

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SHENANDOAH SCHOOL CORPORATION  
HENRY COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**

03/24/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julia D. Miller	07-01-11 to 06-30-14
Superintendent of Schools	Ronald Green	07-01-11 to 06-30-14
President of the School Board	Scott Trennepohl	07-01-11 to 12-31-14



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SHENANDOAH SCHOOL CORPORATION, HENRY COUNTY, INDIANA

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Shenandoah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of 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 of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

  
Paul D. Joyce, CPA  
State Examiner

February 10, 2014



**STATE OF INDIANA**  
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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 SHENANDOAH SCHOOL CORPORATION, HENRY 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 Shenandoah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 10, 2014, 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 exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

***Compliance and Other Matters***

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

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

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

***Shenandoah 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

February 10, 2014

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## FINANCIAL STATEMENT

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

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

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 16,923	\$ 8,317,203	\$ 8,325,049	\$ (2,914)	\$ 6,163	\$ 8,483,738	\$ 8,630,037	\$ 1,923	\$ (138,213)
Debt Service	443,249	354,730	544,438	-	253,541	635,144	649,250	-	239,435
Retirement/ Severance Bond Debt Service	17,937	463,786	351,646	-	130,077	327,134	351,803	-	105,408
Capital Projects	155,389	776,588	705,847	-	226,130	855,332	886,600	-	194,862
School Transportation	500,645	660,550	785,320	13,932	389,807	684,270	772,489	-	301,588
School Bus Replacement	140,055	157,807	158,124	-	139,738	87,859	-	-	227,597
Retirement/Severance Bond	1,309,228	-	-	-	1,309,228	-	-	-	1,309,228
Construction	-	-	-	1,600,000	1,600,000	33,000	1,409,059	-	223,941
School Lunch	259,264	531,547	519,838	-	270,973	574,301	597,657	-	247,617
Textbook Rental	206,651	121,067	194,444	4	133,278	163,569	126,342	-	170,505
Self-Insurance	480,472	1,316,632	1,533,984	-	263,120	1,545,633	1,430,334	-	378,419
Levy Excess	13,932	-	-	(13,932)	-	-	-	-	-
Educational License Plates	509	206	-	-	715	187	-	-	902
Education Technology	-	-	-	-	-	-	44,045	-	(44,045)
School Technology	7,195	8,177	5,828	-	9,544	26,787	27,400	-	8,931
Performance Based Awards	1,684	-	-	-	1,684	-	-	-	1,684
Excellence and Performance Grant	-	-	-	-	-	96,559	96,559	-	-
High Ability Student Programs	11,311	29,667	33,193	-	7,785	30,620	22,987	-	15,418
Innovative School Improvement Grant	-	-	-	-	-	10,000	10,000	-	-
Title I	(7,738)	128,120	126,533	-	(6,151)	203,549	201,916	-	(4,518)
Drug Free Schools	368	630	998	-	-	-	-	-	-
Hurricane Katrina/Rita Relief	2,880	-	-	-	2,880	-	-	-	2,880
Snow Emergency	256	-	-	-	256	-	-	-	256
Improving Teaching Quality, No Child Left, Title II, Part A	(5,632)	33,241	33,761	2,914	(3,238)	41,288	44,647	-	(6,597)
Education Jobs	-	115,557	181,118	-	(65,561)	148,864	83,303	-	-
Payroll Withholdings	752	7,031,714	7,031,714	-	752	8,710,269	8,704,190	-	6,831
Totals	<u>\$ 3,555,330</u>	<u>\$ 20,047,222</u>	<u>\$ 20,531,835</u>	<u>\$ 1,600,004</u>	<u>\$ 4,670,721</u>	<u>\$ 22,658,103</u>	<u>\$ 24,088,618</u>	<u>\$ 1,923</u>	<u>\$ 3,242,129</u>

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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:

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**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.

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of grant funds that were expended but not reimbursed by fiscal year end and disbursements exceeding receipts.

