

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, 2014 to June 30, 2016



FILED
05/24/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary C. Scott	07-01-14 to 12-31-18
Superintendent of Schools	Dr. Robert Evans	07-01-14 to 06-30-20
President of the School Board	Kevin Schofner Jason Redd Mark Nigh	07-01-14 to 12-31-14 01-01-15 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

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, 2014 to June 30, 2016, 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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 April 30, 2018, 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 solely 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 effectiveness of the School Corporation's 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

April 30, 2018



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

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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, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated April 30, 2018, 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 a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001.

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

April 30, 2018

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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, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,781,768	\$ 7,861,212	\$ 8,148,179	\$ 295	\$ 1,495,096	\$ 7,610,863	\$ 7,634,584	\$ (11,029)	\$ 1,460,346
Debt Service	1,714,180	2,425,443	2,399,000	11,499	1,752,122	2,511,417	2,438,000	-	1,825,539
Retirement/Severance Bond Debt Service	202,826	324,350	319,651	-	207,525	327,592	322,353	-	212,764
Capital Projects	753,890	1,271,633	903,943	(165,000)	956,580	1,294,377	1,128,295	(120,000)	1,002,662
School Transportation	674,193	1,041,000	954,490	(130,000)	630,703	1,098,454	813,743	(111,374)	804,040
School Bus Replacement	359,074	99,302	112,368	(219,129)	126,879	101,058	100,000	-	127,937
Rainy Day	345,871	-	-	514,129	860,000	30,646	100,001	240,000	1,030,645
2015 Construction Bond	-	-	940	1,870,625	1,869,685	-	1,012,352	-	857,333
School Lunch	178,163	561,161	558,665	-	180,659	597,902	587,696	-	190,865
Textbook Rental	124,953	118,306	68,248	-	175,011	116,244	30,604	-	260,651
Levy Excess	-	-	-	-	-	8,627	-	(8,627)	-
Educational License Plates	1,432	19	-	-	1,451	19	606	-	864
Walmart Donation MES	73	-	-	-	73	-	-	(73)	-
MHS Blue River Art Donation	53	-	48	-	5	-	-	(6)	(1)
Shelby Eastern FFA Grant 2014	569	2,000	2,248	-	321	-	-	-	321
Microsoft Tech Grant MHS/MES	11,426	-	-	-	11,426	-	-	-	11,426
Waldron Elementary Outdoor Lab Gifts	282	-	-	-	282	-	-	(282)	-
MHS Robotic Program Donations	6,370	-	-	-	6,370	-	-	-	6,370
Coca Cola Grant	19,146	803	-	-	19,949	-	2,603	-	17,346
Pepsi Provider Agreement	-	-	-	-	-	11,594	-	-	11,594
Paul O Goble Memorial Donation	1,720	-	-	-	1,720	-	-	-	1,720
Josh Dobkin Scholarship	4,760	-	-	-	4,760	-	-	-	4,760
America's Farmers Communities	-	-	-	-	-	2,500	-	-	2,500
SCDFC-Susie Swaney -MES/MHS	20	-	-	-	20	-	-	(20)	-
Formative Assessment	-	-	-	-	-	-	9,867	9,867	-
G/T High Ability 2013/2014	4,680	-	4,680	-	-	-	-	-	-
G/T High Ability 2014/2015	-	28,756	24,673	-	4,083	-	4,082	-	1
G/T High Ability 2015/2016	-	-	-	-	-	29,942	29,942	-	-
Secured Schools Safety Grant	-	-	50,000	-	(50,000)	50,000	39,740	-	(39,740)
School Technology	9,346	13,046	8,847	-	13,545	17,707	12,917	-	18,335
Preschool Fund	-	25,013	1,174	-	23,839	10,220	26,306	-	7,753
Senator David Ford Technology	-	-	-	-	-	-	9,689	-	(9,689)
Title I Grant 2013/2014	(31,481)	50,586	19,106	-	(1)	-	-	(15,909)	(15,910)
Title I Grant 2014/2015	-	49,412	83,936	-	(34,524)	66,993	32,469	(20,214)	(20,214)
Title I Grant 2015/2016	-	-	-	-	-	61,570	104,716	38,793	(4,353)
Special ED Part B IDEA FY 2014	(126,595)	154,031	27,436	-	-	-	-	-	-
Special ED Preschool IDEA 2014	(5,959)	8,661	2,702	-	-	-	-	-	-
Special ED Technical Grant	(6,805)	6,805	-	-	-	-	-	-	-
Special ED Preschool IDEA 2015	-	8,733	14,371	-	(5,638)	7,222	1,584	-	-
Special ED Part B IDEA FY 2015	-	168,991	265,656	-	(96,665)	132,017	35,350	-	2
Special ED Preschool IDEA 2016	-	-	-	-	-	11,586	15,912	-	(4,326)
Special ED Part B IDEA FY 2016	-	-	-	-	-	173,353	239,350	-	(65,997)
JumpStart 2014/2015 SY	-	8,415	5,077	-	3,338	-	1,779	-	1,559
Title II Part A 2011/2012	(17,744)	17,745	-	-	1	-	-	-	1
Title II Part A 2013/2014	(5,814)	23,983	26,982	-	(8,813)	22,426	13,613	-	-
Title II Part A 2014/2015	-	-	-	-	-	3,886	3,886	-	-
Cafeteria Prepay	-	-	-	-	-	503,723	494,059	-	9,664
Payroll Withholdings	61,859	1,855,503	1,870,313	-	47,049	1,826,783	1,822,331	-	51,501
Totals	\$ 6,062,256	\$ 16,124,909	\$ 15,872,733	\$ 1,882,419	\$ 8,196,851	\$ 16,628,721	\$ 17,068,429	\$ 1,126	\$ 7,758,269

