

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SHELBY EASTERN SCHOOLS  
SHELBY COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
03/08/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary C. Scott	07-01-12 to 06-30-16
Superintendent of Schools	Donald Swisher	07-01-12 to 12-31-12
	Brad Valentine (Interim)	01-01-13 to 06-30-13
	Linda Coleman	07-01-13 to 10-18-13
	(Vacant)	10-19-13 to 11-30-13
	Robert Boyd (Interim)	12-01-13 to 06-30-14
	Dr. Robert Evans	07-01-14 to 06-30-16
President of the School Board	Kevin Schofner	07-01-12 to 12-31-14
	Jason Redd	01-01-15 to 12-31-16



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SHELBY EASTERN SCHOOLS, SHELBY COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Shelby Eastern Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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, 2012 to June 30, 2014.

***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, 2012 to June 30, 2014, 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 and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 January 12, 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

January 12, 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 SHELBY EASTERN SCHOOLS, SHELBY 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 Shelby Eastern Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated January 12, 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 item 2014-001 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 item 2014-001.

***Shelby Eastern Schools' 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

January 12, 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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SHELBY EASTERN SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 3,165,070	\$ 8,204,919	\$ 8,983,440	\$ -	\$ 2,386,549	\$ 8,027,826	\$ 8,632,607	\$ -	\$ 1,781,768
Debt Service	1,834,126	2,297,980	2,326,830	(14,726)	1,790,550	2,282,630	2,359,000	-	1,714,180
Retirement/Severance Bond Debt Service	212,347	321,948	321,612	-	212,683	311,193	321,050	-	202,826
Capital Projects	455,055	1,190,914	984,373	(7,628)	653,968	1,181,619	1,031,697	(50,000)	753,890
School Transportation	642,285	1,024,964	984,389	(23,966)	658,894	997,923	932,624	(50,000)	674,193
School Bus Replacement	218,314	95,667	-	(1,848)	312,133	96,941	-	(50,000)	359,074
Rainy Day	82,136	29,928	29,928	167,864	250,000	-	54,129	150,000	345,871
Retirement/Severance Bond	183,029	-	-	-	183,029	-	183,029	-	-
School Lunch	135,498	609,725	629,634	(3,302)	112,287	566,311	500,435	-	178,163
Textbook Rental	43,312	138,994	108,288	-	74,018	125,485	74,550	-	124,953
Levy Excess	-	-	-	-	-	-	-	-	-
Educational License Plates	1,985	38	-	-	2,023	19	610	-	1,432
Walmart Donation MES	166	-	93	-	73	-	-	-	73
MHS Blue River Art Donation	-	-	-	-	-	850	797	-	53
Shelby Eastern FFA Grant 2014	-	-	-	-	-	2,622	2,053	-	569
Microsoft Tech Grant MHS/MES	-	20,264	2,393	-	17,871	-	6,445	-	11,426
Wes Donation	296	-	296	-	-	-	-	-	-
Morristown Public Library 2012	3,000	-	3,000	-	-	-	-	-	-
Waldron Elem Outdoor Lab Gifts	782	-	-	-	782	-	500	-	282
MHS Robotic Program Donations	6,370	-	-	-	6,370	-	-	-	6,370
Northeastern Hometown Grant	1,500	880	2,300	-	80	-	80	-	-
Walmart Donation all four Bldgs.	275	-	-	-	275	-	275	-	-
Coca Cola Grant	9,297	7,040	-	-	16,337	5,309	2,500	-	19,146
K-Club	4,408	-	-	-	4,408	-	4,408	-	-
Paul O Goble Memorial Donation	1,720	-	-	-	1,720	-	-	-	1,720
Josh Dobkin Scholarship	-	-	-	-	-	4,760	-	-	4,760
SCDFC-Susie Swaney -MES/MHS	63	-	-	-	63	-	43	-	20
RushShelby Energy Rural Grant	115	-	115	-	-	-	-	-	-
G/T High Ability 2011/2012	795	-	795	-	-	-	-	-	-
G/T High Ability 2012/2013	-	29,631	26,396	-	3,235	-	3,235	-	-
G/T High Ability 2013/2014	-	-	-	-	-	29,083	24,403	-	4,680
School Technology Fund	13,890	7,404	9,438	-	11,856	5,657	8,167	-	9,346
Excess PTRC Distributions	-	1,833	-	(1,833)	-	-	-	-	-
Title I Grant 2011/2012	-	63,797	5,409	(58,388)	-	-	-	-	-
Title I Grant 2012/2013	-	97,077	130,466	-	(33,389)	37,778	4,389	-	-
Title I Grant 2013/2014	-	-	-	-	-	79,590	111,071	-	(31,481)
Special ED Part B FY 2012 Grant	-	21,708	-	(21,708)	-	-	-	-	-
Special ED Part B IDEA FY 2013	-	207,231	269,905	-	(62,674)	107,215	44,541	-	-
Special ED Preschool IDEA 2013	-	8,295	13,482	-	(5,187)	8,264	3,077	-	-
Special ED Part B IDEA FY 2014	-	-	-	-	-	150,479	277,074	-	(126,595)
Special ED Preschool IDEA 2014	-	-	-	-	-	7,455	13,414	-	(5,959)
Special ED Technical Grant	-	-	-	-	-	-	6,805	-	(6,805)
Title II Part A 2011/2012	-	49,310	49,310	-	-	31,791	49,535	-	(17,744)
Title II Part A 2013/2014	-	-	-	-	-	-	5,814	-	(5,814)
Education Jobs	-	40,307	5,842	(34,465)	-	-	-	-	-
Payroll Withholdings	50,012	2,014,430	2,008,065	-	56,377	2,023,331	2,017,849	-	61,859
<b>Totals</b>	<b>\$ 7,065,846</b>	<b>\$ 16,484,284</b>	<b>\$ 16,895,799</b>	<b>\$ -</b>	<b>\$ 6,654,331</b>	<b>\$ 16,084,131</b>	<b>\$ 16,676,206</b>	<b>\$ -</b>	<b>\$ 6,062,256</b>

