

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, 2013 to June 30, 2015



FILED
12/29/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeffrey A. Cleland	07-01-13 to 06-30-18
Superintendent of Schools	Dr. Kathy Griffey Shawn Price	07-01-13 to 06-30-15 07-01-15 to 06-30-20
President of the School Board	Andrew Hunnicutt Steve Wilson Brian Rose Steve Wilson	01-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
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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, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

As discussed in Note 1 to 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, 2013 to June 30, 2015.

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, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2017, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

November 16, 2017



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302 WEST WASHINGTON STREET
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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 comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated November 16, 2017, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation'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 2015-001 and 2015-002 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

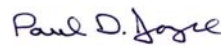
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 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 items 2015-001 and 2015-002.

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

November 16, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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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, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 640,431	\$ 5,779,232	\$ 5,472,041	\$ 3,752	\$ 951,374	\$ 5,384,254	\$ 5,511,562	\$ 643	\$ 824,709
Debt Service	93,509	321,963	307,396	-	108,076	444,924	366,545	-	186,455
Retirement/Severance Bond Debt Service	25,196	62,984	82,016	-	6,164	-	-	-	6,164
Referendum Debt Exempt Capital	1,210,831	2,124,419	2,100,000	-	1,235,250	2,082,297	1,998,000	-	1,319,547
Capital Projects	442,211	892,244	851,044	(49,000)	434,411	917,277	855,073	(25,000)	471,615
School Transportation	234,731	563,996	495,785	-	302,942	575,386	473,633	-	404,695
School Bus Replacement	25,428	109,684	40,000	-	95,112	131,244	220,816	-	5,540
Rainy Day	40,000	-	-	50,000	90,000	-	-	25,000	115,000
Construction	628,636	-	432,952	-	195,684	-	190,595	-	5,089
School Lunch	50,318	502,263	486,844	-	65,737	490,195	504,615	-	51,317
Textbook Rental	70,783	128,765	131,690	-	67,858	108,956	77,204	-	99,610
Levy Excess	9,881	-	-	-	9,881	-	-	-	9,881
Educational License Plates	2,950	113	-	-	3,063	94	-	-	3,157
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 - IXL Com Pilot	-	-	-	-	-	3,640	-	-	3,640
HCFR Endowment - Apple TVs	4,400	-	4,356	-	44	-	-	-	44
HCFR Endowment - Leveled Literacy	5,500	-	5,500	-	-	-	-	-	-
Contributions/Donations Private Sources	-	4,860	-	-	4,860	-	4,860	-	-
Heritage Fund - Signs for Trees	500	-	-	-	500	-	-	-	500
Heritage Fund Grant - TL I Books	34	-	-	-	34	-	-	-	34
Monsanto Grant	1,318	-	-	-	1,318	-	-	-	1,318
Project Lead the Way	(8,374)	-	(17,153)	-	8,779	-	-	-	8,779
DWD Grant (HS)	17,684	-	17,153	-	531	-	-	-	531
Instructional Support	208	-	-	-	208	-	-	-	208
Tech Prep Curriculum Improvement	286	-	-	-	286	-	-	-	286
Cinergy Phase II Grant	200	-	-	-	200	-	-	-	200
Instructional Support	16,121	28,114	24,786	-	19,449	28,759	16,820	-	31,388
Education Technology	30,874	200,265	199,087	-	32,052	117,938	117,938	-	32,052
Drug Free Communities	2,562	-	644	-	1,918	-	725	-	1,193
Medicaid Reimbursement	45,785	17,530	-	-	63,315	17,448	-	-	80,763
School Technology	7,759	-	-	-	7,759	-	325	-	7,434
USF E*Rate Discounts & Refunds	2,456	9,669	1,310	-	10,815	9,796	2,180	-	18,431
School Safety	1,558	-	-	-	1,558	-	-	-	1,558
Secured Schools Safety Grant	-	-	-	-	-	28,377	28,377	-	-
Safe Routes to Schools	(19,905)	60,550	40,570	-	75	-	-	-	75
Senator David Ford Technology	-	-	1,096	-	(1,096)	2,000	264	-	640
Title I	(17,283)	114,317	112,758	-	(15,724)	110,567	106,465	-	(11,622)
Title V, Part A (Innovative)	24,127	-	-	-	24,127	-	-	-	24,127
CETA Program (JTPA)	7,037	-	1,402	-	5,635	-	75	-	5,560
Drug Free Schools	20,350	-	-	-	20,350	-	-	-	20,350
Improving Teaching Quality, No Child Left, Title II, Part A	(29,632)	25,700	41,512	-	(45,444)	16,147	7,460	-	(36,757)
ITQ, Enhanced Education Through Technology, Title II, Part D	5,397	-	-	-	5,397	-	-	-	5,397
Payroll Deductions	27,027	1,213,448	1,197,724	-	42,751	1,242,233	1,232,447	-	52,537
Totals	\$ 3,628,839	\$ 12,160,116	\$ 12,030,513	\$ 4,752	\$ 3,763,194	\$ 11,711,532	\$ 11,715,979	\$ 643	\$ 3,759,390

