

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SHOALS COMMUNITY SCHOOL CORPORATION
MARTIN COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
01/17/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
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	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to Financial Statement	10-14
Supplementary Information: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	16-23
Schedule of Leases and Debt	25
Audit Results and Comments: Capital Asset Records	26
Fees	26
Textbook Rental	26
Collection of Amounts Due	27
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	30-31
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-37
Auditee Prepared Schedule: Corrective Action Plan	38-39
Exit Conference	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa C. Elliott	07-01-10 to 06-30-13
Superintendent of Schools	Dr. Anthony E. Nonte Dr. Joan L. Keller	07-01-10 to 06-30-12 07-01-12 to 06-30-13
President of the School Board	Glen A. Cundiff	07-01-10 to 06-30-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SHOALS COMMUNITY
SCHOOL CORPORATION, MARTIN COUNTY, INDIANA

We have audited the accompanying financial statement of the Shoals Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As discussed in Note 1, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2010 to June 30, 2012.

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, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated October 23, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, and Schedule of Leases and Debt, 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.

STATE BOARD OF ACCOUNTS

October 23, 2012



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

TO: THE OFFICIALS OF THE SHOALS COMMUNITY
SCHOOL CORPORATION, MARTIN COUNTY, INDIANA

We have audited the financial statement of the Shoals Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated October 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

October 23, 2012

FINANCIAL STATEMENT

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

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SHOALS COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 1,573,424	\$ 4,596,312	\$ 4,704,485	\$ 915	\$ 1,466,166	\$ 4,406,805	\$ 4,662,955	\$ -	\$ 1,210,016
Debt Service	152,104	492,644	426,458	(100,000)	118,290	476,955	390,964	-	204,281
Retirement/Severance Bond Debt Service	23,004	212,798	210,800	-	25,002	213,487	209,275	-	29,214
Capital Projects	54,127	520,044	390,499	(50,000)	133,672	457,151	379,541	-	211,282
School Transportation	231,168	721,498	638,957	(100,000)	213,709	717,245	615,767	8,339	323,526
School Bus Replacement	24,380	89,214	-	(30,000)	83,594	66,549	-	-	150,143
Rainy Day	148,203	-	27,000	280,000	401,203	-	-	-	401,203
Retirement/Severance Bond	272,544	-	65,476	-	207,068	-	58,951	-	148,117
School Lunch	56,471	254,805	255,454	-	55,822	266,289	259,854	-	62,257
Textbook Rental	26,485	52,978	53,591	-	25,872	57,152	74,662	-	8,362
Levy Excess	41,433	8,339	-	-	49,772	-	-	(8,339)	41,433
Educational License Plates	2,869	131	-	-	3,000	131	-	-	3,131
Donation	9,971	1,035	1,770	-	9,236	271	1,475	-	8,032
Leo Harding Endowment Grant	3,665	119	-	-	3,784	185	-	-	3,969
PDK Elementary Grant	1,049	-	445	-	604	-	108	-	496
Extra-Curricular Activities	6,142	-	-	-	6,142	-	-	-	6,142
High Ability Grant 11/12	-	-	-	-	-	26,410	23,803	-	2,607
High Ability Grant 10/11	-	27,515	11,047	-	16,468	-	16,468	-	-
High Ability Grant 09/10	13,429	626	14,055	-	-	-	-	-	-
State Connectivity Grant	-	1,847	4,110	1,848	(415)	4,110	2,225	-	1,470
LSTA Library Grant	-	9,550	9,648	-	(98)	98	-	-	-
Indiana Youth Institute's PDG	-	-	-	-	-	556	556	-	-
State Connectivity Grant 10/11	-	1,848	-	(1,848)	-	-	-	-	-
Title I 09/10	62,010	-	37,964	(24,046)	-	-	-	-	-
Title I 11/12	-	-	-	-	-	73,183	81,088	-	(7,905)
Title I 10/11	-	25,000	94,697	23,131	(46,566)	70,699	24,133	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	-	17,347	-	(17,347)
Title IV, Part A Drug-Free 09/10	(224)	2,560	3,087	-	(751)	948	197	-	-
Title IV, Part A Drug-Free 08/09	61	-	61	-	-	-	-	-	-
After School Rocks 11/12	-	-	-	-	-	9,240	8,928	-	312
After School Rocks 10/11	-	12,620	8,418	-	4,202	-	2,127	-	2,075
After School Rocks Grant	7,729	-	7,218	-	511	-	511	-	-
Team Nutrition Training Grants	(136)	6,075	5,038	-	901	500	962	-	439
Tech Prep Grant 10/11	-	-	495	-	(495)	20,000	19,505	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(44,690)	81,534	50,305	-	(13,461)	51,210	44,567	-	(6,818)
Title I - Grants to LEAs	15,557	-	28,312	-	(12,755)	22,650	9,895	-	-
Special Education - Part B	(14,293)	32,697	25,147	-	(6,743)	23,541	16,798	-	-
Education Technology	2,091	39,248	71,038	-	(29,699)	53,882	24,183	-	-
Education Jobs	-	-	68,008	-	(68,008)	75,566	83,093	-	(75,535)
Payroll	-	976,836	976,836	-	-	993,848	993,848	-	-
Cafeteria Clearing	-	335,293	335,293	-	-	305,712	305,712	-	-
Totals	\$ 2,668,573	\$ 8,503,166	\$ 8,525,712	\$ -	\$ 2,646,027	\$ 8,394,373	\$ 8,329,498	\$ -	\$ 2,710,902