## 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.

SHENANDOAH 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	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 16,923	\$ 443,249	\$ 17,937	\$ 155,389	\$ 500,645	\$ 140,055	\$ 1,309,228	\$ -
Receipts:								
Local sources	64,819	354,730	463,786	776,588	660,498	157,807	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	8,248,500	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	3,884	-	-	-	52	-	-	-
Total receipts	<u>8,317,203</u>	<u>354,730</u>	<u>463,786</u>	<u>776,588</u>	<u>660,550</u>	<u>157,807</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	5,634,119	-	-	-	-	-	-	-
Support services	2,519,587	-	-	151,528	785,320	158,124	-	-
Noninstructional services	153,487	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	554,319	-	-	-	-
Debt services	17,856	544,438	351,646	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>8,325,049</u>	<u>544,438</u>	<u>351,646</u>	<u>705,847</u>	<u>785,320</u>	<u>158,124</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(7,846)</u>	<u>(189,708)</u>	<u>112,140</u>	<u>70,741</u>	<u>(124,770)</u>	<u>(317)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,600,000
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	13,932	-	-	-
Transfers out	(2,914)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(2,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,932</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(10,760)</u>	<u>(189,708)</u>	<u>112,140</u>	<u>70,741</u>	<u>(110,838)</u>	<u>(317)</u>	<u>-</u>	<u>1,600,000</u>
Cash and investments - ending	<u>\$ 6,163</u>	<u>\$ 253,541</u>	<u>\$ 130,077</u>	<u>\$ 226,130</u>	<u>\$ 389,807</u>	<u>\$ 139,738</u>	<u>\$ 1,309,228</u>	<u>\$ 1,600,000</u>

SHENANDOAH 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)

	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	School Technology	Performance Based Awards	High Ability Student Programs
Cash and investments - beginning	\$ 259,264	\$ 206,651	\$ 480,472	\$ 13,932	\$ 509	\$ 7,195	\$ 1,684	\$ 11,311
Receipts:								
Local sources	219,273	79,295	192,557	-	-	-	-	-
Intermediate sources	-	-	-	-	206	-	-	-
State sources	8,565	41,372	-	-	-	8,177	-	29,667
Federal sources	303,433	-	-	-	-	-	-	-
Other	276	400	1,124,075	-	-	-	-	-
Total receipts	<u>531,547</u>	<u>121,067</u>	<u>1,316,632</u>	<u>-</u>	<u>206</u>	<u>8,177</u>	<u>-</u>	<u>29,667</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	33,193
Support services	6,698	194,444	-	-	-	5,828	-	-
Noninstructional services	513,140	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,533,984	-	-	-	-	-
Total disbursements	<u>519,838</u>	<u>194,444</u>	<u>1,533,984</u>	<u>-</u>	<u>-</u>	<u>5,828</u>	<u>-</u>	<u>33,193</u>
Excess (deficiency) of receipts over disbursements	<u>11,709</u>	<u>(73,377)</u>	<u>(217,352)</u>	<u>-</u>	<u>206</u>	<u>2,349</u>	<u>-</u>	<u>(3,526)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	4	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(13,932)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>4</u>	<u>-</u>	<u>(13,932)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>11,709</u>	<u>(73,373)</u>	<u>(217,352)</u>	<u>(13,932)</u>	<u>206</u>	<u>2,349</u>	<u>-</u>	<u>(3,526)</u>
Cash and investments - ending	<u>\$ 270,973</u>	<u>\$ 133,278</u>	<u>\$ 263,120</u>	<u>\$ -</u>	<u>\$ 715</u>	<u>\$ 9,544</u>	<u>\$ 1,684</u>	<u>\$ 7,785</u>

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

	Title I	Drug Free Schools	Hurricane Katrina/Rita Relief	Snow Emergency	Improving Teaching Quality, No Child Left, Title II, Part A	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (7,738)	\$ 368	\$ 2,880	\$ 256	\$ (5,632)	\$ -	\$ 752	\$ 3,555,330
Receipts:								
Local sources	-	-	-	-	-	-	-	2,969,353
Intermediate sources	-	-	-	-	-	-	-	206
State sources	-	-	-	-	-	-	-	8,336,281
Federal sources	128,120	630	-	-	33,241	115,557	-	580,981
Other	-	-	-	-	-	-	7,031,714	8,160,401
Total receipts	128,120	630	-	-	33,241	115,557	7,031,714	20,047,222
Disbursements:								
Current:								
Instruction	126,533	-	-	-	-	181,118	-	5,974,963
Support services	-	998	-	-	33,761	-	-	3,856,288
Noninstructional services	-	-	-	-	-	-	-	666,627
Facilities acquisition and construction	-	-	-	-	-	-	-	554,319
Debt services	-	-	-	-	-	-	-	913,940
Nonprogrammed charges	-	-	-	-	-	-	7,031,714	8,565,698
Total disbursements	126,533	998	-	-	33,761	181,118	7,031,714	20,531,835
Excess (deficiency) of receipts over disbursements	1,587	(368)	-	-	(520)	(65,561)	-	(484,613)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,600,000
Sale of capital assets	-	-	-	-	-	-	-	4
Transfers in	-	-	-	-	2,914	-	-	16,846
Transfers out	-	-	-	-	-	-	-	(16,846)
Total other financing sources (uses)	-	-	-	-	2,914	-	-	1,600,004
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,587	(368)	-	-	2,394	(65,561)	-	1,115,391
Cash and investments - ending	\$ (6,151)	\$ -	\$ 2,880	\$ 256	\$ (3,238)	\$ (65,561)	\$ 752	\$ 4,670,721

