

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
BARTHOLOMEW COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED

02/18/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeffrey A. Cleland	07-01-11 to 06-30-14
Superintendent of Schools	Dr. Kathy Griffey	07-01-11 to 06-30-14
President of the School Board	Brian Rose Andrew Hunnicutt	07-01-11 to 12-31-12 01-01-13 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE FLAT ROCK-HAWCREEK SCHOOL CORPORATION, BARTHOLOMEW COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Flat Rock-Hawcreek School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, 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 the 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 the 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 the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 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 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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, as listed in the Table of Contents, is presented for additional analysis and is not a required part 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.


Paul D. Joyce, CPA
State Examiner

December 18, 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 FLAT ROCK-HAWCREEK SCHOOL
CORPORATION, BARTHOLOMEW 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 Flat Rock-Hawcreek School Corporation (School Corporation), which comprise the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 18, 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.

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 2013-001 and 2013-002 to be material weaknesses.

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

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)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Flat Rock-Hawcreek 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.


Paul D. Joyce, CPA
State Examiner

December 18, 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.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments			Other Financing	Cash and Investments			Other Financing	Cash and Investments
	07-01-11	Receipts	Disbursements	Sources (Uses)	06-30-12	Receipts	Disbursements	Sources (Uses)	06-30-13
General	\$ (139,334)	\$ 6,003,517	\$ 6,122,011	\$ 307	\$ (257,521)	\$ 5,792,745	\$ 4,895,545	\$ 752	\$ 640,431
Racial Balance	-	-	-	-	-	-	-	-	-
Debt Service	73,289	153,390	68,486	-	158,193	168,841	233,525	-	93,509
Retirement/Severance Bond Debt Service	32,346	173,942	167,289	-	38,999	156,149	169,952	-	25,196
Referendum Debt Exempt Capital	778,377	2,327,320	2,112,004	-	993,693	2,345,136	2,127,998	-	1,210,831
Capital Projects	82,223	701,945	676,680	17,221	124,709	883,230	526,328	(39,400)	442,211
School Transportation	179,936	601,493	577,550	-	203,879	575,186	544,334	-	234,731
School Bus Replacement	246,269	85,530	83,921	-	247,878	67,322	289,772	-	25,428
Rainy Day	-	-	-	-	-	-	-	40,000	40,000
Retirement/Severance Bond	464,268	-	-	-	464,268	-	464,268	-	-
Construction	-	-	-	-	-	-	-	1,000,339	628,636
School Lunch	22,959	473,395	443,978	-	52,376	505,244	507,302	-	50,318
Textbook Rental	40,192	123,839	114,146	-	49,885	116,509	95,611	-	70,783
Levy Excess	9,881	-	-	-	9,881	-	-	-	9,881
Educational License Plates	2,575	244	-	-	2,819	131	-	-	2,950
SAFE School Haven	5,973	-	-	-	5,973	-	-	-	5,973
Student Benefit	285	-	-	-	285	-	-	-	285
Heritage Fund - Bus	1,687	-	-	-	1,687	-	-	-	1,687
Heritage Fund Generator Grant	15,000	-	15,000	-	-	-	-	-	-
Heritage Fund - Weather Bug	-	-	-	-	-	-	-	-	-
HCFR Endowment - J. Story	-	-	-	-	-	600	600	-	-
HCFR Endowment - Apple TVs	-	-	-	-	-	4,400	-	-	4,400
HCFR Endowment - Leveled Literacy	-	-	-	-	-	5,500	-	-	5,500
Construction, Remodeling, and Equipping Buildings	20,120	-	20,120	-	-	-	-	-	-
Heritage Fund-Signs for Trees	-	500	-	-	500	-	-	-	500
Heritage Fund Grant - TL I Books	-	900	-	-	900	-	866	-	34
Heritage Fund - Literacy Grant	-	5,000	-	-	5,000	-	5,000	-	-

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013
(Continued)