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

SHOALS COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

SHOALS COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

E. Disbursements

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

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

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

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

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

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

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

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:

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

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

SHOALS COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

SHOALS COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

SHOALS COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,573,424	\$ 152,104	\$ 23,004	\$ 54,127	\$ 231,168	\$ 24,380	\$ 148,203	\$ 272,544	\$ 56,471	\$ 26,485
Receipts:										
Local sources	46,116	492,644	212,798	520,044	696,106	89,214	-	-	88,205	30,120
Intermediate sources	327	-	-	-	-	-	-	-	-	-
State sources	4,549,869	-	-	-	2,374	-	-	-	2,373	22,858
Federal sources	-	-	-	-	-	-	-	-	164,227	-
Other	-	-	-	-	23,018	-	-	-	-	-
Total receipts	<u>4,596,312</u>	<u>492,644</u>	<u>212,798</u>	<u>520,044</u>	<u>721,498</u>	<u>89,214</u>	<u>-</u>	<u>-</u>	<u>254,805</u>	<u>52,978</u>
Disbursements:										
Current:										
Instruction	3,210,036	-	-	-	-	-	27,000	65,476	-	-
Support services	1,370,661	-	-	342,923	638,957	-	-	-	-	53,591
Noninstructional services	123,788	-	-	-	-	-	-	-	255,454	-
Facilities acquisition and construction	-	-	-	47,576	-	-	-	-	-	-
Debt services	-	426,458	210,800	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>4,704,485</u>	<u>426,458</u>	<u>210,800</u>	<u>390,499</u>	<u>638,957</u>	<u>-</u>	<u>27,000</u>	<u>65,476</u>	<u>255,454</u>	<u>53,591</u>
Excess (deficiency) of receipts over disbursements	<u>(108,173)</u>	<u>66,186</u>	<u>1,998</u>	<u>129,545</u>	<u>82,541</u>	<u>89,214</u>	<u>(27,000)</u>	<u>(65,476)</u>	<u>(649)</u>	<u>(613)</u>
Other financing sources (uses)										
Transfers in	915	-	-	-	-	-	280,000	-	-	-
Transfers out	-	(100,000)	-	(50,000)	(100,000)	(30,000)	-	-	-	-
Total other financing sources (uses)	<u>915</u>	<u>(100,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>(100,000)</u>	<u>(30,000)</u>	<u>280,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(107,258)</u>	<u>(33,814)</u>	<u>1,998</u>	<u>79,545</u>	<u>(17,459)</u>	<u>59,214</u>	<u>253,000</u>	<u>(65,476)</u>	<u>(649)</u>	<u>(613)</u>
Cash and investments - ending	<u>\$ 1,466,166</u>	<u>\$ 118,290</u>	<u>\$ 25,002</u>	<u>\$ 133,672</u>	<u>\$ 213,709</u>	<u>\$ 83,594</u>	<u>\$ 401,203</u>	<u>\$ 207,068</u>	<u>\$ 55,822</u>	<u>\$ 25,872</u>