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, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans. Amounts 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.

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

E. Disbursements

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

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

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

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:

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

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

Transfers in. Amounts 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. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

FLAT ROCK - HAWCREEK 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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Indiana Public Retirement System
One North Capitol, 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of an error made in the prior period and was corrected by reversing the original entry.

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

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of certain funds being set up for reimbursable grants and the disbursements were not reimbursed by June 30, 2014 and 2015.

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2014 and 2015 totaled \$1,520,000 and \$1,520,000, respectively.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 640,431	\$ 93,509	\$ 25,196	\$ 1,210,831	\$ 442,211	\$ 234,731	\$ 25,428	\$ 40,000
Receipts:								
Local sources	29,055	321,963	62,984	1,646,419	690,065	427,996	73,684	-
Intermediate sources	18	-	-	-	-	-	-	-
State sources	5,750,159	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	478,000	200,000	136,000	36,000	-
Other receipts	-	-	-	-	2,179	-	-	-
Total receipts	<u>5,779,232</u>	<u>321,963</u>	<u>62,984</u>	<u>2,124,419</u>	<u>892,244</u>	<u>563,996</u>	<u>109,684</u>	<u>-</u>
Disbursements:								
Instruction	3,667,486	-	-	-	-	-	-	-
Support services	1,803,702	-	-	-	426,512	341,785	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	53	-	-	-	234,532	-	-	-
Debt service	800	307,396	82,016	2,100,000	190,000	154,000	40,000	-
Total disbursements	<u>5,472,041</u>	<u>307,396</u>	<u>82,016</u>	<u>2,100,000</u>	<u>851,044</u>	<u>495,785</u>	<u>40,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>307,191</u>	<u>14,567</u>	<u>(19,032)</u>	<u>24,419</u>	<u>41,200</u>	<u>68,211</u>	<u>69,684</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	3,752	-	-	-	1,000	-	-	-
Transfers in	-	-	-	-	-	-	-	50,000
Transfers out	-	-	-	-	(50,000)	-	-	-
Total other financing sources (uses)	<u>3,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,000)</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>310,943</u>	<u>14,567</u>	<u>(19,032)</u>	<u>24,419</u>	<u>(7,800)</u>	<u>68,211</u>	<u>69,684</u>	<u>50,000</u>
Cash and investments - ending	<u>\$ 951,374</u>	<u>\$ 108,076</u>	<u>\$ 6,164</u>	<u>\$ 1,235,250</u>	<u>\$ 434,411</u>	<u>\$ 302,942</u>	<u>\$ 95,112</u>	<u>\$ 90,000</u>

