

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, 2013 to June 30, 2015



FILED
10/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julia D. Miller	07-01-13 to 06-30-17
Superintendent of Schools	Ronald L. Green	07-01-13 to 06-30-22
President of the School Board	Scott Trennepohl	07-01-13 to 12-31-17



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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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, 2013 to June 30, 2015.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

August 2, 2016



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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, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated August 2, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002.

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

August 2, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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SHENANDOAH SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ (138,213)	\$ 8,560,764	\$ 8,618,230	\$ 182,012	\$ (13,667)	\$ 8,564,724	\$ 8,203,462	\$ 2,453	\$ 350,048
Debt Service	239,435	839,608	881,325	-	197,718	984,341	931,273	-	250,786
Retirement/Severance Bond Debt Service	105,408	279,900	351,177	-	34,131	361,791	354,634	-	41,288
Capital Projects	194,862	778,827	1,070,453	-	(96,764)	770,036	488,106	-	185,166
School Transportation	301,588	769,539	803,858	-	267,269	720,532	711,168	-	276,633
School Bus Replacement	227,597	174,677	273,626	-	128,648	195,139	208,814	(75,000)	39,973
Rainy Day	-	-	-	-	-	-	-	75,000	75,000
Retirement/Severance Bond	1,309,228	-	-	(180,000)	1,129,228	-	-	-	1,129,228
Construction	223,941	28,974	252,915	-	-	-	-	-	-
School Lunch	247,617	565,317	546,234	-	266,700	594,243	688,003	-	172,940
Textbook Rental	170,505	131,128	129,452	-	172,181	167,933	137,035	-	203,079
Self-Insurance	378,419	1,458,605	1,174,850	-	662,174	1,195,109	1,251,543	-	605,740
Levy Excess	-	-	-	-	-	2,102	-	-	2,102
Educational License Plates	902	169	-	-	1,071	131	-	-	1,202
Education Technology	(44,045)	131,800	87,755	-	-	135,700	141,663	-	(5,963)
School Technology	8,931	18,627	12,385	-	15,173	12,347	21,955	-	5,565
Performance Based Awards	1,684	150,000	150,000	-	1,684	-	-	-	1,684
Miscellaneous Programs	15,418	30,567	39,848	-	6,137	30,491	33,529	-	3,099
Title I	(4,518)	181,085	207,821	-	(31,254)	224,932	202,523	-	(8,845)
Other Federal Programs	2,880	-	-	-	2,880	-	-	-	2,880
Snow Emergency	256	-	256	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(6,597)	30,516	31,979	-	(8,060)	36,786	34,356	-	(5,630)
Payroll Withholdings	6,831	1,756,734	1,763,003	-	562	1,643,021	1,643,413	-	170
Totals	\$ 3,242,129	\$ 15,886,837	\$ 16,395,167	\$ 2,012	\$ 2,735,811	\$ 15,639,358	\$ 15,051,477	\$ 2,453	\$ 3,326,145

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

E. Disbursements

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

Instruction, 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:

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.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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