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

	Levy Excess	Educational License Plates	Donation	Leo Harding Endowment Grant	PDK Elementary Grant	Extra- Curricular Activities	High Ability Grant 10/11	High Ability Grant 09/10	State Connectivity Grant
Cash and investments - beginning	\$ 41,433	\$ 2,869	\$ 9,971	\$ 3,665	\$ 1,049	\$ 6,142	\$ -	\$ 13,429	\$ -
Receipts:									
Local sources	8,339	-	1,035	119	-	-	-	626	-
Intermediate sources	-	131	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	27,515	-	1,847
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>8,339</u>	<u>131</u>	<u>1,035</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>27,515</u>	<u>626</u>	<u>1,847</u>
Disbursements:									
Current:									
Instruction	-	-	1,770	-	445	-	11,047	14,055	-
Support services	-	-	-	-	-	-	-	-	4,110
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>1,770</u>	<u>-</u>	<u>445</u>	<u>-</u>	<u>11,047</u>	<u>14,055</u>	<u>4,110</u>
Excess (deficiency) of receipts over disbursements	<u>8,339</u>	<u>131</u>	<u>(735)</u>	<u>119</u>	<u>(445)</u>	<u>-</u>	<u>16,468</u>	<u>(13,429)</u>	<u>(2,263)</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	1,848
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,848</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>8,339</u>	<u>131</u>	<u>(735)</u>	<u>119</u>	<u>(445)</u>	<u>-</u>	<u>16,468</u>	<u>(13,429)</u>	<u>(415)</u>
Cash and investments - ending	<u>\$ 49,772</u>	<u>\$ 3,000</u>	<u>\$ 9,236</u>	<u>\$ 3,784</u>	<u>\$ 604</u>	<u>\$ 6,142</u>	<u>\$ 16,468</u>	<u>\$ -</u>	<u>\$ (415)</u>

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

	LSTA Library Grant	State Connectivity Grant 10/11	Title I 09/10	Title I 10/11	Title IV Part A Drug-Free 09/10	Title IV Part A Drug-Free 08/09	After School Rocks 10/11	After School Rocks Grant	Team Nutrition Training Grants
Cash and investments - beginning	\$ -	\$ -	\$ 62,010	\$ -	\$ (224)	\$ 61	\$ -	\$ 7,729	\$ (136)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	1,848	-	-	-	-	-	-	-
Federal sources	9,550	-	-	25,000	2,560	-	12,620	-	6,075
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>9,550</u>	<u>1,848</u>	<u>-</u>	<u>25,000</u>	<u>2,560</u>	<u>-</u>	<u>12,620</u>	<u>-</u>	<u>6,075</u>
Disbursements:									
Current:									
Instruction	-	-	9,043	72,449	-	-	8,418	7,218	2,364
Support services	-	-	26,404	22,167	3,087	61	-	-	-
Noninstructional services	-	-	2,517	81	-	-	-	-	2,674
Facilities acquisition and construction	9,648	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>9,648</u>	<u>-</u>	<u>37,964</u>	<u>94,697</u>	<u>3,087</u>	<u>61</u>	<u>8,418</u>	<u>7,218</u>	<u>5,038</u>
Excess (deficiency) of receipts over disbursements	<u>(98)</u>	<u>1,848</u>	<u>(37,964)</u>	<u>(69,697)</u>	<u>(527)</u>	<u>(61)</u>	<u>4,202</u>	<u>(7,218)</u>	<u>1,037</u>
Other financing sources (uses)									
Transfers in	-	-	-	23,131	-	-	-	-	-
Transfers out	-	(1,848)	(24,046)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,848)</u>	<u>(24,046)</u>	<u>23,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(98)</u>	<u>-</u>	<u>(62,010)</u>	<u>(46,566)</u>	<u>(527)</u>	<u>(61)</u>	<u>4,202</u>	<u>(7,218)</u>	<u>1,037</u>
Cash and investments - ending	<u>\$ (98)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46,566)</u>	<u>\$ (751)</u>	<u>\$ -</u>	<u>\$ 4,202</u>	<u>\$ 511</u>	<u>\$ 901</u>