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

SHELBY EASTERN SCHOOLS  
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, 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, and other similar fees.

SHELBY EASTERN SCHOOLS  
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, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of cash change, insurance claims for losses, 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, indirect costs, scholarships and funds held temporarily for an authorized recipient.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

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

SHELBY EASTERN SCHOOLS  
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, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

SHELBY EASTERN SCHOOLS  
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.

SHELBY EASTERN SCHOOLS  
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.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of funds designated for reimbursable grants.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with Shelby Eastern Schools Building Corporation. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended 2013 and 2014 totaled \$2,320,500 and \$2,329,000, respectively.

#### OTHER INFORMATION - UNAUDITED

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

SHELBY EASTERN SCHOOLS  
 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	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,165,070	\$ 1,834,126	\$ 212,347	\$ 455,055	\$ 642,285	\$ 218,314	\$ 82,136	\$ 183,029	\$ 135,498	\$ 43,312
Receipts:										
Local sources	27,612	2,297,980	321,948	1,190,914	1,024,964	95,667	29,928	-	358,374	103,132
Intermediate sources	7	-	-	-	-	-	-	-	-	-
State sources	8,176,684	-	-	-	-	-	-	-	8,177	35,262
Federal sources	-	-	-	-	-	-	-	-	242,970	-
Other	616	-	-	-	-	-	-	-	204	600
Total receipts	8,204,919	2,297,980	321,948	1,190,914	1,024,964	95,667	29,928	-	609,725	138,994
Disbursements:										
Current:										
Instruction	5,976,746	-	-	-	-	-	-	-	-	-
Support services	2,822,900	6,330	-	474,980	984,389	-	-	-	200	108,288
Noninstructional services	183,794	-	-	-	-	-	-	-	629,434	-
Facilities acquisition and construction	-	-	-	509,393	-	-	29,928	-	-	-
Debt services	-	2,320,500	321,612	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,983,440	2,326,830	321,612	984,373	984,389	-	29,928	-	629,634	108,288
Excess (deficiency) of receipts over disbursements	(778,521)	(28,850)	336	206,541	40,575	95,667	-	-	(19,909)	30,706
Other financing sources (uses):										
Transfers in	-	55,800	8,151	28,112	57,342	2,307	167,864	-	-	-
Transfers out	-	(70,526)	(8,151)	(35,740)	(81,308)	(4,155)	-	-	(3,302)	-
Total other financing sources (uses)	-	(14,726)	-	(7,628)	(23,966)	(1,848)	167,864	-	(3,302)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(778,521)	(43,576)	336	198,913	16,609	93,819	167,864	-	(23,211)	30,706
Cash and investments - ending	\$ 2,386,549	\$ 1,790,550	\$ 212,683	\$ 653,968	\$ 658,894	\$ 312,133	\$ 250,000	\$ 183,029	\$ 112,287	\$ 74,018