	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 06-30-13
Monsanto Grant	-	-	-	-	-	10,000	8,682	-	1,318
Project Lead the Way	1,675	331	3,435	-	(1,429)	-	6,945	-	(8,374)
DWD Grant (HS)	-	17,684	-	-	17,684	-	-	-	17,684
Instructional Support	208	-	-	-	208	-	-	-	208
Tech Prep Curriculum Improvement	286	-	-	-	286	-	-	-	286
Cinergy Phase II Grant	200	-	-	-	200	-	-	-	200
Instructional Support	-	30,280	14,459	-	15,821	28,972	28,672	-	16,121
Education Technology	18,306	139,336	114,687	-	42,955	91,737	103,819	-	30,873
Drug Free Communities	3,562	-	-	-	3,562	-	1,000	-	2,562
Medicaid Reimbursement	26,521	5,011	-	-	31,532	14,253	-	-	45,785
School Technology	4,110	2,466	904	-	5,672	2,087	-	-	7,759
USF E*Rate Discounts & Refunds	(2,414)	9,800	21,636	-	(14,250)	3,677	(13,029)	-	2,456
School Safety	1,558	-	-	-	1,558	-	-	-	1,558
Safe Routes to Schools	-	-	-	-	-	13,750	33,655	-	(19,905)
Title I	(25,857)	172,520	189,305	-	(42,642)	153,605	128,246	-	(17,283)
Title V, Part A (Innovative)	46,127	(22,000)	-	-	24,127	-	-	-	24,127
CETA Program (JTPA)	7,758	-	721	-	7,037	-	(1)	-	7,038
Drug Free Schools	20,547	575	772	-	20,350	-	-	-	20,350
Improving Teaching Quality, No Child Left, Title II, Part A	(2,065)	48,697	74,706	-	(28,074)	70,637	72,195	-	(29,632)
ITQ, Enhanced Education Through Technology, Title II, Part D	5,397	-	-	-	5,397	-	-	-	5,397
Title I - Grants to LEAs	37,483	-	26,000	-	11,483	-	11,483	-	-
Special Education - Part B	(23,388)	61,926	38,538	-	-	-	-	-	-
Special Education - Part B - Preschool	4,898	-	4,898	-	-	-	-	-	-
Education Jobs	-	201,107	201,107	-	-	4,106	4,106	-	-
Dunn & Associates Medical Benefits	28,065	1,150,463	1,168,639	-	9,889	-	9,889	-	-
Payroll Deductions	33,323	1,350,554	1,349,445	-	34,432	1,187,270	1,194,675	-	27,027
Totals	<u>\$ 2,022,346</u>	<u>\$ 13,819,765</u>	<u>\$ 13,610,437</u>	<u>\$ 17,528</u>	<u>\$ 2,249,202</u>	<u>\$ 12,201,087</u>	<u>\$ 11,823,141</u>	<u>\$ 1,001,691</u>	<u>\$ 3,628,839</u>

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

FLAT ROCK-HAWCREEK 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 Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

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

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

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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 include the following:

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

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

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 7. Restatements

For the year ended June 30, 2012, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances.

<u>Fund</u>	<u>Balance as of June 30, 2011</u>	<u>Prior Period Adjustment</u>	<u>Balance as of July 1, 2011</u>
General	\$ (117,486)	\$ (21,848)	\$ (139,334)
Title I	(47,705)	21,848	(25,857)

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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.

FLAT ROCK-HAWCREEK 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	Racial Balance	Debt Service	Retirement/ Servance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ (139,334)	\$ -	\$ 73,289	\$ 32,346	\$ 778,377	\$ 82,223	\$ 179,936	\$ 246,269	\$ -
Receipts:									
Local sources	52,317	-	153,390	173,942	1,696,711	587,788	416,562	85,530	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	5,873,082	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	68,198	-	-	-
Temporary loans	77,651	-	-	-	630,609	-	184,931	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	467	-	-	-	-	45,959	-	-	-
Total receipts	6,003,517	-	153,390	173,942	2,327,320	701,945	601,493	85,530	-
Disbursements:									
Current:									
Instruction	3,362,913	-	-	-	-	-	-	-	-
Support services	2,724,816	-	-	-	-	434,182	386,883	83,921	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	34,262	-	-	-	-	236,897	-	-	-
Debt services	20	-	68,486	167,289	2,112,004	5,601	190,667	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	6,122,011	-	68,486	167,289	2,112,004	676,680	577,550	83,921	-
Excess (deficiency) of receipts over disbursements	(118,494)	-	84,904	6,653	215,316	25,265	23,943	1,609	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	307	-	-	-	-	17,221	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	307	-	-	-	-	17,221	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(118,187)	-	84,904	6,653	215,316	42,486	23,943	1,609	-
Cash and investments - ending	\$ (257,521)	\$ -	\$ 158,193	\$ 38,999	\$ 993,693	\$ 124,709	\$ 203,879	\$ 247,878	\$ -