Funding Policy and Annual Pension Cost

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

OTHER INFORMATION - UNAUDITED

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

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

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

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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ (138,213)	\$ 239,435	\$ 105,408	\$ 194,862	\$ 301,588	\$ 227,597	\$ -	\$ 1,309,228
Receipts:								
Local sources	40,405	839,608	279,900	778,827	769,539	174,677	-	-
Intermediate sources	4,133	-	-	-	-	-	-	-
State sources	8,457,549	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	58,677	-	-	-	-	-	-	-
Total receipts	<u>8,560,764</u>	<u>839,608</u>	<u>279,900</u>	<u>778,827</u>	<u>769,539</u>	<u>174,677</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	5,818,454	-	-	-	-	-	-	-
Support services	2,625,657	-	-	90,962	803,858	273,626	-	-
Noninstructional services	156,263	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	979,491	-	-	-	-
Debt services	17,856	881,325	351,177	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>8,618,230</u>	<u>881,325</u>	<u>351,177</u>	<u>1,070,453</u>	<u>803,858</u>	<u>273,626</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(57,466)</u>	<u>(41,717)</u>	<u>(71,277)</u>	<u>(291,626)</u>	<u>(34,319)</u>	<u>(98,949)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	2,012	-	-	-	-	-	-	-
Transfers in	180,000	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(180,000)
Total other financing sources (uses)	<u>182,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>124,546</u>	<u>(41,717)</u>	<u>(71,277)</u>	<u>(291,626)</u>	<u>(34,319)</u>	<u>(98,949)</u>	<u>-</u>	<u>(180,000)</u>
Cash and investments - ending	<u>\$ (13,667)</u>	<u>\$ 197,718</u>	<u>\$ 34,131</u>	<u>\$ (96,764)</u>	<u>\$ 267,269</u>	<u>\$ 128,648</u>	<u>\$ -</u>	<u>\$ 1,129,228</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, 2014
 (Continued)

	Construction	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Education Technology	School Technology
Cash and investments - beginning	\$ 223,941	\$ 247,617	\$ 170,505	\$ 378,419	\$ -	\$ 902	\$ (44,045)	\$ 8,931
Receipts:								
Local sources	-	269,178	89,819	-	-	-	-	-
Intermediate sources	-	-	-	-	-	169	-	-
State sources	-	8,532	41,109	-	-	-	131,800	18,627
Federal sources	-	287,417	-	-	-	-	-	-
Other receipts	28,974	190	200	1,458,605	-	-	-	-
Total receipts	28,974	565,317	131,128	1,458,605	-	169	131,800	18,627
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	7,137	129,452	-	-	-	-	12,385
Noninstructional services	-	539,097	-	-	-	-	-	-
Facilities acquisition and construction	252,915	-	-	-	-	-	87,755	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,174,850	-	-	-	-
Total disbursements	252,915	546,234	129,452	1,174,850	-	-	87,755	12,385
Excess (deficiency) of receipts over disbursements	(223,941)	19,083	1,676	283,755	-	169	44,045	6,242
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(223,941)	19,083	1,676	283,755	-	169	44,045	6,242
Cash and investments - ending	\$ -	\$ 266,700	\$ 172,181	\$ 662,174	\$ -	\$ 1,071	\$ -	\$ 15,173

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, 2014
 (Continued)

	Performance Based Awards	Miscellaneous Programs	Title I	Other Federal Programs	Snow Emergency	Improving Teaching Quality, No Child Left, Title II, Part A	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 1,684	\$ 15,418	\$ (4,518)	\$ 2,880	\$ 256	\$ (6,597)	\$ 6,831	\$ 3,242,129
Receipts:								
Local sources	-	-	-	-	-	-	-	3,241,953
Intermediate sources	-	-	-	-	-	-	-	4,302
State sources	150,000	30,567	-	-	-	-	-	8,838,184
Federal sources	-	-	181,085	-	-	30,516	-	499,018
Other receipts	-	-	-	-	-	-	1,756,734	3,303,380
Total receipts	150,000	30,567	181,085	-	-	30,516	1,756,734	15,886,837
Disbursements:								
Instruction	150,000	39,848	181,702	-	-	-	-	6,190,004
Support services	-	-	25,465	-	256	31,979	-	4,000,777
Noninstructional services	-	-	654	-	-	-	-	696,014
Facilities acquisition and construction	-	-	-	-	-	-	-	1,320,161
Debt services	-	-	-	-	-	-	-	1,250,358
Nonprogrammed charges	-	-	-	-	-	-	1,763,003	2,937,853
Total disbursements	150,000	39,848	207,821	-	256	31,979	1,763,003	16,395,167
Excess (deficiency) of receipts over disbursements	-	(9,281)	(26,736)	-	(256)	(1,463)	(6,269)	(508,330)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	2,012
Transfers in	-	-	-	-	-	-	-	180,000
Transfers out	-	-	-	-	-	-	-	(180,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,012
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(9,281)	(26,736)	-	(256)	(1,463)	(6,269)	(506,318)
Cash and investments - ending	\$ 1,684	\$ 6,137	\$ (31,254)	\$ 2,880	\$ -	\$ (8,060)	\$ 562	\$ 2,735,811