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 6,163	\$ 253,541	\$ 130,077	\$ 226,130	\$ 389,807	\$ 139,738	\$ 1,309,228	\$ 1,600,000	\$ 270,973
Receipts:									
Local sources	51,193	635,144	327,134	822,605	683,920	87,859	-	-	272,144
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	8,428,434	-	-	-	-	-	-	-	8,344
Federal sources	-	-	-	-	-	-	-	-	293,393
Other	4,111	-	-	32,727	350	-	-	33,000	420
Total receipts	8,483,738	635,144	327,134	855,332	684,270	87,859	-	33,000	574,301
Disbursements:									
Current:									
Instruction	5,802,572	-	-	-	-	-	-	-	-
Support services	2,651,508	-	-	215,900	772,489	-	-	-	10,508
Noninstructional services	157,862	-	-	-	-	-	-	-	587,149
Facilities acquisition and construction	-	-	-	670,700	-	-	-	1,381,345	-
Debt services	18,095	649,250	351,803	-	-	-	-	27,714	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	8,630,037	649,250	351,803	886,600	772,489	-	-	1,409,059	597,657
Excess (deficiency) of receipts over disbursements	(146,299)	(14,106)	(24,669)	(31,268)	(88,219)	87,859	-	(1,376,059)	(23,356)
Other financing sources (uses):									
Sale of capital assets	1,923	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,923	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(144,376)	(14,106)	(24,669)	(31,268)	(88,219)	87,859	-	(1,376,059)	(23,356)
Cash and investments - ending	\$ (138,213)	\$ 239,435	\$ 105,408	\$ 194,862	\$ 301,588	\$ 227,597	\$ 1,309,228	\$ 223,941	\$ 247,617

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

	Textbook Rental	Self-Insurance	Educational License Plates	Education Technology	School Technology	Performance Based Awards	Excellence and Performance Grant	High Ability Student Programs
Cash and investments - beginning	\$ 133,278	\$ 263,120	\$ 715	\$ -	\$ 9,544	\$ 1,684	\$ -	\$ 7,785
Receipts:								
Local sources	122,062	-	-	-	-	-	-	-
Intermediate sources	-	-	187	-	-	-	-	-
State sources	41,507	-	-	-	26,787	-	96,559	30,620
Federal sources	-	-	-	-	-	-	-	-
Other	-	1,545,633	-	-	-	-	-	-
Total receipts	163,569	1,545,633	187	-	26,787	-	96,559	30,620
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	96,559	22,987
Support services	126,342	-	-	-	27,400	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	44,045	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,430,334	-	-	-	-	-	-
Total disbursements	126,342	1,430,334	-	44,045	27,400	-	96,559	22,987
Excess (deficiency) of receipts over disbursements	37,227	115,299	187	(44,045)	(613)	-	-	7,633
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	37,227	115,299	187	(44,045)	(613)	-	-	7,633
Cash and investments - ending	\$ 170,505	\$ 378,419	\$ 902	\$ (44,045)	\$ 8,931	\$ 1,684	\$ -	\$ 15,418