FLAT ROCK-HAWCREEK 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)

	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Student Benefit	Heritage Fund Bus
Cash and investments - beginning	\$ 464,268	\$ -	\$ 22,959	\$ 40,192	\$ 9,881	\$ 2,575	\$ 5,973	\$ 285	\$ 1,687
Receipts:									
Local sources	-	-	258,736	123,839	-	-	-	-	-
Intermediate sources	-	-	-	-	-	244	-	-	-
State sources	-	-	5,295	-	-	-	-	-	-
Federal sources	-	-	208,357	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	1,007	-	-	-	-	-	-
Total receipts	-	-	473,395	123,839	-	244	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	20,982	114,146	-	-	-	-	-
Noninstructional services	-	-	422,996	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	443,978	114,146	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	29,417	9,693	-	244	-	-	-
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	-	-	29,417	9,693	-	244	-	-	-
Cash and investments - ending	\$ 464,268	\$ -	\$ 52,376	\$ 49,885	\$ 9,881	\$ 2,819	\$ 5,973	\$ 285	\$ 1,687

FLAT ROCK-HAWCREEK 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)

	Heritage Fund Generator Grant	Heritage Fund Weather Bug	HCFR Endowment J. Story	HCFR Endowment Apple TVs	HCFR Endowment Leveled Literacy	Construction Remodeling and Equipping Buildings	Heritage Fund Signs for Trees	Heritage Fund Grant TL 1 Books	Heritage Fund Literacy Grant
Cash and investments - beginning	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 20,120	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	500	900	5,000
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	500	900	5,000
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	15,000	-	-	-	-	20,120	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	15,000	-	-	-	-	20,120	-	-	-
Excess (deficiency) of receipts over disbursements	(15,000)	-	-	-	-	(20,120)	500	900	5,000
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,000)	-	-	-	-	(20,120)	500	900	5,000
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 900	\$ 5,000

FLAT ROCK-HAWCREEK 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)

	Monsanto Grant	Project Lead the Way	DWD Grants (HS)	Instructional Support	Tech Prep Curriculum Improvement	Cinergy Phase II Grant	Instructional Support	Education Technology	Drug Free Communities
Cash and investments - beginning	\$ -	\$ 1,675	\$ -	\$ 208	\$ 286	\$ 200	\$ -	\$ 18,306	\$ 3,562
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	17,684	-	-	-	30,280	139,336	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	331	-	-	-	-	-	-	-
Total receipts	-	331	17,684	-	-	-	30,280	139,336	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	3,435	-	-	-	-	14,459	114,687	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	3,435	-	-	-	-	14,459	114,687	-
Excess (deficiency) of receipts over disbursements	-	(3,104)	17,684	-	-	-	15,821	24,649	-
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	-	(3,104)	17,684	-	-	-	15,821	24,649	-
Cash and investments - ending	\$ -	\$ (1,429)	\$ 17,684	\$ 208	\$ 286	\$ 200	\$ 15,821	\$ 42,955	\$ 3,562

FLAT ROCK-HAWCREEK 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)

	Medicaid Reimbursement	School Technology	USF E*Rate Discounts & Refunds	School Safety	Safe Routes to Schools	Title I	Title V Part A (Innovative)	CETA Program (JTPA)	Drug Free Schools
Cash and investments - beginning	\$ 26,521	\$ 4,110	\$ (2,414)	\$ 1,558	\$ -	\$ (25,857)	\$ 46,127	\$ 7,758	\$ 20,547
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	5,011	2,466	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	172,520	(22,000)	-	575
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	9,800	-	-	-	-	-	-
Total receipts	5,011	2,466	9,800	-	-	172,520	(22,000)	-	575
Disbursements:									
Current:									
Instruction	-	-	-	-	-	183,827	-	-	-
Support services	-	-	21,636	-	-	5,344	-	721	772
Noninstructional services	-	-	-	-	-	134	-	-	-
Facilities acquisition and construction	-	904	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	904	21,636	-	-	189,305	-	721	772
Excess (deficiency) of receipts over disbursements	5,011	1,562	(11,836)	-	-	(16,785)	(22,000)	(721)	(197)
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	5,011	1,562	(11,836)	-	-	(16,785)	(22,000)	(721)	(197)
Cash and investments - ending	\$ 31,532	\$ 5,672	\$ (14,250)	\$ 1,558	\$ -	\$ (42,642)	\$ 24,127	\$ 7,037	\$ 20,350