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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ (13,667)	\$ 197,718	\$ 34,131	\$ (96,764)	\$ 267,269	\$ 128,648	\$ -	\$ 1,129,228
Receipts:								
Local sources	58,406	984,341	361,791	770,036	720,532	195,139	-	-
Intermediate sources	207	-	-	-	-	-	-	-
State sources	8,502,296	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	3,815	-	-	-	-	-	-	-
Total receipts	<u>8,564,724</u>	<u>984,341</u>	<u>361,791</u>	<u>770,036</u>	<u>720,532</u>	<u>195,139</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	5,547,299	-	-	-	-	-	-	-
Support services	2,469,590	-	-	7,814	711,168	208,814	-	-
Noninstructional services	168,717	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	452,503	-	-	-	-
Debt services	17,856	931,273	354,634	27,789	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>8,203,462</u>	<u>931,273</u>	<u>354,634</u>	<u>488,106</u>	<u>711,168</u>	<u>208,814</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>361,262</u>	<u>53,068</u>	<u>7,157</u>	<u>281,930</u>	<u>9,364</u>	<u>(13,675)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	2,453	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	75,000	-
Transfers out	-	-	-	-	-	(75,000)	-	-
Total other financing sources (uses)	<u>2,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>363,715</u>	<u>53,068</u>	<u>7,157</u>	<u>281,930</u>	<u>9,364</u>	<u>(88,675)</u>	<u>75,000</u>	<u>-</u>
Cash and investments - ending	<u>\$ 350,048</u>	<u>\$ 250,786</u>	<u>\$ 41,288</u>	<u>\$ 185,166</u>	<u>\$ 276,633</u>	<u>\$ 39,973</u>	<u>\$ 75,000</u>	<u>\$ 1,129,228</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, 2015
 (Continued)

	Construction	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Education Technology	School Technology
Cash and investments - beginning	\$ -	\$ 266,700	\$ 172,181	\$ 662,174	\$ -	\$ 1,071	\$ -	\$ 15,173
Receipts:								
Local sources	-	276,755	121,511	-	2,102	-	-	-
Intermediate sources	-	-	-	-	-	131	-	-
State sources	-	9,091	46,121	-	-	-	135,700	12,347
Federal sources	-	307,741	-	-	-	-	-	-
Other receipts	-	656	301	1,195,109	-	-	-	-
Total receipts	-	594,243	167,933	1,195,109	2,102	131	135,700	12,347
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	6,847	137,035	4,110	-	-	141,663	21,955
Noninstructional services	-	681,156	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,247,433	-	-	-	-
Total disbursements	-	688,003	137,035	1,251,543	-	-	141,663	21,955
Excess (deficiency) of receipts over disbursements	-	(93,760)	30,898	(56,434)	2,102	131	(5,963)	(9,608)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(93,760)	30,898	(56,434)	2,102	131	(5,963)	(9,608)
Cash and investments - ending	\$ -	\$ 172,940	\$ 203,079	\$ 605,740	\$ 2,102	\$ 1,202	\$ (5,963)	\$ 5,565

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, 2015
 (Continued)