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, 2014

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Student Benefit	Heritage Fund - Bus
Cash and investments - beginning	\$ 628,636	\$ 50,318	\$ 70,783	\$ 9,881	\$ 2,950	\$ 5,973	\$ 285	\$ 1,687
Receipts:								
Local sources	-	254,019	128,765	-	-	-	-	-
Intermediate sources	-	-	-	-	113	-	-	-
State sources	-	4,800	-	-	-	-	-	-
Federal sources	-	243,444	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	502,263	128,765	-	113	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	21,978	990	131,690	-	-	-	-	-
Noninstructional services	-	485,854	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	410,974	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	432,952	486,844	131,690	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(432,952)	15,419	(2,925)	-	113	-	-	-
Other financing sources (uses):								
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	(432,952)	15,419	(2,925)	-	113	-	-	-
Cash and investments - ending	\$ 195,684	\$ 65,737	\$ 67,858	\$ 9,881	\$ 3,063	\$ 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, 2014

	Heritage Fund - IXL.Com Pilot	HCFR Endowment - Apple TVs	HCFR Endowment - Leveled Literacy	Contributions/ Donations Private Sources	Heritage Fund - Signs for Trees	Heritage Fund Grant - TL I Books	Monsanto Grant	Project Lead the Way
Cash and investments - beginning	\$ -	\$ 4,400	\$ 5,500	\$ -	\$ 500	\$ 34	\$ 1,318	\$ (8,374)
Receipts:								
Local sources	-	-	-	4,860	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	4,860	-	-	-	-
Disbursements:								
Instruction	-	-	5,500	-	-	-	-	-
Support services	-	-	-	-	-	-	-	(17,153)
Noninstructional services	-	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	4,356	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	4,356	5,500	-	-	-	-	(17,153)
Excess (deficiency) of receipts over disbursements	-	(4,356)	(5,500)	4,860	-	-	-	17,153
Other financing sources (uses):								
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	-	(4,356)	(5,500)	4,860	-	-	-	17,153
Cash and investments - ending	\$ -	\$ 44	\$ -	\$ 4,860	\$ 500	\$ 34	\$ 1,318	\$ 8,779

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, 2014

	DWD Grant (HS)	Instructional Support	Tech Prep Curriculum Improvement	Cinergy Phase II Grant	Instructional Support	Education Technology	Drug Free Communities	Medicaid Reimbursement
Cash and investments - beginning	\$ 17,684	\$ 208	\$ 286	\$ 200	\$ 16,121	\$ 30,874	\$ 2,562	\$ 45,785
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	28,114	200,265	-	17,530
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	28,114	200,265	-	17,530
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	17,153	-	-	-	24,786	199,087	644	-
Noninstructional services	-	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	17,153	-	-	-	24,786	199,087	644	-
Excess (deficiency) of receipts over disbursements	(17,153)	-	-	-	3,328	1,178	(644)	17,530
Other financing sources (uses):								
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	(17,153)	-	-	-	3,328	1,178	(644)	17,530
Cash and investments - ending	\$ 531	\$ 208	\$ 286	\$ 200	\$ 19,449	\$ 32,052	\$ 1,918	\$ 63,315

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, 2014

	School Technology	USF E*Rate Discounts & Refunds	School Safety	Secured Schools Safety Grant	Safe Routes to Schools	Senator David Ford Technology	Title I	Title V, Part A (Innovative)
Cash and investments - beginning	\$ 7,759	\$ 2,456	\$ 1,558	\$ -	\$ (19,905)	\$ -	\$ (17,283)	\$ 24,127
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	60,550	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	114,317	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	9,669	-	-	-	-	-	-
Total receipts	-	9,669	-	-	60,550	-	114,317	-
Disbursements:								
Instruction	-	-	-	-	9,360	-	111,496	-
Support services	-	1,310	-	-	-	1,096	1,262	-
Noninstructional services	-	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	31,210	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	1,310	-	-	40,570	1,096	112,758	-
Excess (deficiency) of receipts over disbursements	-	8,359	-	-	19,980	(1,096)	1,559	-
Other financing sources (uses):								
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	-	8,359	-	-	19,980	(1,096)	1,559	-
Cash and investments - ending	\$ 7,759	\$ 10,815	\$ 1,558	\$ -	\$ 75	\$ (1,096)	\$ (15,724)	\$ 24,127