FLAT ROCK-HAWCREEK 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)

	Improving Teaching Quality No Child Left Title II, Part A	ITQ Enhanced Education Through Technology Title II, Part D	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Jobs	Dunn & Associates Medical Benefits	Payroll Deductions	Totals
Cash and investments - beginning	\$ (2,065)	\$ 5,397	\$ 37,483	\$ (23,388)	\$ 4,898	\$ -	\$ 28,065	\$ 33,323	\$ 2,022,346
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,555,215
Intermediate sources	-	-	-	-	-	-	-	-	244
State sources	-	-	-	-	-	-	-	-	6,073,154
Federal sources	48,697	-	-	61,926	-	201,107	-	-	739,380
Temporary loans	-	-	-	-	-	-	-	-	893,191
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1,150,463	1,350,554	2,558,581
Total receipts	48,697	-	-	61,926	-	201,107	1,150,463	1,350,554	13,819,765
Disbursements:									
Current:									
Instruction	24,560	-	-	29,262	4,898	201,107	-	-	3,806,567
Support services	50,146	-	26,000	4,879	-	-	-	-	4,007,009
Noninstructional services	-	-	-	-	-	-	-	-	423,130
Facilities acquisition and construction	-	-	-	4,397	-	-	-	-	311,580
Debt services	-	-	-	-	-	-	-	-	2,544,067
Nonprogrammed charges	-	-	-	-	-	-	1,168,639	1,349,445	2,518,084
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	74,706	-	26,000	38,538	4,898	201,107	1,168,639	1,349,445	13,610,437
Excess (deficiency) of receipts over disbursements	(26,009)	-	(26,000)	23,388	(4,898)	-	(18,176)	1,109	209,328
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	17,528
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	17,528
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(26,009)	-	(26,000)	23,388	(4,898)	-	(18,176)	1,109	226,856
Cash and investments - ending	\$ (28,074)	\$ 5,397	\$ 11,483	\$ -	\$ -	\$ -	\$ 9,889	\$ 34,432	\$ 2,249,202

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Racial Balance	Debt Service	Retirement/ Serverance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ (257,521)	\$ -	\$ 158,193	\$ 38,999	\$ 993,693	\$ 124,709	\$ 203,879	\$ 247,878	\$ -
Receipts:									
Local sources	36,544	-	168,841	156,149	1,765,136	649,084	421,186	27,322	-
Intermediate sources	2,491	-	-	-	-	-	-	-	-
State sources	5,737,152	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	5,000	-	-	-
Temporary loans	-	-	-	-	580,000	190,000	154,000	40,000	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	16,558	-	-	-	-	39,146	-	-	-
Total receipts	5,792,745	-	168,841	156,149	2,345,136	883,230	575,186	67,322	-
Disbursements:									
Current:									
Instruction	3,275,541	-	-	-	-	-	-	-	-
Support services	1,619,977	-	-	-	-	409,375	415,924	289,772	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	118,007	-	-	-
Debt services	27	-	233,525	169,952	2,127,998	(1,054)	128,410	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	4,895,545	-	233,525	169,952	2,127,998	526,328	544,334	289,772	-
Excess (deficiency) of receipts over disbursements	897,200	-	(64,684)	(13,803)	217,138	356,902	30,852	(222,450)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	752	-	-	-	-	600	-	-	-
Transfers in	-	-	-	-	-	-	-	-	40,000
Transfers out	-	-	-	-	-	(40,000)	-	-	-
Total other financing sources (uses)	752	-	-	-	-	(39,400)	-	-	40,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	897,952	-	(64,684)	(13,803)	217,138	317,502	30,852	(222,450)	40,000
Cash and investments - ending	\$ 640,431	\$ -	\$ 93,509	\$ 25,196	\$ 1,210,831	\$ 442,211	\$ 234,731	\$ 25,428	\$ 40,000