	Performance Based Awards	Miscellaneous Programs	Title I	Other Federal Programs	Snow Emergency	Improving Teaching Quality, No Child Left, Title II, Part A	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 1,684	\$ 6,137	\$ (31,254)	\$ 2,880	\$ -	\$ (8,060)	\$ 562	\$ 2,735,811
Receipts:								
Local sources	-	-	-	-	-	-	-	3,490,613
Intermediate sources	-	-	-	-	-	-	-	338
State sources	-	30,491	-	-	-	-	-	8,736,046
Federal sources	-	-	224,932	-	-	36,786	-	569,459
Other receipts	-	-	-	-	-	-	1,643,021	2,842,902
Total receipts	-	30,491	224,932	-	-	36,786	1,643,021	15,639,358
Disbursements:								
Instruction	-	33,529	169,661	-	-	-	-	5,750,489
Support services	-	-	32,622	-	-	34,356	-	3,775,974
Noninstructional services	-	-	240	-	-	-	-	850,113
Facilities acquisition and construction	-	-	-	-	-	-	-	452,503
Debt services	-	-	-	-	-	-	-	1,331,552
Nonprogrammed charges	-	-	-	-	-	-	1,643,413	2,890,846
Total disbursements	-	33,529	202,523	-	-	34,356	1,643,413	15,051,477
Excess (deficiency) of receipts over disbursements	-	(3,038)	22,409	-	-	2,430	(392)	587,881
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	2,453
Transfers in	-	-	-	-	-	-	-	75,000
Transfers out	-	-	-	-	-	-	-	(75,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,453
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,038)	22,409	-	-	2,430	(392)	590,334
Cash and investments - ending	\$ 1,684	\$ 3,099	\$ (8,845)	\$ 2,880	\$ -	\$ (5,630)	\$ 170	\$ 3,326,145

SHENANDOAH SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: 5/3 Bank	Guaranteed Energy Savings	\$ 502,696	1/1/2008	1/15/2018
Total of annual lease payments		<u>\$ 502,696</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds	All DLGF Approved Debt		\$ 15,495,369	\$ 3,294,832
Totals			<u>\$ 15,495,369</u>	<u>\$ 3,294,832</u>

SHENANDOAH SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2015

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

	Ending Balance
Governmental activities:	
Land	\$ 81,195
Buildings	23,916,256
Improvements other than buildings	3,662,159
Machinery, equipment, and vehicles	3,322,175
Total governmental activities	30,981,785
Total capital assets	\$ 30,981,785

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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, 2013 to June 30, 2015. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013 to June 30, 2015.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 and 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

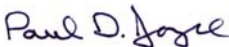
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, 2015-005, and 2015-006 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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SHENANDOAH SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-14	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	2013-2014 2014-2015	\$ 39,376 -	\$ - 42,190
Total - School Breakfast Program				39,376	42,190
National School Lunch Program	Indiana Department of Education	10.555	2012-2013 2013-2014 2014-2015	63,169 184,872 -	- 68,234 197,318
Commodities	Indiana Department of Education			69,768	51,163
Total - National School Lunch Program				317,809	316,715
Total - Child Nutrition Cluster				357,185	358,905
Total - Department of Agriculture				357,185	358,905
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	FY12 FY13 FY14	29,356 151,729 -	- 47,409 177,522
Total - Title I FY 2013-2014				181,085	224,931
Total - Title I, Part A Cluster				181,085	224,931
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027	14213-044-PN01 14214-044-PN01 99914-044-PN01 14215-044-PN01	68,991 222,194 3,410 -	53 70,454 3,410 185,323
Total - Special Education_Grants to States				294,595	259,240
Special Education_Preschool Grants	Indiana Department of Education	84.173	45713-044-PN01 45714-044-PN01 45715-044-PN01	6,195 9,569 -	- 4,232 8,924
Total - Special Education_Preschool Grants				15,764	13,156
Total - Special Education Cluster (IDEA)				310,359	272,396
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	2012 2013 2014	10,707 19,809 -	- 9,817 26,969
Total - Improving Teacher Quality State Grants				30,516	36,786
Total - Department of Education				521,960	534,113
Total federal awards expended				<u>\$ 879,145</u>	<u>\$ 893,018</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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

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 reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster (IDEA)
Title I, Part A Cluster

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash reconciliation. The School Corporation Treasurer performed all reconciling activities without controls in place to verify the accuracy of the work performed. The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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

2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control had not been conducted. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner. Additionally, the School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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)

FINDING 2015-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation Treasurer prepared the SEFA with no oversight.