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

	Levy Excess	Educational License Plates	Walmart Donation MES	MHS Blue River Art Donation	Shelby Eastern FFA Grant 2014	Microsoft Tech Grant MHS/MES	Wes Donation	Morristown Public Library 2012	Waldron Elem Outdoor Lab Gifts	MHS Robotic Program Donations
Cash and investments - beginning	\$ -	\$ 1,985	\$ 166	\$ -	\$ -	\$ -	\$ 296	\$ 3,000	\$ 782	\$ 6,370
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	38	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	20,264	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	38	-	-	-	20,264	-	-	-	-
Disbursements:										
Current:										
Instruction	-	-	93	-	-	-	296	3,000	-	-
Support services	-	-	-	-	-	2,393	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	93	-	-	2,393	296	3,000	-	-
Excess (deficiency) of receipts over disbursements	-	38	(93)	-	-	17,871	(296)	(3,000)	-	-
Other financing sources (uses):										
Transfers in	119,368	-	-	-	-	-	-	-	-	-
Transfers out	(119,368)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	38	(93)	-	-	17,871	(296)	(3,000)	-	-
Cash and investments - ending	\$ -	\$ 2,023	\$ 73	\$ -	\$ -	\$ 17,871	\$ -	\$ -	\$ 782	\$ 6,370

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

	Northeastern Hometown Grant	Walmart Donation all four Bldgs	Coca Cola Grant	K-Club	Paul O Goble Memorial Donation	Josh Dobkin Scholarship	SCDFC- Susie Swaney MES/MHS	RushShelby Energy Rural Grant	G/T High Ability 2011/2012
Cash and investments - beginning	\$ 1,500	\$ 275	\$ 9,297	\$ 4,408	\$ 1,720	\$ -	\$ 63	\$ 115	\$ 795
Receipts:									
Local sources	880	-	7,040	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	880	-	7,040	-	-	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	115	795
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	2,300	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,300	-	-	-	-	-	-	115	795
Excess (deficiency) of receipts over disbursements	(1,420)	-	7,040	-	-	-	-	(115)	(795)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,420)	-	7,040	-	-	-	-	(115)	(795)
Cash and investments - ending	\$ 80	\$ 275	\$ 16,337	\$ 4,408	\$ 1,720	\$ -	\$ 63	\$ -	\$ -

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

	G/T High Ability 2012/2013	G/T High Ability 2013/2014	School Technology Fund	Excess PTRC Distributions	Title I Grant 2011/2012	Title I Grant 2012/2013	Title I Grant 2013/2014	Special ED Part B FY 2012 Grant	Special ED Part B IDEA FY 2013
Cash and investments - beginning	\$ -	\$ -	\$ 13,890	\$ -	\$ -	\$ -	\$ -	\$ -	
Receipts:									
Local sources	-	-	-	-	-	-	-	-	
Intermediate sources	-	-	-	-	-	-	-	-	
State sources	29,631	-	7,404	1,833	-	-	-	-	
Federal sources	-	-	-	-	63,797	97,077	-	21,708	
Other	-	-	-	-	-	-	-	207,231	
Total receipts	29,631	-	7,404	1,833	63,797	97,077	21,708	207,231	
Disbursements:									
Current:									
Instruction	26,396	-	-	-	5,240	130,466	-	269,905	
Support services	-	-	8,663	-	(92)	-	-	-	
Noninstructional services	-	-	-	-	261	-	-	-	
Facilities acquisition and construction	-	-	775	-	-	-	-	-	
Debt services	-	-	-	-	-	-	-	-	
Nonprogrammed charges	-	-	-	-	-	-	-	-	
Total disbursements	26,396	-	9,438	-	5,409	130,466	-	269,905	
Excess (deficiency) of receipts over disbursements	3,235	-	(2,034)	1,833	58,388	(33,389)	21,708	(62,674)	
Other financing sources (uses):									
Transfers in	-	-	-	30,512	-	-	-	-	
Transfers out	-	-	-	(32,345)	(58,388)	-	(21,708)	-	
Total other financing sources (uses)	-	-	-	(1,833)	(58,388)	-	(21,708)	-	
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,235	-	(2,034)	-	-	(33,389)	-	(62,674)	
Cash and investments - ending	\$ 3,235	\$ -	\$ 11,856	\$ -	\$ -	\$ (33,389)	\$ -	\$ (62,674)	