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Retirement/ Severance Bond	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Student Benefit	Heritage Fund Bus
Cash and investments - beginning	\$ 464,268	\$ -	\$ 52,376	\$ 49,885	\$ 9,881	\$ 2,819	\$ 5,973	\$ 285	\$ 1,687
Receipts:									
Local sources	-	-	241,494	116,509	-	-	-	-	-
Intermediate sources	-	-	-	-	-	131	-	-	-
State sources	-	-	5,023	-	-	-	-	-	-
Federal sources	-	-	241,679	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	17,048	-	-	-	-	-	-
Total receipts	-	-	505,244	116,509	-	131	-	-	-
Disbursements:									
Current:									
Instruction	464,268	-	-	-	-	-	-	-	-
Support services	-	27,094	938	95,611	-	-	-	-	-
Noninstructional services	-	-	506,364	-	-	-	-	-	-
Facilities acquisition and construction	-	344,609	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	464,268	371,703	507,302	95,611	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(464,268)	(371,703)	(2,058)	20,898	-	131	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	1,000,339	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,000,339	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(464,268)	628,636	(2,058)	20,898	-	131	-	-	-
Cash and investments - ending	\$ -	\$ 628,636	\$ 50,318	\$ 70,783	\$ 9,881	\$ 2,950	\$ 5,973	\$ 285	\$ 1,687

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Heritage Fund Generator Grant	Heritage Fund Weather Bug	HCFR Endowment J. Story	HCFR Endowment Apple TVs	HCFR Endowment Leveled Literacy	Construction Remodeling and Equipping Buildings	Heritage Fund Signs for Trees	Heritage Fund Grant TL 1 Books	Heritage Fund Literacy Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 900	\$ 5,000
Receipts:									
Local sources	-	-	600	4,400	5,500	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	600	4,400	5,500	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	866	5,000
Support services	-	-	600	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	600	-	-	-	-	866	5,000
Excess (deficiency) of receipts over disbursements	-	-	-	4,400	5,500	-	-	(866)	(5,000)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	4,400	5,500	-	-	(866)	(5,000)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 4,400	\$ 5,500	\$ -	\$ 500	\$ 34	\$ -

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Monsanto Grant	Project Lead the Way	DWD Grants (HS)	Instructional Support	Tech Prep Curriculum Improvement	Cinergy Phase II Grant	Instructional Support	Education Technology	Drug Free Communities
Cash and investments - beginning	\$ -	\$ (1,429)	\$ 17,684	\$ 208	\$ 286	\$ 200	\$ 15,821	\$ 42,955	\$ 3,562
Receipts:									
Local sources	10,000	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	28,972	91,737	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	10,000	-	-	-	-	-	28,972	91,737	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	6,945	-	-	-	-	28,672	103,819	1,000
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	8,682	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	8,682	6,945	-	-	-	-	28,672	103,819	1,000
Excess (deficiency) of receipts over disbursements	1,318	(6,945)	-	-	-	-	300	(12,082)	(1,000)
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	1,318	(6,945)	-	-	-	-	300	(12,082)	(1,000)
Cash and investments - ending	\$ 1,318	\$ (8,374)	\$ 17,684	\$ 208	\$ 286	\$ 200	\$ 16,121	\$ 30,873	\$ 2,562

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Medicaid Reimbursement	School Technology	USF E*Rate Discounts & Refunds	School Safety	Safe Routes to Schools	Title I	Title V Part A (Innovative)	GETA Program (JTPA)	Drug Free Schools
Cash and investments - beginning	\$ 31,532	\$ 5,672	\$ (14,250)	\$ 1,558	\$ -	\$ (42,642)	\$ 24,127	\$ 7,037	\$ 20,350
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	13,750	-	-	-	-
State sources	14,253	2,087	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	153,605	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	3,677	-	-	-	-	-	-
Total receipts	14,253	2,087	3,677	-	13,750	153,605	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	126,030	-	-	-
Support services	-	-	(13,029)	-	-	2,079	-	(1)	-
Noninstructional services	-	-	-	-	-	137	-	-	-
Facilities acquisition and construction	-	-	-	-	33,655	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	(13,029)	-	33,655	128,246	-	(1)	-
Excess (deficiency) of receipts over disbursements	14,253	2,087	16,706	-	(19,905)	25,359	-	1	-
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	14,253	2,087	16,706	-	(19,905)	25,359	-	1	-
Cash and investments - ending	\$ 45,785	\$ 7,759	\$ 2,456	\$ 1,558	\$ (19,905)	\$ (17,283)	\$ 24,127	\$ 7,038	\$ 20,350

