 765-569-5582
Expected Completion Date: N/A

Corrective Action:

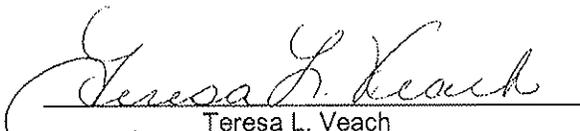
Since Rockville Community School Corporation ceases to exist as of December 31, 2012, no corrective plan can be implemented. Consideration will be given to the internal control findings of auditors by the successor school corporation managements.

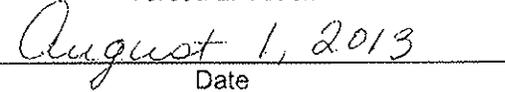
FINDING 2012-5 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD NUTRITION CLUSTER

Contact Person: Teresa L. Veach
Title of Contact Person: Treasurer
Phone Number: 765-569-5582
Expected Completion Date: N/A

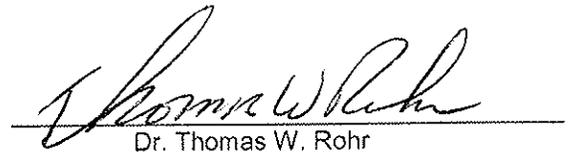
Corrective Action:

Since Rockville Community School Corporation ceases to exist as of December 31, 2012, no corrective plan can be implemented. Consideration will be given to the internal control findings of auditors by the successor school corporation managements.



Teresa L. Veach


Date



Dr. Thomas W. Rohr


Date

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ROCKVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2013, with Dr. Thomas W. Rohr, Superintendent of Schools; Pamela J. Ferguson, President of the School Board; Teresa L. Veach, Treasurer; and Greg Harvey, President of the School Board of North Central Parke Community Schools. The officials concurred with our audit findings.