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

	Special ED Preschool IDEA 2013	Special ED Part B IDEA FY 2014	Special ED Preschool IDEA 2014	Special ED Technical Grant	Title II Part A 2011/2012	Title II Part A 2013/2014	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,012	\$ 7,065,846
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,458,439
Intermediate sources	-	-	-	-	-	-	-	-	45
State sources	-	-	-	-	-	-	-	-	8,279,255
Federal sources	8,295	-	-	-	49,310	-	40,307	-	730,695
Other	-	-	-	-	-	-	-	2,014,430	2,015,850
Total receipts	8,295	-	-	-	49,310	-	40,307	2,014,430	16,484,284
Disbursements:									
Current:									
Instruction	13,482	-	-	-	49,310	-	5,842	-	6,481,686
Support services	-	-	-	-	-	-	-	-	4,408,051
Noninstructional services	-	-	-	-	-	-	-	-	813,489
Facilities acquisition and construction	-	-	-	-	-	-	-	-	542,396
Debt services	-	-	-	-	-	-	-	-	2,642,112
Nonprogrammed charges	-	-	-	-	-	-	-	2,008,065	2,008,065
Total disbursements	13,482	-	-	-	49,310	-	5,842	2,008,065	16,895,799
Excess (deficiency) of receipts over disbursements	(5,187)	-	-	-	-	-	34,465	6,365	(411,515)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	469,456
Transfers out	-	-	-	-	-	-	(34,465)	-	(469,456)
Total other financing sources (uses)	-	-	-	-	-	-	(34,465)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,187)	-	-	-	-	-	-	6,365	(411,515)
Cash and investments - ending	\$ (5,187)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,377	\$ 6,654,331

SHELBY EASTERN SCHOOLS  
 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	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,386,549	\$ 1,790,550	\$ 212,683	\$ 653,968	\$ 658,894	\$ 312,133	\$ 250,000	\$ 183,029	\$ 112,287	\$ 74,018
Receipts:										
Local sources	23,877	2,282,630	311,193	1,168,807	997,923	96,941	-	-	330,081	89,954
Intermediate sources	15	-	-	-	-	-	-	-	-	-
State sources	8,002,013	-	-	-	-	-	-	-	6,705	34,931
Federal sources	-	-	-	-	-	-	-	-	229,325	-
Other	1,921	-	-	12,812	-	-	-	-	200	600
Total receipts	8,027,826	2,282,630	311,193	1,181,619	997,923	96,941	-	-	566,311	125,485
Disbursements:										
Current:										
Instruction	5,857,812	-	-	-	-	-	17,429	-	-	-
Support services	2,597,411	-	-	805,963	932,624	-	36,700	183,029	200	74,550
Noninstructional services	177,384	-	-	-	-	-	-	-	500,235	-
Facilities acquisition and construction	-	-	-	225,734	-	-	-	-	-	-
Debt services	-	2,359,000	321,050	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	8,632,607	2,359,000	321,050	1,031,697	932,624	-	54,129	183,029	500,435	74,550
Excess (deficiency) of receipts over disbursements	(604,781)	(76,370)	(9,857)	149,922	65,299	96,941	(54,129)	(183,029)	65,876	50,935
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	150,000	-	-	-
Transfers out	-	-	-	(50,000)	(50,000)	(50,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	(50,000)	(50,000)	(50,000)	150,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(604,781)	(76,370)	(9,857)	99,922	15,299	46,941	95,871	(183,029)	65,876	50,935
Cash and investments - ending	\$ 1,781,768	\$ 1,714,180	\$ 202,826	\$ 753,890	\$ 674,193	\$ 359,074	\$ 345,871	\$ -	\$ 178,163	\$ 124,953