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Improving Teaching Quality No Child Left Title II, Part A	ITQ Enhanced Education Through Technology Title II, Part D	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Jobs	Dunn & Associates Medical Benefits	Payroll Deductions	Totals
Cash and investments - beginning	\$ (28,074)	\$ 5,397	\$ 11,483	\$ -	\$ -	\$ -	\$ 9,889	\$ 34,432	\$ 2,249,202
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,602,765
Intermediate sources	-	-	-	-	-	-	-	-	16,372
State sources	-	-	-	-	-	-	-	-	5,879,224
Federal sources	70,637	-	-	-	-	4,106	-	-	475,027
Temporary loans	-	-	-	-	-	-	-	-	964,000
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,187,270	1,263,699
Total receipts	70,637	-	-	-	-	4,106	-	1,187,270	12,201,087
Disbursements:									
Current:									
Instruction	20,952	-	-	-	-	4,106	-	-	3,896,763
Support services	51,243	-	11,483	-	-	-	-	-	3,051,502
Noninstructional services	-	-	-	-	-	-	-	-	506,501
Facilities acquisition and construction	-	-	-	-	-	-	-	-	504,953
Debt services	-	-	-	-	-	-	-	-	2,658,858
Nonprogrammed charges	-	-	-	-	-	-	9,889	1,194,675	1,204,564
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	72,195	-	11,483	-	-	4,106	9,889	1,194,675	11,823,141
Excess (deficiency) of receipts over disbursements	(1,558)	-	(11,483)	-	-	-	(9,889)	(7,405)	377,946
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,000,339
Sale of capital assets	-	-	-	-	-	-	-	-	1,352
Transfers in	-	-	-	-	-	-	-	-	40,000
Transfers out	-	-	-	-	-	-	-	-	(40,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,001,691
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,558)	-	(11,483)	-	-	-	(9,889)	(7,405)	1,379,637
Cash and investments - ending	\$ (29,632)	\$ 5,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,027	\$ 3,628,839

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The financial statement presented in this report included the following fund with an overdrawn cash balance at June 30, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
General	<u>\$ 257,521</u>

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE FLAT ROCK-HAWCREEK SCHOOL
CORPORATION, BARTHOLOMEW COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Flat Rock-Hawcreek 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 June 30, 2013. 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 June 30, 2013.

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 2013-004 and 2013-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 2013-003, 2013-004, and 2013-005 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.


Paul D. Joyce, CPA
State Examiner

December 18, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
School Year 2011-2012			SY 11/12	\$ 64,119	\$ -
School Year 2012-2013			SY 12/13	-	72,204
National School Lunch Program	Indiana Department of Education	10.555			
School Year 2011-2012			SY 11/12	189,588	-
School Year 2012-2013			SY 12/13	-	201,087
Total for cluster				<u>253,707</u>	<u>273,291</u>
Total for federal grantor agency				<u>253,707</u>	<u>273,291</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
School Year 2011-2012			SY 11/12	172,520	-
School Year 2012-2013			SY 12/13	-	153,605
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389			
School Year 2011-2012			SY 11/12	26,000	-
School Year 2012-2013			SY 12/13	-	11,483
Total for cluster				<u>198,520</u>	<u>165,088</u>
Special Educational Cluster					
ARRA - Special Education Grants to States, Recovery Act	Indiana Department of Education	84.391			
School Year 2011-2012			SY 11/12	38,537	-
ARRA - Special Education Preschool Grants, Recovery Act	Indiana Department of Education	84.392			
School Year 2011-2012			SY 11/12	4,898	-
Total for cluster				<u>43,435</u>	<u>-</u>
Education Jobs Fund	Indiana Department of Education	84.410			
School Year 2011-2012			SY 11/12	201,107	-
School Year 2012-2013			SY 12/13	-	4,106
Total for program				<u>201,107</u>	<u>4,106</u>