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, 2014

	CETA Program (JTPA)	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	ITQ, Enhanced Education Through Technology, Title II, Part D	Payroll Deductions	Totals
Cash and investments - beginning	\$ 7,037	\$ 20,350	\$ (29,632)	\$ 5,397	\$ 27,027	\$ 3,628,839
Receipts:						
Local sources	-	-	-	-	-	3,639,810
Intermediate sources	-	-	-	-	-	60,681
State sources	-	-	-	-	-	6,000,868
Federal sources	-	-	25,700	-	-	383,461
Temporary loans	-	-	-	-	-	850,000
Other receipts	-	-	-	-	1,213,448	1,225,296
Total receipts	-	-	25,700	-	1,213,448	12,160,116
Disbursements:						
Instruction	-	-	11,757	-	-	3,805,599
Support services	1,402	-	29,755	-	-	2,985,999
Noninstructional services	-	-	-	-	-	485,854
Nonprogrammed Charges	-	-	-	-	1,197,724	1,197,724
Facilities acquisition and construction	-	-	-	-	-	681,125
Debt service	-	-	-	-	-	2,874,212
Total disbursements	1,402	-	41,512	-	1,197,724	12,030,513
Excess (deficiency) of receipts over disbursements	(1,402)	-	(15,812)	-	15,724	129,603
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	4,752
Transfers in	-	-	-	-	-	50,000
Transfers out	-	-	-	-	-	(50,000)
Total other financing sources (uses)	-	-	-	-	-	4,752
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,402)	-	(15,812)	-	15,724	134,355
Cash and investments - ending	\$ 5,635	\$ 20,350	\$ (45,444)	\$ 5,397	\$ 42,751	\$ 3,763,194

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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 951,374	\$ 108,076	\$ 6,164	\$ 1,235,250	\$ 434,411	\$ 302,942	\$ 95,112	\$ 90,000
Receipts:								
Local sources	30,150	444,924	-	1,586,297	709,996	459,386	95,244	-
Intermediate sources	13	-	-	-	-	-	-	-
State sources	5,350,560	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	496,000	201,000	116,000	36,000	-
Other receipts	3,531	-	-	-	6,281	-	-	-
Total receipts	5,384,254	444,924	-	2,082,297	917,277	575,386	131,244	-
Disbursements:								
Instruction	3,609,688	-	-	-	-	-	-	-
Support services	1,898,926	-	-	-	429,634	337,633	184,816	-
Noninstructional services	-	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,942	-	-	-	225,439	-	-	-
Debt service	1,006	366,545	-	1,998,000	200,000	136,000	36,000	-
Total disbursements	5,511,562	366,545	-	1,998,000	855,073	473,633	220,816	-
Excess (deficiency) of receipts over disbursements	(127,308)	78,379	-	84,297	62,204	101,753	(89,572)	-
Other financing sources (uses):								
Sale of capital assets	643	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	25,000
Transfers out	-	-	-	-	(25,000)	-	-	-
Total other financing sources (uses)	643	-	-	-	(25,000)	-	-	25,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(126,665)	78,379	-	84,297	37,204	101,753	(89,572)	25,000
Cash and investments - ending	\$ 824,709	\$ 186,455	\$ 6,164	\$ 1,319,547	\$ 471,615	\$ 404,695	\$ 5,540	\$ 115,000

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, 2015

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Student Benefit	Heritage Fund - Bus
Cash and investments - beginning	\$ 195,684	\$ 65,737	\$ 67,858	\$ 9,881	\$ 3,063	\$ 5,973	\$ 285	\$ 1,687
Receipts:								
Local sources	-	249,819	108,956	-	-	-	-	-
Intermediate sources	-	-	-	-	94	-	-	-
State sources	-	5,444	-	-	-	-	-	-
Federal sources	-	234,824	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	108	-	-	-	-	-	-
Total receipts	-	490,195	108,956	-	94	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	385	653	77,204	-	-	-	-	-
Noninstructional services	-	503,962	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	190,210	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	190,595	504,615	77,204	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(190,595)	(14,420)	31,752	-	94	-	-	-
Other financing sources (uses):								
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	(190,595)	(14,420)	31,752	-	94	-	-	-
Cash and investments - ending	\$ 5,089	\$ 51,317	\$ 99,610	\$ 9,881	\$ 3,157	\$ 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, 2015