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Other receipts. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

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

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

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

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

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

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Other Financing Sources and Uses

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

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

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

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

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has entered into a capital lease with Shelby Eastern Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party to the School Corporation. Lease payments during the years ended June 30, 2015 and 2016, totaled \$2,420,000 and \$2,456,000, respectively.

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OTHER INFORMATION - UNAUDITED

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

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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,781,768	\$ 1,714,180	\$ 202,826	\$ 753,890	\$ 674,193	\$ 359,074	\$ 345,871
Receipts:							
Local sources	17,675	2,425,443	324,350	1,271,633	1,041,000	99,302	-
Intermediate sources	11	-	-	-	-	-	-
State sources	7,838,266	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	5,260	-	-	-	-	-	-
Total receipts	7,861,212	2,425,443	324,350	1,271,633	1,041,000	99,302	-
Disbursements:							
Instruction	5,292,335	-	-	-	-	-	-
Support services	2,684,105	-	-	620,625	954,490	112,368	-
Noninstructional services	171,739	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	283,318	-	-	-
Debt service	-	2,399,000	319,651	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	8,148,179	2,399,000	319,651	903,943	954,490	112,368	-
Excess (deficiency) of receipts over disbursements	(286,967)	26,443	4,699	367,690	86,510	(13,066)	-
Other financing sources (uses):							
Proceeds of long-term debt	-	11,499	-	-	-	-	-
Sale of capital assets	295	-	-	-	-	-	-
Transfers in	-	27,913	3,933	13,813	11,906	1,166	514,129
Transfers out	-	(27,913)	(3,933)	(178,813)	(141,906)	(220,295)	-
Total other financing sources (uses)	295	11,499	-	(165,000)	(130,000)	(219,129)	514,129
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(286,672)	37,942	4,699	202,690	(43,490)	(232,195)	514,129
Cash and investments - ending	\$ 1,495,096	\$ 1,752,122	\$ 207,525	\$ 956,580	\$ 630,703	\$ 126,879	\$ 860,000

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, 2015

	2015 Construction Bond	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Walmart Donation MES	MHS Blue River Art Donation
Cash and investments - beginning	\$ -	\$ 178,163	\$ 124,953	\$ -	\$ 1,432	\$ 73	\$ 53
Receipts:							
Local sources	-	321,446	81,519	-	-	-	-
Intermediate sources	-	-	-	-	19	-	-
State sources	-	6,144	36,387	-	-	-	-
Federal sources	-	233,371	-	-	-	-	-
Other receipts	-	200	400	-	-	-	-
Total receipts	-	561,161	118,306	-	19	-	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	200	68,248	-	-	-	48
Noninstructional services	-	558,465	-	-	-	-	-
Facilities acquisition and construction	940	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	940	558,665	68,248	-	-	-	48
Excess (deficiency) of receipts over disbursements	(940)	2,496	50,058	-	19	-	(48)
Other financing sources (uses):							
Proceeds of long-term debt	1,870,625	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	58,731	-	-	-
Transfers out	-	-	-	(58,731)	-	-	-
Total other financing sources (uses)	1,870,625	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,869,685	2,496	50,058	-	19	-	(48)
Cash and investments - ending	\$ 1,869,685	\$ 180,659	\$ 175,011	\$ -	\$ 1,451	\$ 73	\$ 5