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>					
Safe and Drug Free Schools and Communities - State Grants School Year 2011-2012	Indiana Department of Education	84.186	SY 11/12	575	-
Total for program				575	-
Improving Teacher Quality State Grants School Year 2011-2012 School Year 2012-2013	Indiana Department of Education	84.367	SY 11/12 SY 12/13	26,697 -	- 70,637
Total for program				26,697	70,637
Total for federal grantor agency				470,334	239,831
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Safe Routes to Schools	Indiana Department of Transportation	20.205	SY 12/13	-	13,750
Total for cluster				-	13,750
Total for federal grantor agency				-	13,750
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Medicaid Cluster Medical Assistance Program	Indiana Department of Education	93.778	SY 11/12 & 12/13	3,346	9,573
Total for cluster				3,346	9,573
Total for federal grantor agency				3,346	9,573
Total federal awards expended				\$ 727,387	\$ 536,445

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

FLAT ROCK-HAWCREEK 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 Flat Rock-Hawcreek 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 years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 6,880	\$ 8,352
National School Lunch Program	10.555	20,787	23,260

FLAT ROCK-HAWCREEK 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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	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 2013-001 - DEFICIENCY IN INTERNAL CONTROL - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Flat Rock-Hawcreek School Corporation (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.

During the audit of the SEFA, we noted the following errors: The Safe and Drug Free Schools and Communities – State Grants was overstated; Highway Planning and Construction - the Safe Routes to Schools project was understated; Improving Teacher Quality State Grants was overstated; and the Medicaid

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Assistance Program expenditures totaling \$12,918 for 2012 and 2013 were not included. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that was materially correct in relation to the financial statement.

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-002 - DEFICIENCY IN INTERNAL CONTROL - TEXTBOOK RENTAL RECEIPTS, PAYROLL, AND SCHOOL LUNCH

We noted the following deficiency in the internal control system of the School Corporation related to financial transactions. We believe the following deficiencies constitute a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks of error and/or fraud of the financial statement. The School Corporation has not separated incompatible activities related to payroll processing, disbursements, textbook rental receipts, and school lunch receipts. The failure to establish these controls could enable material misstatements to 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 objections, 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 2013-003 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number) SY 11/12 and SY 12/13
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over Cash Management and Reporting compliance requirements. 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.

The School Corporation is required to send reimbursement requests monthly. Prior to submission, the requests are not reviewed by someone other than the individual preparing the requests. Controls are not established to ensure the reimbursement requests are completed properly and filed timely.

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."

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 establish controls related to Cash Management and Reporting compliance requirements.

FINDING 2013-004 - CASH MANAGEMENT AND REPORTING

Federal Agency: U.S. Department of Education

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

CFDA Number: 84.010, 84.389

Federal Award Number and Year (or Other Identifying Number): SY 11/12 and SY 12/13

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over Cash Management and Reporting compliance requirements. 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.

For the Title I Grants to Local Educational Agencies grant, the School Corporation is required to send reimbursement requests monthly. Prior to submission, the requests are not reviewed by someone other than the individual preparing the requests. Controls are not established to ensure the reimbursement requests are completed properly and filed timely.

Monies for the ARRA - Title I Grants to Local Educational Agencies, Recovery Act grant are received in advance of any expenditures incurred or monies spent by the School Corporation. The School Corporation is not effectively monitoring the cash balance of the grant in order to ensure that the time between the receipt and disbursement of federal funds is minimized. The School Corporation does not have proper procedures or controls in place. Due to the lack of proper procedures and controls, the School Corporation held funds of \$11,482, received in advance, for ARRA - Title I Grant to Local Educational Agencies, Recovery Act, for 12 months prior to being disbursed.

Surplus cash indicates noncompliance with the Cash Management requirement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

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

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

34 CFR 80.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(c) *Advances.* Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

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

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 establish controls related to Cash Management and Reporting compliance requirements.

FINDING 2013-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): SY 11/12 and SY 12/13
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over the Allowable Cost/Cost Principles compliance requirement. 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.