The School Corporation should have had proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

During the audit of the SEFA, there were the following errors:

Child Nutrition Cluster 2014	\$357,185 Underreported
Child Nutrition Cluster 2015	\$358,905 Underreported
Title I, Part A Cluster 2014	\$15,716 Overreported
Title I, Part A Cluster 2015	\$31,175 Underreported
Special Education Cluster (IDEA) 2014	\$310,359 Underreported
Special Education Cluster (IDEA) 2015	\$272,396 Underreported
Improving Teacher Quality State Grants 2014	\$2,085 Underreported
Improving Teacher Quality State Grants 2015	\$36,786 Underreported

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

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

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

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

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

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

***FINDING 2015-003 - ACTIVITIES ALLOWED OR UNALLOWED
AND ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-044-PN01, 14214-044-PN01,
14215-044-PN01, 45713-044-PN01,
45714-044-PN01, 45715-044-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles. The School Corporation is a member of the New Castle Area Special Services Cooperative (Cooperative), and they provided oversight of the Cooperative through the School Corporation Superintendent who served as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements.

Context

Activities Allowed or Unallowed

For Fiscal Years 2014 and 2015, there was no control procedure in place to ensure that all employees paid from Special Education Grant funds were allowed.

Allowable Costs/Cost Principles

For Fiscal Year 2014 and 2015, at the Cooperative, the Special Education Director was solely responsible for preparing, reviewing, and maintaining the Personnel Activity Reports and Semiannual Certifications. There were no control procedures in place to detect errors and omissions.

Criteria

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

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

Cause

Management had not developed a system of internal controls that segregated key functions.

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014, 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement.

Context

The School Corporation did not maintain property records of equipment purchased from the School Lunch fund. Equipment totaling \$45,905 purchased from the School Lunch fund during the audit period was not recorded in the capital asset records of the School Corporation. A physical inventory of the equipment was not taken.

Criteria

7 CFR 3016.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

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

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

Cause

Management had not developed a system of internal controls that segregated and assigned key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

The failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommend that School Corporation design and properly monitor procedures that would ensure accurate detailed fixed asset records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

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

Views of Responsible Officials

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

FINDING 2015-005 - REPORTING AND SPECIAL TESTS AND PROVISIONS - VERIFICATION

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014, 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Context

Monthly Sponsor Claims (claims for reimbursement), annual verification reports, and Annual Financial Reports were prepared and submitted by the Food Service Director with no controls in place to verify their accuracy.

The School Corporation had deficiencies within its verification processes that did not allow for the adequate documentation of the verification of the eligibility status of approved free and reduced price applications for the School Breakfast Program and National School Lunch Program. The eligibility verification determination process was not completed using the proper procedures. Three of the verifications tested had income evidence attached that indicated the child should be moved from free to reduced price meals. However, the appropriate changes were not made to the eligibility status for these children. The School Corporation did not retain a list of school lunch applications for FY 2014-2015. FE's were unable to calculate the number for the Special Test and Provision of 3 percent verification.

Criteria

7 CFR 245.6a(c) states in part: "*Verification requirement- (1) General.* The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . ."

7 CFR 210.15(b) states in part:

"Recordkeeping summary. In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . ."

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title . . ."

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

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . , with respect to participating schools under its jurisdiction: . . .

(14) Retain documentation of free or reduced price eligibility as follows:

(i) Maintain files of currently approved and denied free and reduced price applications which must be readily retrievable by school for a period of three years after the end of the fiscal year to which they pertain; or

(ii) Maintain files with the names of children currently approved for free meals through direct certification with the supporting documentation, as specified in §245.6(b)(4) of this chapter, which must be readily retrievable by school . . ."