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

	Tech Prep Grant 10/11	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Special Education Part B	Education Technology	Education Jobs	Payroll	Cafeteria Clearing	Totals
Cash and investments - beginning	\$ -	\$ (44,690)	\$ 15,557	\$ (14,293)	\$ 2,091	\$ -	\$ -	\$ -	\$ 2,668,573
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,185,366
Intermediate sources	-	-	-	-	-	-	-	-	458
State sources	-	-	-	-	-	-	-	-	4,608,684
Federal sources	-	81,534	-	32,697	39,248	-	-	-	373,511
Other	-	-	-	-	-	-	976,836	335,293	1,335,147
Total receipts	-	81,534	-	32,697	39,248	-	976,836	335,293	8,503,166
Disbursements:									
Current:									
Instruction	495	50,305	28,312	25,147	21,005	68,008	-	-	3,622,593
Support services	-	-	-	-	50,033	-	-	-	2,511,994
Noninstructional services	-	-	-	-	-	-	-	-	384,514
Facilities acquisition and construction	-	-	-	-	-	-	-	-	57,224
Debt services	-	-	-	-	-	-	-	-	637,258
Nonprogrammed charges	-	-	-	-	-	-	976,836	335,293	1,312,129
Total disbursements	495	50,305	28,312	25,147	71,038	68,008	976,836	335,293	8,525,712
Excess (deficiency) of receipts over disbursements	(495)	31,229	(28,312)	7,550	(31,790)	(68,008)	-	-	(22,546)
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	305,894
Transfers out	-	-	-	-	-	-	-	-	(305,894)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(495)	31,229	(28,312)	7,550	(31,790)	(68,008)	-	-	(22,546)
Cash and investments - ending	\$ (495)	\$ (13,461)	\$ (12,755)	\$ (6,743)	\$ (29,699)	\$ (68,008)	\$ -	\$ -	\$ 2,646,027

SHOALS COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,466,166	\$ 118,290	\$ 25,002	\$ 133,672	\$ 213,709	\$ 83,594	\$ 401,203	\$ 207,068	\$ 55,822	\$ 25,872
Receipts:										
Local sources	77,144	476,955	213,487	457,151	717,245	66,549	-	-	87,371	29,545
Intermediate sources	163	-	-	-	-	-	-	-	-	-
State sources	4,329,498	-	-	-	-	-	-	-	2,194	27,607
Federal sources	-	-	-	-	-	-	-	-	176,724	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	4,406,805	476,955	213,487	457,151	717,245	66,549	-	-	266,289	57,152
Disbursements:										
Current:										
Instruction	3,207,314	-	-	-	-	-	-	58,951	-	-
Support services	1,347,837	-	-	352,102	615,767	-	-	-	-	74,662
Noninstructional services	107,804	-	-	-	-	-	-	-	259,854	-
Facilities acquisition and construction	-	-	-	27,439	-	-	-	-	-	-
Debt services	-	390,964	209,275	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,662,955	390,964	209,275	379,541	615,767	-	-	58,951	259,854	74,662
Excess (deficiency) of receipts over disbursements	(256,150)	85,991	4,212	77,610	101,478	66,549	-	(58,951)	6,435	(17,510)
Other financing sources (uses):										
Transfers in	-	-	-	-	8,339	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	8,339	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(256,150)	85,991	4,212	77,610	109,817	66,549	-	(58,951)	6,435	(17,510)
Cash and investments - ending	\$ 1,210,016	\$ 204,281	\$ 29,214	\$ 211,282	\$ 323,526	\$ 150,143	\$ 401,203	\$ 148,117	\$ 62,257	\$ 8,362