The School Corporation was required to maintain time and effort reporting on all full and part-time employees paid from the School Lunch fund. No time and effort reports were maintained for the audit period of July 1, 2011 to June 30, 2013.

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

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

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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."

Noncompliance with the grant agreement or the Allowable Cost/Cost Principles 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 to ensure compliance with the requirements.

Kathy R. Griffey, Ed.D.
Superintendent

Jeffrey Cleland
Business Manager

Melissa Dempsey
Assistant Business Manager

Flat Rock-Hawcreek School Corporation

Jim Tedder
Director of Transportation
and Facilities

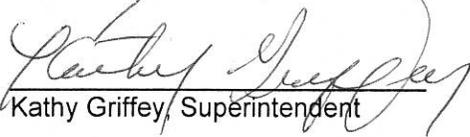
Joyce Garrison
Secretary

Summary Schedule of Prior Audit Findings

Finding 2011-3, ARRA Title I Grants to Local Educational Agencies, Recovery Act – Cash Management

Original SBA Audit Report Number: B41052
Fiscal Year: 2011
Auditee Contact Person: Jeffrey A. Cleland
Title of Contact Person: Business Manager
Phone Number: 812-546-4922

State of Finding: All grants passed through the Indiana Department of Education are now on a reimbursement basis, so excess cash does not accumulate and is no longer an issue.


Kathy Griffey, Superintendent

1/15/14

Date


Jeffery A. Cleland, Business Mgr.

1/15/14

Date

December 17, 2013

Finding 2013-001 Deficiency in Internal Control - Schedule of Expenditures of Federal Awards

CORRECTIVE ACTION PLAN

The school corporation will implement a system of internal control in the preparation of the SEFA to ensure accurate reporting of the federal awards.

1. The Business Manager and Assistant Business Manager shall review all federal expenditures by August 10 for the most recently ended fiscal year, to provide reasonable assurance of the reliability of the financial transactions and regulatory compliance.

Signed Jeffrey A. Cleland
Titled Business Manager
Date 12/30/13

December 17, 2013

FINDING 2013-002, Deficiency in Internal Control – Textbook Rental Receipts, Payroll, and School Lunch

CORRECTIVE ACTION PLAN

1. The school corporation will develop practices at the building and corporation level to reduce the possibility for errors or misrepresentation of Textbook Rental receipts and School Lunch receipts through segregation of duties and accounting of the revenue transactions.
2. The Business Manager shall sign and date the calendar year payroll history register and the total W-2 wages reported to SSA in order to present a year-end reconciliation.

Signed Jeffrey A. Cleland
Titled Business Manager
Date 12/30/13

December 17, 2013

Finding 2013-003 Internal Controls over Cash Management and Reporting

Federal Agency: Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): School Year 2011-12 and School Year 2012-2013
Pass-Through Entity: Indiana Department of Education

Finding 2013-004 Cash Management and Reporting

Federal Agency: Department of Education
Federal Program: Title I Cluster
CFDA Number: 84.010, 84.389
Federal Award Number and Year (or Other Identifying Number): School Year 2011-12 and School Year 2012-2013
Pass-Through Entity: Indiana Department of Education

CORRECTIVE ACTION PLAN

The school corporation shall initiate a separation of functions over activities and reporting related to the Child Nutrition Cluster and Title I Cluster. Reimbursement requests will be reviewed and signed by both the Business Manager and Food Service Director or Title I Program Administrator for the above referenced programs. In this way, the accumulation of excess cash will be eliminated.

Signed Jeffrey A. Cleland
Titled Business Manager
Date 1/15/14

December 17, 2013

FINDING 2013-005 Allowable Cost/Cost Principles

Federal Agency: Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): School Year 2011-12 and School Year 2012-2013

Pass-Through Entity: Indiana Department of Education

CORRECTIVE ACTION PLAN

The school corporation shall maintain time and effort reporting for all employees paid from the School Lunch Fund. The Food Service Director will prepare and sign the certification at the end of each semester.

Signed Jeffrey A. Cleland
Titled Business Manager
Date 1/15/14

FLAT ROCK-HAWCREEK SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2013, with Jeffrey A. Cleland, Treasurer; Dr. Kathy Griffey; Superintendent of Schools; and Andrew Hunnicutt; President of the School Board.