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, 2015

	Shelby Eastern FFA Grant 2014	Microsoft Tech Grant MHS/MES	Waldron Elementary Outdoor Lab Gifts	MHS Robotic Program Donations	Coca Cola Grant	Pepsi Provider Agreement	Paul O Goble Memorial Donation
Cash and investments - beginning	\$ 569	\$ 11,426	\$ 282	\$ 6,370	\$ 19,146	\$ -	\$ 1,720
Receipts:							
Local sources	-	-	-	-	803	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	2,000	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	2,000	-	-	-	803	-	-
Disbursements:							
Instruction	2,248	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	2,248	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(248)	-	-	-	803	-	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	(248)	-	-	-	803	-	-
Cash and investments - ending	\$ 321	\$ 11,426	\$ 282	\$ 6,370	\$ 19,949	\$ -	\$ 1,720

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, 2015

	Josh Dobkin Scholarship	America's Farmers Communities	SCDFC- Susie Swaney MES/MHS	Formative Assessment	G/T High Ability 2013/2014	G/T High Ability 2014/2015	G/T High Ability 2015/2016
Cash and investments - beginning	\$ 4,760	\$ -	\$ 20	\$ -	\$ 4,680	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	28,756	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	28,756	-
Disbursements:							
Instruction	-	-	-	-	4,680	24,673	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	4,680	24,673	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(4,680)	4,083	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(4,680)	4,083	-
Cash and investments - ending	\$ 4,760	\$ -	\$ 20	\$ -	\$ -	\$ 4,083	\$ -

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, 2015

	Secured Schools Safety Grant	School Technology	Preschool Fund	Senator David Ford Technology	Title I Grant 2013/2014	Title I Grant 2014/2015	Title I Grant 2015/2016
Cash and investments - beginning	\$ -	\$ 9,346	\$ -	\$ -	\$ (31,481)	\$ -	\$ -
Receipts:							
Local sources	-	7,457	25,013	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	5,589	-	-	-	-	-
Federal sources	-	-	-	-	50,586	49,412	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	13,046	25,013	-	50,586	49,412	-
Disbursements:							
Instruction	-	-	-	-	19,106	83,447	-
Support services	50,000	5,410	-	-	-	-	-
Noninstructional services	-	-	1,174	-	-	489	-
Facilities acquisition and construction	-	3,437	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	50,000	8,847	1,174	-	19,106	83,936	-
Excess (deficiency) of receipts over disbursements	(50,000)	4,199	23,839	-	31,480	(34,524)	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	(50,000)	4,199	23,839	-	31,480	(34,524)	-
Cash and investments - ending	\$ (50,000)	\$ 13,545	\$ 23,839	\$ -	\$ (1)	\$ (34,524)	\$ -

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, 2015

	Special ED Part B IDEA FY 2014	Special ED Preschool IDEA 2014	Special ED Technical Grant	Special ED Preschool IDEA 2015	Special ED Part B IDEA FY 2015	Special ED Preschool IDEA 2016	Special ED Part B IDEA FY 2016
Cash and investments - beginning	\$ (126,595)	\$ (5,959)	\$ (6,805)	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	154,031	8,661	6,805	8,733	168,991	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	154,031	8,661	6,805	8,733	168,991	-	-
Disbursements:							
Instruction	27,436	2,702	-	14,371	265,656	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	27,436	2,702	-	14,371	265,656	-	-
Excess (deficiency) of receipts over disbursements	126,595	5,959	6,805	(5,638)	(96,665)	-	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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	126,595	5,959	6,805	(5,638)	(96,665)	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (5,638)	\$ (96,665)	\$ -	\$ -