SHELBY EASTERN SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Levy Excess	Educational License Plates	Walmart Donation MES	MHS Blue River Art Donation	Shelby Eastern FFA Grant 2014	Microsoft Tech Grant MHS/MES	Wes Donation	Morristown Public Library 2012	Waldron Elem Outdoor Lab Gifts	MHS Robotic Program Donations
Cash and investments - beginning	\$ -	\$ 2,023	\$ 73	\$ -	\$ -	\$ 17,871	\$ -	\$ -	\$ 782	\$ 6,370
Receipts:										
Local sources	-	-	-	850	-	-	-	-	-	-
Intermediate sources	-	19	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	2,622	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	19	-	850	2,622	-	-	-	-	-
Disbursements:										
Current:										
Instruction	-	610	-	-	2,053	-	-	-	500	-
Support services	-	-	-	797	-	6,445	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	610	-	797	2,053	6,445	-	-	500	-
Excess (deficiency) of receipts over disbursements	-	(591)	-	53	569	(6,445)	-	-	(500)	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(591)	-	53	569	(6,445)	-	-	(500)	-
Cash and investments - ending	\$ -	\$ 1,432	\$ 73	\$ 53	\$ 569	\$ 11,426	\$ -	\$ -	\$ 282	\$ 6,370

SHELBY EASTERN SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Northeastern Hometown Grant	Walmart Donation all four Bldgs	Coca Cola Grant	K-Club	Paul O Goble Memorial Donation	Josh Dobkin Scholarship	SCDFC- Susie Swaney MES/MHS	RushShelby Energy Rural Grant	G/T High Ability 2011/2012
Cash and investments - beginning	\$ 80	\$ 275	\$ 16,337	\$ 4,408	\$ 1,720	\$ -	\$ 63	\$ -	\$ -
Receipts:									
Local sources	-	-	5,309	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	4,760	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	5,309	-	-	4,760	-	-	-
Disbursements:									
Current:									
Instruction	-	275	2,500	4,408	-	-	43	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	80	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	80	275	2,500	4,408	-	-	43	-	-
Excess (deficiency) of receipts over disbursements	(80)	(275)	2,809	(4,408)	-	4,760	(43)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(80)	(275)	2,809	(4,408)	-	4,760	(43)	-	-
Cash and investments - ending	\$ -	\$ -	\$ 19,146	\$ -	\$ 1,720	\$ 4,760	\$ 20	\$ -	\$ -

SHELBY EASTERN SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	G/T High Ability 2012/2013	G/T High Ability 2013/2014	School Technology Fund	Excess PTRC Distributions	Title I Grant 2011/2012	Title I Grant 2012/2013	Title I Grant 2013/2014	Special ED Part B FY 2012 Grant	Special ED Part B IDEA FY 2013
Cash and investments - beginning	\$ 3,235	\$ -	\$ 11,856	\$ -	\$ -	\$ (33,389)	\$ -	\$ -	\$ (62,674)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	29,083	5,657	-	-	-	-	-	-
Federal sources	-	-	-	-	-	37,778	79,590	-	107,215
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	29,083	5,657	-	-	37,778	79,590	-	107,215
Disbursements:									
Current:									
Instruction	3,235	24,403	-	-	-	4,389	110,953	-	44,541
Support services	-	-	5,510	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	118	-	-
Facilities acquisition and construction	-	-	2,657	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	3,235	24,403	8,167	-	-	4,389	111,071	-	44,541
Excess (deficiency) of receipts over disbursements	(3,235)	4,680	(2,510)	-	-	33,389	(31,481)	-	62,674
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,235)	4,680	(2,510)	-	-	33,389	(31,481)	-	62,674
Cash and investments - ending	\$ -	\$ 4,680	\$ 9,346	\$ -	\$ -	\$ -	\$ (31,481)	\$ -	\$ -