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

	Innovative School Improvement Grant	Title I	Hurricane Katrina/Rita Relief	Snow Emergency	Improving Teaching Quality, No Child Left, Title II, Part A	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (6,151)	\$ 2,880	\$ 256	\$ (3,238)	\$ (65,561)	\$ 752	\$ 4,670,721
Receipts:								
Local sources	-	-	-	-	-	-	-	3,002,061
Intermediate sources	-	-	-	-	-	-	-	187
State sources	10,000	-	-	-	-	-	-	8,642,251
Federal sources	-	203,549	-	-	41,288	148,864	-	687,094
Other	-	-	-	-	-	-	8,710,269	10,326,510
Total receipts	10,000	203,549	-	-	41,288	148,864	8,710,269	22,658,103
Disbursements:								
Current:								
Instruction	10,000	185,449	-	-	-	83,303	-	6,200,870
Support services	-	16,367	-	-	44,647	-	-	3,865,161
Noninstructional services	-	100	-	-	-	-	-	745,111
Facilities acquisition and construction	-	-	-	-	-	-	-	2,096,090
Debt services	-	-	-	-	-	-	-	1,046,862
Nonprogrammed charges	-	-	-	-	-	-	8,704,190	10,134,524
Total disbursements	10,000	201,916	-	-	44,647	83,303	8,704,190	24,088,618
Excess (deficiency) of receipts over disbursements	-	1,633	-	-	(3,359)	65,561	6,079	(1,430,515)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	1,923
Total other financing sources (uses)	-	-	-	-	-	-	-	1,923
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,633	-	-	(3,359)	65,561	6,079	(1,428,592)
Cash and investments - ending	\$ -	\$ (4,518)	\$ 2,880	\$ 256	\$ (6,597)	\$ -	\$ 6,831	\$ 3,242,129

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2013

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 216,666</u>	<u>\$ 5,637,350</u>

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
U.S. Bank, N.A.	Building Lease	\$ 361,000	07-10-04	01-10-16
5th Third Bank	Other DLGF Approved Debt	502,696	07-15-08	01-15-18
Bank of New York	Retirement/Severance Bond	355,562	07-05-05	01-05-22
U.S. Bank, N.A.	ARRA of 2009	<u>175,000</u>	12-30-09	01-01-24
Total of annual lease payments		<u>\$ 1,394,258</u>		
Type		Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
Notes and loans payable		\$ 9,380,000	\$ 1,394,258	
General obligation bonds		2,220,781	819,422	
Tax anticipation warrants		2,365,000	225,000	
Other debt		<u>1,725,000</u>	<u>145,000</u>	
Totals		<u>\$ 15,690,781</u>	<u>\$ 2,583,680</u>	

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SHENANDOAH SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2013

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

	Ending Balance
Governmental activities:	
Land	\$ 81,195
Buildings	23,909,535
Improvements other than buildings	963,094
Machinery, equipment, and vehicles	2,802,509
 Total capital assets	 \$ 27,756,333

SHENANDOAH SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCE**

The financial statement presented in this report included the following fund with overdrawn cash balance at June 30, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
General	<u>\$ 138,213</u>

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

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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 SHENANDOAH SCHOOL CORPORATION, HENRY COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the Shenandoah School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2013-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Reporting that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 Child Nutrition Cluster for the period of July 1, 2011 to June 30, 2013.

***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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2011 to June 30, 2013.

***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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 to be material weaknesses.

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

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

February 10, 2014

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2012	\$ 47,237	\$ -
			FY 2013	-	48,057
Total - School Breakfast Program				<u>47,237</u>	<u>48,057</u>
National School Lunch Program	Indiana Department of Education	10.555			
			FY 2012	277,453	-
			FY 2013	-	297,686
Total - National School Lunch Program				<u>277,453</u>	<u>297,686</u>
Total - Child Nutrition Cluster				<u>324,690</u>	<u>345,743</u>
Total - Department of Agriculture				<u>324,690</u>	<u>345,743</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			2011/2012	128,120	-
			2012/2013	-	203,549
Total - Title I, Part A Cluster				<u>128,120</u>	<u>203,549</u>
Safe and Drug-Free Schools and Communities - State Grants	Indiana Department of Education	84.186	09 3435	998	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			FFY2011	33,241	-
			FFY2012	-	41,288
Total - Improving Teacher Quality State Grants				<u>33,241</u>	<u>41,288</u>
Education Jobs Fund	Indiana Department of Education	84.410			
			FY11/12	181,118	-
			FY12/13	-	83,303
Total Education Jobs Fund				<u>181,118</u>	<u>83,303</u>
Total - Department of Education				<u>343,477</u>	<u>328,140</u>
Total federal awards expended				<u>\$ 668,167</u>	<u>\$ 673,883</u>

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

SHENANDOAH 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 Shenandoah School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 47,237	\$ 48,057
National School Lunch Program	10.555	277,454	297,686

SHENANDOAH 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 noted
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 for Safe and Drug-Free Schools and Communities – State Grants and qualified for the Child Nutrition Cluster
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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.186	Child Nutrition Cluster Safe and Drug-Free Schools and Communities - State Grants

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

Auditee qualified as low-risk auditee?	no
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SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section II – Financial Statement Findings**

**FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

Internal controls over the receipting of school lunch payments made online were insufficient. The online payments were not posted timely or consistently. At times, multiple deposits were recorded all at once. Of the 28 amounts tested, we were not able to trace any to an individual posting in the School Corporation's records. When testing deposits to postings for the entire month, the deposits could be reconciled to the month's postings.