	Heritage Fund - IXL.Com Pilot	HCFR Endowment - Apple TVs	HCFR Endowment - Leveled Literacy	Contributions/ Donations/ Private Sources	Heritage Fund - Signs for Trees	Heritage Fund Grant - TL I Books	Monsanto Grant	Project Lead the Way
Cash and investments - beginning	\$ -	\$ 44	\$ -	\$ 4,860	\$ 500	\$ 34	\$ 1,318	\$ 8,779
Receipts:								
Local sources	3,640	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	3,640	-	-	-	-	-	-	-
Disbursements:								
Instruction	-	-	-	4,860	-	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	4,860	-	-	-	-
Excess (deficiency) of receipts over disbursements	3,640	-	-	(4,860)	-	-	-	-
Other financing sources (uses):								
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	3,640	-	-	(4,860)	-	-	-	-
Cash and investments - ending	\$ 3,640	\$ 44	\$ -	\$ -	\$ 500	\$ 34	\$ 1,318	\$ 8,779

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, 2015

	DWD Grant (HS)	Instructional Support	Tech Prep Curriculum Improvement	Cinergy Phase II Grant	Instructional Support	Education Technology	Drug Free Communities	Medicaid Reimbursement
Cash and investments - beginning	\$ 531	\$ 208	\$ 286	\$ 200	\$ 19,449	\$ 32,052	\$ 1,918	\$ 63,315
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	28,759	117,938	-	17,448
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	28,759	117,938	-	17,448
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	-	16,820	117,938	725	-
Noninstructional services	-	-	-	-	-	-	-	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	16,820	117,938	725	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	11,939	-	(725)	17,448
Other financing sources (uses):								
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	-	-	-	-	11,939	-	(725)	17,448
Cash and investments - ending	\$ 531	\$ 208	\$ 286	\$ 200	\$ 31,388	\$ 32,052	\$ 1,193	\$ 80,763

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, 2015

	School Technology	USF E*Rate Discounts & Refunds	School Safety	Secured Schools Safety Grant	Safe Routes to Schools	Senator David Ford Technology	Title I	Title V, Part A (Innovative)
Cash and investments - beginning	\$ 7,759	\$ 10,815	\$ 1,558	\$ -	\$ 75	\$ (1,096)	\$ (15,724)	\$ 24,127
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	28,377	-	-	-	-
State sources	-	-	-	-	-	2,000	-	-
Federal sources	-	-	-	-	-	-	110,567	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	9,796	-	-	-	-	-	-
Total receipts	-	9,796	-	28,377	-	2,000	110,567	-
Disbursements:								
Instruction	-	-	-	-	-	-	102,082	-
Support services	325	2,180	-	28,377	-	264	4,343	-
Noninstructional services	-	-	-	-	-	-	40	-
Nonprogrammed Charges	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	325	2,180	-	28,377	-	264	106,465	-
Excess (deficiency) of receipts over disbursements	(325)	7,616	-	-	-	1,736	4,102	-
Other financing sources (uses):								
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	(325)	7,616	-	-	-	1,736	4,102	-
Cash and investments - ending	\$ 7,434	\$ 18,431	\$ 1,558	\$ -	\$ 75	\$ 640	\$ (11,622)	\$ 24,127