SHELBY EASTERN SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Special ED Preschool IDEA 2013	Special ED Part B IDEA FY 2014	Special ED Preschool IDEA 2014	Special ED Technical Grant	Title II Part A 2011/2012	Title II Part A 2013/2014	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (5,187)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,377	\$ 6,654,331
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,307,565
Intermediate sources	-	-	-	-	-	-	-	-	34
State sources	-	-	-	-	-	-	-	-	8,078,389
Federal sources	8,264	150,479	7,455	-	31,791	-	-	-	659,279
Other	-	-	-	-	-	-	-	2,023,331	2,038,864
Total receipts	8,264	150,479	7,455	-	31,791	-	-	2,023,331	16,084,131
Disbursements:									
Current:									
Instruction	3,077	277,074	13,414	6,805	49,535	-	-	-	6,423,056
Support services	-	-	-	-	-	5,814	-	-	4,649,043
Noninstructional services	-	-	-	-	-	-	-	-	677,737
Facilities acquisition and construction	-	-	-	-	-	-	-	-	228,471
Debt services	-	-	-	-	-	-	-	-	2,680,050
Nonprogrammed charges	-	-	-	-	-	-	-	2,017,849	2,017,849
Total disbursements	3,077	277,074	13,414	6,805	49,535	5,814	-	2,017,849	16,676,206
Excess (deficiency) of receipts over disbursements	5,187	(126,595)	(5,959)	(6,805)	(17,744)	(5,814)	-	5,482	(592,075)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	150,000
Transfers out	-	-	-	-	-	-	-	-	(150,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,187	(126,595)	(5,959)	(6,805)	(17,744)	(5,814)	-	5,482	(592,075)
Cash and investments - ending	\$ -	\$ (126,595)	\$ (5,959)	\$ (6,805)	\$ (17,744)	\$ (5,814)	\$ -	\$ 61,859	\$ 6,062,256

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SHELBY EASTERN SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Xerox	Copier machines	\$ 44,560	10/1/2011	10/1/2016
Shelby Eastern Schools Building Corporation	Building Improvements	<u>2,399,000</u>	6/30/2011	12/31/2024
Total of annual lease payments		<u>\$ 2,443,560</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Retirement/Severance Bonds	\$ 1,620,000	\$ 319,650
Totals		<u>\$ 1,620,000</u>	<u>\$ 319,650</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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

TO: THE OFFICIALS OF THE SHELBY EASTERN SCHOOLS, SHELBY COUNTY, INDIANA

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

We have audited the Shelby Eastern Schools' (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, 2012 to June 30, 2014. 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. Except as discussed in the following paragraph, 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 the Child Nutrition Cluster***

As described in item 2014-002 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

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

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Eligibility, described in the *Basis for Qualified Opinion* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

***Unmodified Opinion on the Other 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 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, 2012 to June 30, 2014.

***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 2014-002, 2014-003, and 2014-004 to be material weaknesses.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

January 12, 2016

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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SHELBY EASTERN SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For te Years Ended June 30, 2013 and 2014

Federal Grantor Agency/Pass-Through Entity 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 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2013 FY 2014	\$ 39,708 -	\$ - 37,467
Total - School Breakfast Program				39,708	37,467
National School Lunch Program	Indiana Department of Education	10.555	FY 2013 FY 2014	241,625 -	- 233,390
Total - National School Lunch Program				241,625	233,390
Total - Child Nutrition Cluster				281,333	270,857
Total - U.S. Department of Agriculture				281,333	270,857
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	FY 11-12 FY 12-13 FY 13-14	63,796 97,077 -	- 37,778 79,590
Total -Title I Grants to Local Educational Agencies				160,873	117,368
Total - Title 1, Part A Cluster				160,873	117,368
Special Education Cluster					
Special Education_Grants to States	Indiana Department of Education	84.027	14212-087-PN01 14213-087-PN01 14214-087-PN01	21,708 207,231 -	- 107,214 150,479
Total - Special Education_Grants to States				228,939	257,693
Special Education_Preschool Grants	Indiana Department of Education	84.173	45713-87-PN01 45714-087-PN01	8,295 -	8,264 7,455
Total - Special Education_Preschool Grants				8,295	15,719
Total - Special Education Cluster				237,234	273,412
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	11-7285 12-7285	49,310 -	- 31,791
Total - Improving Teacher Quality State Grants				49,310	31,791
Education Jobs Fund	Indiana Department of Education	84-410	2011/2012	40,307	-
Total - U.S. Department of Education				487,724	422,571
Total federal awards expended				\$ 769,057	\$ 693,428

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

SHELBY EASTERN SCHOOLS  
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 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 38,363	\$ 41,532

SHELBY EASTERN SCHOOLS  
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 for Title I, Part A Cluster Qualified for 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:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I, Part A Cluster

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2014-001 - 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 should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

SHELBY EASTERN SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The SEFA included the following errors:

- For fiscal year 2011/2012, two grants were omitted from the SEFA. These were the Title I Grants to Local Educational Agencies pass-through identifying number FY 11-12 \$63,796 and the Special Education\_Grant to States pass-through identifying number 14212-087-PN01 \$21,708.
- The commodities values for the Child Nutrition Cluster were omitted from the SEFA for both school years. The value of commodities for the 2012-2013 school year was \$38,363 and the value of the commodities for the 2013-2014 school year was \$41,532.