SHOALS COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Levy Excess	Educational License Plates	Donation	Leo Harding Endowment Grant	PDK Elementary Grant	Extra- Curricular Activities	High Ability Grant 11/12	High Ability Grant 10/11	State Connectivity Grant	LSTA Library Grant
Cash and investments - beginning	\$ 49,772	\$ 3,000	\$ 9,236	\$ 3,784	\$ 604	\$ 6,142	\$ -	\$ 16,468	\$ (415)	\$ (98)
Receipts:										
Local sources	-	-	271	185	-	-	-	-	-	-
Intermediate sources	-	131	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	26,410	-	4,110	-
Federal sources	-	-	-	-	-	-	-	-	-	98
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	131	271	185	-	-	26,410	-	4,110	98
Disbursements:										
Current:										
Instruction	-	-	893	-	108	-	23,803	16,468	-	-
Support services	-	-	582	-	-	-	-	-	2,225	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,475	-	108	-	23,803	16,468	2,225	-
Excess (deficiency) of receipts over disbursements	-	131	(1,204)	185	(108)	-	2,607	(16,468)	1,885	98
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(8,339)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(8,339)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,339)	131	(1,204)	185	(108)	-	2,607	(16,468)	1,885	98
Cash and investments - ending	\$ 41,433	\$ 3,131	\$ 8,032	\$ 3,969	\$ 496	\$ 6,142	\$ 2,607	\$ -	\$ 1,470	\$ -

SHOALS COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Indiana Youth Institute's PDG	Title I 11/12	Title I 10/11	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title IV Part A Drug-Free 09/10	After School Rocks 11/12	After School Rocks 10/11	After School Rocks Grant	Team Nutrition Training Grants
Cash and investments - beginning	\$ -	\$ -	\$ (46,566)	\$ -	\$ (751)	\$ -	\$ 4,202	\$ 511	\$ 901
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	556	-	-	-	-	-	-	-	-
Federal sources	-	73,183	70,699	-	948	9,240	-	-	500
Other	-	-	-	-	-	-	-	-	-
Total receipts	556	73,183	70,699	-	948	9,240	-	-	500
Disbursements:									
Current:									
Instruction	556	58,303	2,138	17,347	-	8,928	2,087	511	901
Support services	-	22,770	17,089	-	197	-	40	-	-
Noninstructional services	-	15	4,906	-	-	-	-	-	61
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	556	81,088	24,133	17,347	197	8,928	2,127	511	962
Excess (deficiency) of receipts over disbursements	-	(7,905)	46,566	(17,347)	751	312	(2,127)	(511)	(462)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(7,905)	46,566	(17,347)	751	312	(2,127)	(511)	(462)
Cash and investments - ending	\$ -	\$ (7,905)	\$ -	\$ (17,347)	\$ -	\$ 312	\$ 2,075	\$ -	\$ 439

SHOALS COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Tech Prep Grant 10/11	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Special Education Part B	Education Technology	Education Jobs	Payroll	Cafeteria Clearing	Totals
Cash and investments - beginning	\$ (495)	\$ (13,461)	\$ (12,755)	\$ (6,743)	\$ (29,699)	\$ (68,008)	\$ -	\$ -	\$ 2,646,027
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,125,903
Intermediate sources	-	-	-	-	-	-	-	-	294
State sources	-	-	-	-	-	-	-	-	4,390,375
Federal sources	20,000	51,210	22,650	23,541	53,882	75,566	-	-	578,241
Other	-	-	-	-	-	-	993,848	305,712	1,299,560
Total receipts	20,000	51,210	22,650	23,541	53,882	75,566	993,848	305,712	8,394,373
Disbursements:									
Current:									
Instruction	17,262	44,567	9,895	15,374	21,707	75,536	-	-	3,582,649
Support services	2,243	-	-	612	2,476	7,557	-	-	2,446,159
Noninstructional services	-	-	-	-	-	-	-	-	372,640
Facilities acquisition and construction	-	-	-	-	-	-	-	-	27,439
Debt services	-	-	-	-	-	-	-	-	600,239
Nonprogrammed charges	-	-	-	812	-	-	993,848	305,712	1,300,372
Total disbursements	19,505	44,567	9,895	16,798	24,183	83,093	993,848	305,712	8,329,498
Excess (deficiency) of receipts over disbursements	495	6,643	12,755	6,743	29,699	(7,527)	-	-	64,875
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	8,339
Transfers out	-	-	-	-	-	-	-	-	(8,339)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	495	6,643	12,755	6,743	29,699	(7,527)	-	-	64,875
Cash and investments - ending	\$ -	\$ (6,818)	\$ -	\$ -	\$ -	\$ (75,535)	\$ -	\$ -	\$ 2,710,902