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, 2015

	CETA Program (JTPA)	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	ITQ, Enhanced Education Through Technology, Title II, Part D	Payroll Deductions	Totals
Cash and investments - beginning	\$ 5,635	\$ 20,350	\$ (45,444)	\$ 5,397	\$ 42,751	\$ 3,763,194
Receipts:						
Local sources	-	-	2,500	-	-	3,690,912
Intermediate sources	-	-	-	-	-	28,484
State sources	-	-	-	-	-	5,522,149
Federal sources	-	-	13,647	-	-	359,038
Temporary loans	-	-	-	-	-	849,000
Other receipts	-	-	-	-	1,242,233	1,261,949
Total receipts	-	-	16,147	-	1,242,233	11,711,532
Disbursements:						
Instruction	-	-	5,655	-	-	3,722,285
Support services	75	-	1,805	-	-	3,102,103
Noninstructional services	-	-	-	-	-	504,002
Nonprogrammed Charges	-	-	-	-	1,232,447	1,232,447
Facilities acquisition and construction	-	-	-	-	-	417,591
Debt service	-	-	-	-	-	2,737,551
Total disbursements	75	-	7,460	-	1,232,447	11,715,979
Excess (deficiency) of receipts over disbursements	(75)	-	8,687	-	9,786	(4,447)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	643
Transfers in	-	-	-	-	-	25,000
Transfers out	-	-	-	-	-	(25,000)
Total other financing sources (uses)	-	-	-	-	-	643
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(75)	-	8,687	-	9,786	(3,804)
Cash and investments - ending	\$ 5,560	\$ 20,350	\$ (36,757)	\$ 5,397	\$ 52,537	\$ 3,759,390

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Multi-School Building Corporation	School Renovation/Construction	\$ 1,520,000	7/10/2009	1/10/2029
Providence Capital Network	Ipads	66,021	5/1/2014	5/1/2018
Wells Fargo Financial Leasing	Copiers	<u>12,648</u>	1/27/2012	12/27/2016
Total governmental activities		<u>1,598,669</u>		
Total of annual lease payments		<u>\$ 1,598,669</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Track & Tennis Improvements Paving Technology	\$ 715,000	\$ 209,975
Tax anticipation warrants	Cash Flow purposes	849,000	856,599
Notes and loans payable	Common School - Technology Loans	<u>454,154</u>	<u>141,187</u>
Total governmental activities		<u>2,018,154</u>	<u>1,207,761</u>
Totals		<u>\$ 2,018,154</u>	<u>\$ 1,207,761</u>

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2015

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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 561,000
Infrastructure	51,000
Buildings	46,696,110
Improvements other than buildings	152,250
Machinery, equipment, and vehicles	<u>943,950</u>
 Total governmental activities	 <u>48,404,310</u>
 Total capital assets	 \$ <u><u>48,404,310</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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, 2013 to June 30, 2015. 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.

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

Basis for Disclaimer Opinion on Child Nutrition Cluster

As described in item 2015-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity, nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by other auditing procedures.

Disclaimer of Opinion on Child Nutrition Cluster

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on Child Nutrition Cluster* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the School Corporation's compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2013 to June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

Other 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.

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

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 a 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 2015-003, 2015-004, and 2015-005 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.

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

November 16, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015

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 06-30-14	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
FY14			FY 14	\$ 60,036	\$ -
FY15			FY 15	-	55,590
Total - School Breakfast Program				60,036	55,590
National School Lunch Program					
FY14	Indiana Department of Education	10.555	FY 14	183,408	-
FY15			FY 15	-	179,234
School Year 2013-2014 - Commodities			FY 14	30,173	-
School Year 2014-2015 - Commodities			FY 15	-	29,111
Total - National School Lunch Program				213,581	208,345
Summer Food Service Program for Children					
FY14	Indiana Department of Education	10.559	FY 14	13,412	-
FY15			FY 15	-	13,465
Total - Summer Food Service Program for Children				13,412	13,465
Total - Child Nutrition Cluster				287,029	277,400
Total - Department of Agriculture				287,029	277,400
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction Safe Routes to School	Indiana Department of Transportation	20.205	FY 14	60,550	-
Total - Highway Planning and Construction Cluster				60,550	-
Total - Department of Transportation				60,550	-
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027			
Part B 611			14213-033-PN01	62,876	49
Part B 611			14214-033-PN01	159,601	54,904
Part B 611			14215-033-PN01	-	152,841
Part B, Technical Assistance Grant			99914-033-TA01	2,475	2,248
Total - Special Education_Grants to States				224,952	210,042