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

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.

SHELBY EASTERN SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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."

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

***FINDING 2014-002 - ELIGIBILITY***

Federal Agency: U.S. 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 2013, FY 2014  
Pass-Through Entity: Indiana Department of Education

The School Corporation participated in the Child Nutrition program and based students eligibility status on what was recorded in the cafeteria software database. The School Corporation relied on the eligibility designations within the cafeteria software database as the program was administered. The software was updated to a new version for the 2014-2015 school year.

The School Corporation's Information Technology Director was only able to verify the eligibility status of one student at a time for one particular day at a time, and not over a length of time such as the entire school year, or after a certain date, or between dates.

The Information Technology Director indicated confirming the student's eligibility status for one day at a time was a difficult and time consuming process that involves multiple steps and multiple queries. The decision was reached that the School Corporation would not be able to devote the resources necessary to confirm the eligibility status of a large sample of students from the 2012-2013 and 2013-2014 school years.

Without access to the cafeteria software database, we were unable to confirm the following:

- That the eligibility determinations made from the manual records agreed with the eligibility determinations assigned to the students within the software.
- The time frames (or cut offs) for student's whose eligibility status may have changed.
- Errors (in turns of recorded eligibility status) were not made during the processing of a particular days activity at a particular cafeteria.

There was no internal control to ensure the information related to the student's eligibility status as recorded in the cafeteria software database was readily accessible. Proper backups of the previous cafeteria software database were not made.

SHELBY EASTERN SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

7 CFR 3016.42 states in part:

"(a) *Applicability.*

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
  - (i) Required to be maintained by the terms of this Part, program regulations or the grant agreement, or
  - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . .

(c) *Starting date of retention period –*

- (1) *General.* When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due. . . ."

The failure to establish internal controls has enabled material noncompliance to go undetected. In addition, the failure to maintain and retain financial and grant records, as required, could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish internal controls and comply with record retention requirements designed to ensure that access to previous data within the cafeteria software database is retained for audit inspection.

SHELBY EASTERN SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2014-003 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: U.S. 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 2013, FY 2014  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the following compliance requirements that have a direct and material effect to the programs. This includes the following compliance requirements: Program Income, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

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 programs.

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 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 programs. 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 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 compliance requirements listed above.

***FINDING 2014-004 - INTERNAL CONTROLS OVER THE TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): FY 11-12, FY 12-13, FY 13-14  
Pass-Through Entity: Indiana Department of Education

SHELBY EASTERN SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Cost/Cost Principles, Cash Management, Eligibility, Period of Availability, and Reporting. 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 programs.

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 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. Non-compliance of the grant agreement or the compliance requirements 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 compliance requirements listed above.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



# SHELBY EASTERN SCHOOLS

Superintendent: Dr. Robert Evans ■ Corp. Treasurer: Chris Scott

## ***Mission Statement:***

***Shape, Empower, and Support the minds of tomorrow***

January 7, 2016

Indiana State Board of Accounts  
302 W. Washington Street  
Indianapolis, IN 46204-2765

### CORRECTIVE ACTION PLAN FOR 2012-2014 AUDIT

#### FINDING 2014-001-PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person: Mary C Scott/Dr. Robert Evans

Title: Corporation Treasurer

Phone: 765-544-2246

Expected Completing Date: January 31, 2016

### CORRECTIVE ACTION PLAN

Procedures will be implemented to have another member of the Central Office staff review and sign off on the Schedule of Expenditures of Federal Awards (SEFA). In addition, responsibilities will be reassigned to ensure no one person has control over receipts, disbursements and cash and investment balances.

A second person will review monthly reporting and document this approval. All documentation will be retained for review by the State Board of Accounts Auditors. The Corporation Treasurer will research additional training for the completion of this report.