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SHOALS COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
JUNE 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: School Building Corporation	Renovation	\$ 209,000	01-15-06	01-15-21
Total of annual lease payments		<u>\$ 209,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities: Bonds payable:			
General obligation bonds:	Retirement/Severance Liab. Fund. Bds. 2004	\$ 995,000	\$ 104,511
Notes and Loans Payable:			
2002 Common School Fund Loan	Renovation	<u>538,636</u>	<u>178,371</u>
Totals		<u>\$ 1,533,636</u>	<u>\$ 282,882</u>

SHOALS COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for audit indicated that an up-to-date record of capital assets was not maintained. Testing performed on asset purchases revealed that some items that should have been capitalized were not and some items added to the asset records were less than the school corporation's capitalization threshold of \$5,000. Per the School's Policy Manual, Policy #3460, an inventory of all equipment shall be maintained. An incomplete inventory of technology equipment was presented and the inventory did not include the purchase date or cost of the items.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEES (Applies to Jr/Sr High School)

Fees were being charged for numerous classes at the Jr/Sr High School. Supporting documentation was not available to verify the validity of the fees being charged to the students.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

All authorized educational fees (the School Board should be able to justify any educational fees and ensure constitutional problems do not exist) must be receipted to the General Fund of the school corporation and included as miscellaneous revenue when preparing the school corporation budget. Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental). However, proper educational fees belong in the school corporation general fund and should be transferred timely. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

TEXTBOOK RENTAL (Applies to Elementary and Jr/Sr High School)

The method used to calculate textbook rental resulted in a charge that exceeded the maximum rate of twenty-five percent per year for each year of the adoption period. The charge for consumables was in excess of the actual cost of the item paid by the school corporation.

Indiana Code 20-26-12-2 (a) states:

"A governing body may purchase from a publisher, any textbook selected by the proper local officials. The governing body may rent these textbooks to students enrolled in any public or nonpublic school that is: (1) in compliance with the minimum certification standards of the state board; and (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbooks."

SHOALS COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE (Applies to Elementary and Jr/Sr High School)

The School Corporation does not actively pursue collection of unpaid textbook rental charges. The unpaid balance from each school year has not been carried forward as a beginning balance into the next school year and does not carry forward when the student leaves the elementary school and enters the Jr/Sr high school. Reports were printed showing the unpaid balance of textbook rental charges for the 2011-12 school year. The elementary school reported an unpaid balance of \$1,218 and the Jr/Sr high school was \$4,749. Not collecting all textbook rental charges owed to the school corporation will cause the textbook rental fund to have insufficient funds to purchase new textbooks when required.

Indiana Code 20-33-5-11 (b) states: "Notwithstanding subsection (a), a school corporation may take any action authorized by law to collect unpaid fees from parents who are determined to be ineligible for assistance, including recovery of reasonable attorney's fees and court costs in addition to a judgment award against those parents".