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2014 and 2015

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 06-30-14	Total Federal Awards Expended 06-30-15
Special Education_Preschool Grants	Indiana Department of Education	84.173			
Part B 619			45713-033-PN01	188	-
Part B 619			45714-033-PN01	6,372	2,653
Part B 619			45715-033-PN01	-	5,815
Total - Special Education_Preschool Grants				<u>6,560</u>	<u>8,468</u>
Total - Special Education Cluster (IDEA)				<u>231,512</u>	<u>218,510</u>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I Grant			15-0370	-	110,567
Title I Grant			14-0370	114,317	-
Total - Title I Grants to Local Educational Agencies				<u>114,317</u>	<u>110,567</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
FY14			FY 14	25,700	-
FY15			FY 15	-	13,647
Total - Improving Teacher Quality State Grants				<u>25,700</u>	<u>13,647</u>
Total - Department of Education				<u>371,529</u>	<u>342,724</u>
Total federal awards expended				<u>\$ 719,108</u>	<u>\$ 620,124</u>

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 3. Special Education Cooperative

The School Corporation is a member of the Special Services - Johnson County and Surrounding Schools (Cooperative) which operates the Special Education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

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 except for Child Nutrition Cluster which was Disclaimed
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
Special Education Cluster (IDEA)

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 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding was 2013-001.

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

Condition

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 Treasurer was the person solely responsible for preparing and submitting the SEFA. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control.

Context

Due to lack of controls, the following errors occurred on the SEFA:

1. The federal expenditures were incorrectly reported resulting in an understatement of \$275,097 for the 2013-2014 fiscal year and \$71,387 for the 2014-2015 fiscal year.
2. Not all Catalog of Federal Domestic Assistance (CFDA) numbers, program names, grants, and pass-through identifying numbers were correct or listed.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § _____.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:

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

- (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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat finding for receipts and payroll disbursements from the immediate prior year. The prior year finding was 2013-002.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting:

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts and payroll disbursements.

Receipts: The Treasurer was responsible for all aspects of the receipts process without any compensating controls.

Payroll Disbursements: The Treasurer was responsible for all aspects of the payroll disbursements without any compensating controls.

2. Cash and Investments: The School Corporation's internal controls over cash and investment balances were not effective. The bank reconcilements were reviewed and approved by someone other than the preparer; however, the reconciled bank balances did not reconcile to the records and contained numerous errors.
3. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Context

1. The lack of segregation of duties over receipts and payroll disbursements was prevalent during the entire audit period.
2. The bank reconciliation as of June 30, 2015, contained the following errors:
 - Forty-one reconciling items dated from July 2010 to June 2015 totaling \$179,705 in disbursements and \$7,761 in revenue which had not been posted to the School Corporation's ledger.
 - An unidentified cash variance of \$22,890 in which the bank account balance exceeded the record balance.
 - The outstanding check list included twelve checks totaling \$61,112 that had previously cleared the bank.
3. The School Corporation did not have internal controls to monitor and assess the quality of its system of internal controls during the entire audit period.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal controls related to receipts, payroll disbursements, cash and investments, and monitoring of controls.

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

Effect

The failure to establish and properly implement controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Recommendation

We recommended that the School Corporation's management establish controls to ensure proper segregation of duties, monitoring of controls, and to prevent, or detect and correct, errors relating to receipts, payroll disbursements, and cash and investments.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14, FY 15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

Reporting is a repeat finding from the immediate prior. The finding number was 2013-003. All other compliance requirements are not a repeat finding from the immediate prior year.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

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

The School Corporation was unable to locate several accounting records needed to complete the audit, including, but not limited to, the following: invoices, reports, timesheets, contracts, and free and reduced price applications; therefore, compliance related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements could not be determined.

Context

The lack of controls was a systemic problem throughout the audit period. Due to the lack of records, compliance could not be determined for the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Criteria

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

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

7 CFR 3016.20(b)(2) states:

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

Cause

Management had not developed a system of internal controls that would have ensured that accounting records were maintained and made available for audit.