---

Superintendent, Dr. Robert Evans

---

Corporation Treasurer, Mary C Scott



# SHELBY EASTERN SCHOOLS

Superintendent: Dr. Robert Evans ■ Corp. Treasurer: Chris Scott

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January 7, 2016

Indiana State Board of Accounts  
302 W. Washington Street  
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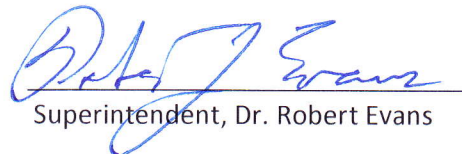
## FINDING 2014-002-ELIGIBILITY

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number 10.553 and 10.555  
Federal Award Number and Year (or Other Identifying Number) FY 2013, FY 2014  
Pass-Through Entity: Indiana Department of Education

Contact Person: Mary C Scott/Dr. Robert Evans  
Title: Corporation Treasurer  
Phone: 765-544-2246  
Expected Completing Date: January 31, 2016

## CORRECTIVE ACTION PLAN

With the School Corporation now overseeing the Cafeteria fund and the addition of a Food Service Manager we will be able to implement the required internal controls and segregation of duties. New procedures are being developed for the Verification process for those students qualifying for free and/or reduced meals. We will have monthly activity reports prepared by each school, input and reviewed by the Food Service Manager, with final approval signed off by the Corporation Treasurer. Shelby Eastern Schools Technology department will establish and comply with record retention requirements designed to insure that access to previous data within the cafeteria software database is retained for audit inspection.

  
Superintendent, Dr. Robert Evans

  
Corporation Treasurer, Mary C Scott



# SHELBY EASTERN SCHOOLS

Superintendent: Dr. Robert Evans ■ Corp. Treasurer: Chris Scott

## ***Mission Statement:***

***Shape, Empower, and Support the minds of tomorrow***

January 7, 2016

Indiana State Board of Accounts  
302 W. Washington Street  
Indianapolis, IN 46204-2765

### FINDING 2014-003-INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number) FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education

Contact Person: Mary C Scott/Dr. Robert Evans

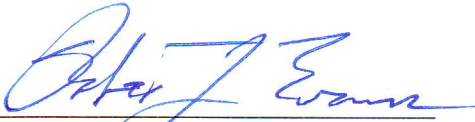
Title: Corporation Treasurer

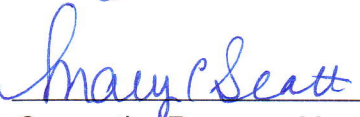
Phone: 765-544-2246

Expected Completing Date: January 31, 2016

### CORRECTIVE ACTION PLAN

With the addition of a Food Service Manager, we will be able to implement the required internal controls and segregation of duties, We will have monthly activity reports prepared by each school treasurer, input and reviewed by the Food Service Manager, with final approval signed off by the Corporation Treasurer. Other food service activity regarding eligibility, procurement and suspension and ineligibility and program income will be performed by the Food Service Manager and approved by the Corporation Treasurer.

  
\_\_\_\_\_  
Superintendent, Dr. Robert Evans

  
\_\_\_\_\_  
Corporation Treasurer, Mary C Scott



# SHELBY EASTERN SCHOOLS

Superintendent: Dr. Robert Evans ■ Corp. Treasurer: Chris Scott

***Mission Statement:***

***Shape, Empower, and Support the minds of tomorrow***

January 7, 2016

Indiana State Board of Accounts  
302 W. Washington Street  
Indianapolis, IN 46204-2765

FINDING 2014-004-INTERNAL CONTROLS OVER THE TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: Department of Agriculture

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number 84.010

Federal Award Number and Year (or Other Identifying Number) FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education

Contact Person: Mary C Scott/Dr. Robert Evans

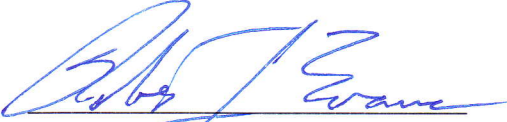
Title: Corporation Treasurer

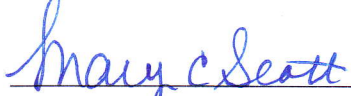
Phone: 765-544-2246

Expected Completing Date: January 31, 2016

## CORRECTION ACTION PLAN

Our Elementary Principals are assigned the responsibilities of Title I Directors. All activities regarding the Title I grant will be discussed and approved by both the Superintendent/Corporation Treasurer and the Title I director. These approvals will be documented accordingly. All required logs and reports will be completed by the Title I director, as required, with appropriate approval documented. Necessary reviews will be presented to the Board of School Trustees for their approval. Documentation will be maintained for review by State Board of Accounts Auditors. Shelby Eastern Schools will comply with all Title I requirements.

  
Superintendent, Dr. Robert Evans

  
Corporation Treasurer, Mary C Scott

#### 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/>.