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SHOALS COMMUNITY
SCHOOL CORPORATION, MARTIN COUNTY, INDIANA

Compliance

We have audited Shoals Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

STATE BOARD OF ACCOUNTS

October 23, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SHOALS COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 10/11	\$ 32,931	\$ -
		FY 11/12	-	42,216
National School Lunch Program	10.555	FY 10/11	148,713	-
		FY 11/12	-	156,236
Total for Cluster			<u>181,644</u>	<u>198,452</u>
Team Nutrition Grants	10.574	FY 10/11	5,038	901
		FY 12	-	61
Total for program			<u>5,038</u>	<u>962</u>
Total for federal grantor agency			<u>186,682</u>	<u>199,414</u>
<u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Pass-Through Indiana State Library				
Grants to States	45.310	703-IT-010-1000	9,648	-
Total for federal grantor agency			<u>9,648</u>	<u>-</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	10-5520	62,010	-
		11-5520	94,697	24,133
		12-5520	-	81,088
ARRA - Title I Grants to Local Educational Agencies	84.389	10-5520	28,312	9,895
Total for cluster			<u>185,019</u>	<u>115,116</u>
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	EDS# A58-3-13DL-00084	-	17,347
Pass-Through North Lawrence Community School Corporation				
ARRA - Special Education Grants to States	84.391	33310-049-SN01	25,147	16,798
Total for cluster			<u>25,147</u>	<u>34,145</u>
Pass-Through Indiana Department of Education				
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants	84.386	C310S5520	71,038	24,184
Total for cluster			<u>71,038</u>	<u>24,184</u>
Safe and Drug Free Schools and Communities - State Grant	84.186	08-5520	61	-
		09-5520	3,086	197
Total for program			<u>3,147</u>	<u>197</u>
Projects with Industry	84.234	EDS# A58-1-11CI-081	495	19,505
Improving Teacher Quality State Grants	84.367	09-5520	6,075	-
		10-5520	44,230	5,407
		11-5520	-	39,159
Total for program			<u>50,305</u>	<u>44,566</u>
Education Jobs Fund	84.410	FY10/11	68,009	83,093
Total for federal grantor agency			<u>403,160</u>	<u>320,806</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Purdue University				
Block Grants for the Prevention and Treatment of Substance Abuse	93.959	101209-01	7,217	511
		203910-43	8,418	2,128
		121208-02	-	8,928
Total for federal grantor agency			<u>15,635</u>	<u>11,567</u>
Total federal awards expended			<u>\$ 615,125</u>	<u>\$ 531,787</u>

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

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

Note 1. Basis of Presentation

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

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

Note 4. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
School Breakfast Program	10.553	\$ 2,844	\$ 4,488
National School Lunch Program	10.555	12,677	16,533

SHOALS COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Title I, Part A Cluster Education Jobs Fund

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

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-1 - PERIOD OF AVAILABILITY

Federal Agency: U.S. Department of Education

Federal Program: Title 1, Part A Cluster

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 10-5520 and 11-5520

Pass-Through Entity: Indiana Department of Education

Our review of grant expenditures noted payments of \$21,178 and \$16,949 made on October 15, 2010, and December 21, 2011, respectively, to Southern Indiana Education Center. These payment were made for future Title I professional development because the school had excess Title I funds that could not be spent before the end of the grant period. As of October 2, 2012, the balance remaining was \$1,143 and \$16,102 from each of the deposits; therefore, the training and workshops had not been provided to the School Corporation by the end of the period of availability. Controls were not in place to verify that these transactions were in compliance with Title I guidelines.

34 CFR 80.23 states in part:

"(a) . . . Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. (b) . . . A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee." According to memorandums provided by the Indiana Department of Education, the grant funds must be encumbered by September 30th and fully expended by the December 31st of each grant year.

OMB Circular A-133 section .300 (b) states: "The auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The grant expenditures noted above, as obligated outside of applicable periods of availability, are inappropriate expenditures for the grants, which would be considered questioned costs that total \$21,178 for Title I 2009-2010 (10-5520) and \$16,949 for Title I 2011-2012 (11-5520). Funds not obligated within the period of availability should have been returned to the grantor.

The School Corporation should develop procedures to insure grant funds are only disbursed for obligations within the appropriate period of availability. All purchasing individuals should be made aware of each grant's period of availability and definition of obligation.

Shoals Community School Corporation

Dr. Joan L. Keller
Superintendent
Lisa C. Elliott
Treasurer
Dot Tredway
Deputy/Cafeteria Treas.
Andrea Qualkenbush
Corporation Secretary

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Glen Anthony Cundiff
Board President
Mary Lou Billings
Vice President
C. Denise Garrett
Secretary
A. Christy Farhar
Member
William J. Shobe, Jr.
Member

FINDING NO. 2012-1 Period of Availability

Auditee Contact Person: Patricia K. Keefe
Treasurer: Lisa C. Elliott
New Superintendent: Dr. Joan L. Keller
Phone Number of Contact Person: 812-247-2090 ext. 403

Dr. Joan L. Keller has obtained a signed contract from Southern Indiana Education Center (SIEC) for professional development services provided to Shoals Community School Corporation.