Effect

The failure to establish an effective internal control system and retain and provide records for audit related to the programs prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

Questioned Costs

Supporting documentation for the National School Lunch Program Sponsor Claim (claim for reimbursement) was not presented; therefore, we could not verify the amounts claimed for reimbursement. The total known questioned costs was \$505,145.

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

Recommendation

We recommended that the School Corporation's management establish controls and maintain records related to the programs.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004

Subject: School Breakfast Program and National School Lunch Program - Cash Management

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 14, FY 15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior year. The finding was 2013-003.

Condition

The School Corporation had not established adequate policies and procedures to ensure compliance with Cash Management requirements. There were no controls in place to ensure that the cash balance (Net Cash Resources) for the School Lunch fund did not exceed the three months average expenditures.

Context

A lack of controls over Cash Management was a systematic problem throughout the audit period.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management requirements.

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-005

Subject: Internal Controls over Special Education Cluster (IDEA)

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-033-PN01, 14214-033-PN01,
14215-033-PN01, 99914-033-TA01,
45713-033-PN01, 45714-033-PN01,
45715-033-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Level of Effort, Reporting

Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Cash Management, Level of Effort, and Reporting.

Context

Cash Management and Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that requests for reimbursement and December 1 count reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no segregation of duties, such as an oversight, review, approval process, or another compensating control.

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

Level of Effort

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

Criteria

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. . . ."

Cause

Management had not established a system of internal control that would have ensured oversight and review of the Cash Management, Level of Effort, and Reporting requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

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

Shawn R. Price, Ed.S.
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 2013-003 Internal Controls over Cash Management & Reporting

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Jeffrey A. Cleland

Contact Phone Number: 812-546-4922

Status of Audit Finding: The Corrective Actions in the Child Nutrition Cluster had been completed within the original time period stated; however, after a recent change in Food Service Director, documentation was not properly retained. Beginning December 1, 2017, reimbursement requests will be reviewed and signed by both the Business Manager and the Food Service Director, and the records retained by said Director and the Business Office by grant year.

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
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 2013-004 Cash Management and Reporting

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Jeffrey A. Cleland

Contact Phone Number: 812-546-4922

Status of Audit Finding: The Corrective Actions in the Title I Program had not been completed within the original time period stated due to limited staffing. Beginning in SY2015-16 and going forward, reimbursement requests are and will continue to be reviewed and signed by both the Business Manager and the Title I Program Administrator.

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
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 2013-005 Allowable Cost/Cost Principles

Fiscal year in which the finding initially occurred: 2013

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education

Contact Person Responsible for Corrective Action: Jeffrey A. Cleland

Contact Phone Number: 812-546-4922

Status of Audit Finding: The Corrective Actions in the Child Nutrition Cluster had not been completed within the original time period stated due to limited staffing. Beginning with SY 2015-16 and going forward, the school corporation has and will continue to follow Uniform Guidance relating to employees paid from the School Lunch Fund.

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
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

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish a system of internal control to prevent, or detect and correct, errors on the SEFA. The Business Manager and Assistant Business Manager shall jointly review all federal expenditures within each fiscal year to ensure the accurate reporting of the SEFA.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
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

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish a system of internal control to ensure proper segregation of duties, monitoring of controls, and to prevent errors relative to receipts, payroll disbursements and cash and investments.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
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

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation shall establish a system of internal controls related to the Child Nutrition Cluster that will ensure accounting records are maintained and available for audit.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
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

CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation shall establish a system of internal controls related to the Child Nutrition Cluster that will ensure that the cash balance for the School Lunch fund does not exceed the three months average expenditures. The Business Manager and Food Service Director will review the expenditure and fund reports to comply with the Cash Management requirement.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
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

CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation shall establish an internal control system and a segregation of duties procedure to ensure the accuracy of reimbursement requests, and December 1 student counts; as well as procedures relating to the accurate preparation of the Excess Cost Calculator and Maintenance of Effort worksheets.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

OTHER REPORTS

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