Effective internal control over financial reporting involves the identification analysis the risks of material misstatement to the School Corporation's audited financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement in relation to school lunch receipts to prevent or detect material misstatements, including notes to the financial statement.

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

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

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

**FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CHILD NUTRITION CLUSTER**

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program; National School Lunch Program

CFDA Number: 10.553; 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013

Pass-Through Entity: Indiana Department of Education

Management of the Shenandoah School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Eligibility, Reporting, and Special Tests and Provisions.

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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

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

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

***FINDING 2013-003 – CHILD NUTRITION PROGRAM, REPORTING***

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program; National School Lunch Program

CFDA Number: 10.553; 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013

Pass-Through Entity: Indiana Department of Education

Sixteen of the twenty reports filed by the School Corporation for FY 2011-2012 and FY 2012-2013 contained errors in the number of meals served.

Failure to properly complete the required reports could result in a reduction of funding.

7 CFR 210.8 states in part:

"(a)(2) School food authority claims review process. Prior to submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches."

We recommended that the School Corporation verify the accuracy of the numbers being reported.

Shenandoah School Corporation  
Corrective Action Plan  
Audit Period 7/1/11 to 6/30/13  
January 15, 2014

Section II – Financial Statement Findings

Finding 2013-001 Internal Controls Over Financial Transactions  
and Reporting

Contact Person: Julia Miller

Anticipated Correction Date: June 30, 2014

Federal Agency: U.S. Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year: FY 2011-2012 and FY 2012-2013

Pass-Through Entity: Indiana Department of Agriculture

The Shenandoah School Corporation will add controls over the preparation of school lunch receipt financial statements that will include segregating duties for receipting, disbursing, recording, and accounting of Child Nutrition Funds. The duties will be segregated among Cafeteria Managers, Food Service Director, Assistant Food Service Director, School Treasurers, and the School Corporation Business Manager.

Shenandoah School Corporation  
Corrective Action Plan  
Audit Period 7/1/11 to 6/30/13  
January 15, 2014

Section III – Federal Award Findings and Questioned Costs

Finding 2013-002 Internal Controls Over Compliance  
Requirements That Have A Direct And Material Effect To Child  
Nutrition Cluster

Contact Person: Julia Miller

Anticipated Correction Date: June 30, 2014

Federal Agency: U.S. Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year: FY 2011-2012 and FY 2012-2013

Pass-Through Entity: Indiana Department of Agriculture

The School Corporation Business Manager and Superintendent of Schools will develop procedures for proper oversight, reviews, and approvals through a separation of functions involving the Cafeteria Managers, Food Service Director, and Assistant Food Service Director. Compliance will be monitored by the School Corporation Business Manager and Superintendent of Schools.

Shenandoah School Corporation  
Corrective Action Plan  
Audit Period 7/1/11 to 6/30/13  
January 15, 2014

Findings 2013-003 – Error In Reporting

Federal Agency: U.S. Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year: FY 2011-2012 and FY 2012-2013

Pass-Through Entity: Indiana Department of Agriculture

The Food Service Director and Assistant Food Service Director will record all meals served to ensure that monthly claims and the Annual Financial Report include only the number of free, reduced price and paid lunches.

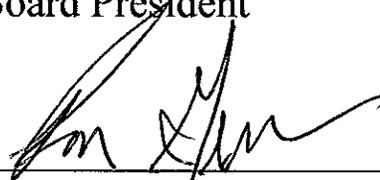
The Business Manager and/or Superintendent of Schools will review the monthly Claim for Reimbursement.

Signed:



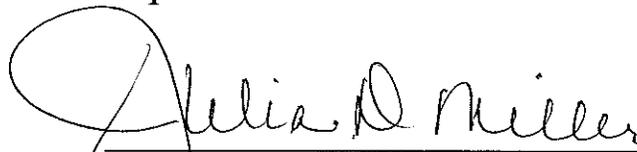
Scott Trennepohl  
Board President

Signed:



Ron Green  
Superintendent of Schools

Signed:



Julia Miller  
Business Manger

SHENANDOAH SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 10, 2014, with Julia D. Miller, Treasurer; Ronald Green, Superintendent of Schools; and Scott Trennepohl, President of the School Board.