No personnel are still employed at the Indiana Department of Education in Title I who took part in phone conversations about SIEC providing professional development to Shoals Elementary School. Therefore it was not possible to procure a letter regarding these discussions. It is noted in the Title I approved grant applications that SIEC will provide professional development workshops on the budget narrative page in both grants.

Patricia K. Keefe, Title I Administrative Assistant and grant writer, Dr. Anthony E. Nonte, superintendent at the time in question, and Lisa C. Elliott, Shoals Community School Corporation Treasurer all acted in good faith with the in-service agreements. As Scott Turney, SIEC Program Director, told the auditor when he was called no one thought we did anything wrong or out of line. The money was used for Title I in-service development. It was not spent on technology equipment, library books, or anything that was not directly related to in-service instruction that would benefit the Target Assisted Title I population. Since our free/reduced lunch rate is over sixty percent, a large number of the student population is identified and participates in Title I. We have not chosen to go school-wide, which would open the door to spend Title I money on anything in the School-wide Title I program, as we honestly focus on meeting the individual and small group needs of the identified Title I students. It is ironic that we have been told we are in violation of a policy when we strive so adamantly to follow Title I rules and regulations and use the money to benefit its intended focus group, the students.

All teachers and staff at Shoals Elementary School are part of Title I professional development as every teacher has Title I students and sometimes Special Needs students identified for inclusion in their classrooms on a daily basis. Some Special Needs students (usually those at the bottom of the identification lists) are sole provided by their IEP and those students do not leave the special needs classroom for Title I in the regular classrooms. However, students from the cutoff of the identification list to the bottom of the list are served unless they are sole provided by the IEPs. Therefore all staff (teachers and Title I instructional assistants) are included in any professional development that is provided. Title I staff are never excluded.

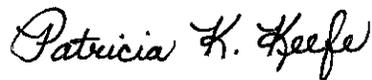
Title I provides instruction in reading (language arts related activities of spelling and writing) and math. Therefore any Title I in-services cover reading and math. Some technology programs of reading and math have been in-serviced, but the software itself was purchased with CPF or technology money and not Title I. Title I has paid for substitutes when teachers have grade level curriculum meetings to plan strategies and activities of understanding to boost Title I student's skill levels.

It is our interpretation that when we turned the money over to SIEC to procure speakers for us and provide us with quality Title I in-service which we traveled to SIEC to participate in, that we had spent the money. Our interpretation and the auditor's interpretation differ.

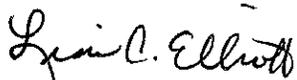
Shoals Elementary School is required to set aside an amount of money to be spent on professional development. Supplies and materials or books may not be purchased with professional development money. Since we have a new principal, Austin Malone, who is gung ho on professional development for teachers and developing a professional learning team it will probably be easier to spend money for professional activities here in the future. Since we may no longer contract with SIEC to provide us services, we will endeavor to find our own speakers and spend the money here in the future without assistance from an outside agency.

We have been told we may not and we will not contract professional development money with SIEC in the future.

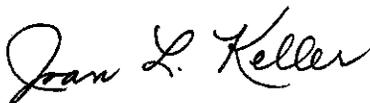
Sincerely,



Patricia K. Keefe
Title I Administrative Assistant and Grant Writer



Lisa C. Elliott
Treasurer of Shoals Community School Coporation



Dr. Joan L. Keller
Superintendent of Shoals Community School Corporation

SHOALS COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2012, with Lisa C. Elliott, Treasurer; Dr. Joan L. Keller, Superintendent of Schools; and Glen A. Cundiff, President of the School Board. The officials concurred with our findings.

A second exit conference was held on January 14, 2013, with Lisa C. Elliot, Treasurer, to discuss changes to the Independent Auditor's Report.