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

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

Cause

Management had not developed a system of internal controls that segregated and assigned key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2015-006 - ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014, 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Eligibility compliance requirement.

Context

There were no control procedures in place to ensure that applicant eligibility determinations were accurate.

Criteria

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

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



5100 North Raider Road
Middletown, IN 47356
Phone 765.354.2266
Fax 765.354.2274

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-002

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

Status of Audit Finding:

We have implemented the necessary changes to be in compliance with the finding noted above.

FINDING 2013-003

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program; National School Lunch Program

CFDA Number: 10.553; 10.555

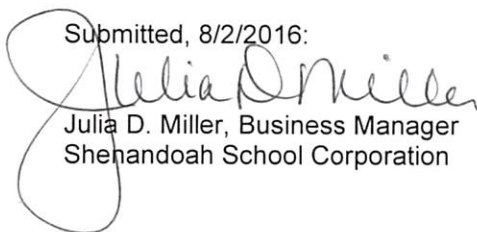
Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013

Pass-Through Entity: Indiana Department of Education

Status of Audit Finding:

We have implemented the necessary changes to be in compliance with the finding noted above.

Submitted, 8/2/2016:


Julia D. Miller, Business Manager
Shenandoah School Corporation

SHENANDOAH SCHOOL CORPORATION
CORRECTIVE ACTION PLAN
Audit Period 7/1/13 to 6/30/15
August 2, 2016

FINDING 2015-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 502

Views of Responsible Official:

We concur with this finding.

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls over review of financial activities, including but not limited to bank reconciliations, receipting, disbursing, recording and general accounting procedures.

Anticipated Completion Date:

July 1, 2016

FINDING 2015-002 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 502

Views of Responsible Official:

We concur with this finding.

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls over Federal awards, to more clearly track all SEFA activity.

Anticipated Completion Date:

July 1, 2016

FINDING 2015-003 ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 502

Views of Responsible Official:

We concur with this finding.

Description of Corrective Action Plan:

This audit finding is a result of the New Castle Area Special Services not having established an effective internal control system in relation to Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

Please refer to the Corrective Action Plan that has been devised to address this lack of control within the New Castle Area Special Services, our Cooperative and the member board.

Anticipated Completion Date:

July 1, 2016

FINDING 2015-004 EQUIPMENT AND REAL PROPERTY MANAGEMENT

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 502

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

Shenandoah School Corporation utilizes an outside service to provide us with Fixed Asset/Capital Asset Management Reporting. The threshold to add equipment did not pick up this equipment purchase and during the physical inventory this purchase was overlooked.

Anticipated Completion Date:

July 1, 2016

FINDING 2015-005 REPORTING AND SPECIAL TESTS AND PROVISIONS-VERIFICATION

Contact Person Responsible for Corrective Action: Julia Miller, Wendy Riggs

Contact Phone Number: (765) 354-2266 Ext 502

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to verify the accuracy of the applicant status and to adequately document the verification of eligibility, and to better control record management.

Anticipated Completion Date:

July 1, 2016

FINDING 2015-006 ELIGIBILITY

Contact Person Responsible for Corrective Action: Julia Miller, Wendy Riggs

Contact Phone Number: (765) 354-2266 Ext 502

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to include segregation of duties as related to grant agreement and compliance requirements.

Anticipated Completion Date:

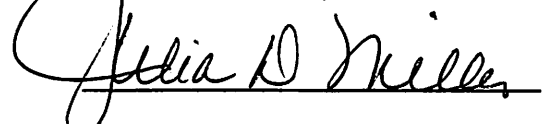
July 1, 2016



Scott Trennepohl, Board President



Ronald L Green, Superintendent



Julia D Miller, Business Manager

OTHER REPORTS

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