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, 2015

	JumpStart 2014/2015 SY	Title II Part A 2011/2012	Title II Part A 2013/2014	Title II Part A 2014/2015	Cafeteria Prepay	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (17,744)	\$ (5,814)	\$ -	\$ -	\$ 61,859	\$ 6,062,256
Receipts:							
Local sources	8,415	-	-	-	-	-	5,624,056
Intermediate sources	-	-	-	-	-	-	30
State sources	-	-	-	-	-	-	7,915,142
Federal sources	-	17,745	23,983	-	-	-	724,318
Other receipts	-	-	-	-	-	1,855,503	1,861,363
Total receipts	8,415	17,745	23,983	-	-	1,855,503	16,124,909
Disbursements:							
Instruction	5,077	-	-	-	-	-	5,741,731
Support services	-	-	26,982	-	-	-	4,522,476
Noninstructional services	-	-	-	-	-	-	731,867
Facilities acquisition and construction	-	-	-	-	-	-	287,695
Debt service	-	-	-	-	-	-	2,718,651
Other disbursements	-	-	-	-	-	1,870,313	1,870,313
Total disbursements	5,077	-	26,982	-	-	1,870,313	15,872,733
Excess (deficiency) of receipts over disbursements	3,338	17,745	(2,999)	-	-	(14,810)	252,176
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	1,882,124
Sale of capital assets	-	-	-	-	-	-	295
Transfers in	-	-	-	-	-	-	631,591
Transfers out	-	-	-	-	-	-	(631,591)
Total other financing sources (uses)	-	-	-	-	-	-	1,882,419
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,338	17,745	(2,999)	-	-	(14,810)	2,134,595
Cash and investments - ending	\$ 3,338	\$ 1	\$ (8,813)	\$ -	\$ -	\$ 47,049	\$ 8,196,851

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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,495,096	\$ 1,752,122	\$ 207,525	\$ 956,580	\$ 630,703	\$ 126,879	\$ 860,000
Receipts:							
Local sources	56,000	2,511,417	327,592	1,294,377	1,098,454	101,058	30,646
Intermediate sources	12	-	-	-	-	-	-
State sources	7,552,344	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	2,507	-	-	-	-	-	-
Total receipts	7,610,863	2,511,417	327,592	1,294,377	1,098,454	101,058	30,646
Disbursements:							
Instruction	4,952,179	-	-	-	-	-	100,001
Support services	2,495,138	-	-	566,762	813,743	100,000	-
Noninstructional services	187,267	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	561,533	-	-	-
Debt service	-	2,438,000	322,353	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	7,634,584	2,438,000	322,353	1,128,295	813,743	100,000	100,001
Excess (deficiency) of receipts over disbursements	(23,721)	73,417	5,239	166,082	284,711	1,058	(69,355)
Other financing sources (uses):							
Sale of capital assets	1,127	-	-	-	-	-	-
Transfers in	381	87,146	12,219	46,849	45,677	3,499	240,000
Transfers out	(12,537)	(87,146)	(12,219)	(166,849)	(157,051)	(3,499)	-
Total other financing sources (uses)	(11,029)	-	-	(120,000)	(111,374)	-	240,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,750)	73,417	5,239	46,082	173,337	1,058	170,645
Cash and investments - ending	\$ 1,460,346	\$ 1,825,539	\$ 212,764	\$ 1,002,662	\$ 804,040	\$ 127,937	\$ 1,030,645

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, 2016

	2015 Construction Bond	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Walmart Donation MES	MHS Blue River Art Donation
Cash and investments - beginning	\$ 1,869,685	\$ 180,659	\$ 175,011	\$ -	\$ 1,451	\$ 73	\$ 5
Receipts:							
Local sources	-	313,441	74,766	8,627	-	-	-
Intermediate sources	-	-	-	-	19	-	-
State sources	-	6,132	36,318	-	-	-	-
Federal sources	-	278,329	-	-	-	-	-
Other receipts	-	-	5,160	-	-	-	-
Total receipts	-	597,902	116,244	8,627	19	-	-
Disbursements:							
Instruction	-	-	-	-	606	-	-
Support services	-	421	30,604	-	-	-	-
Noninstructional services	-	578,428	-	-	-	-	-
Facilities acquisition and construction	1,012,352	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	8,847	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	1,012,352	587,696	30,604	-	606	-	-
Excess (deficiency) of receipts over disbursements	(1,012,352)	10,206	85,640	8,627	(587)	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	186,763	-	-	-
Transfers out	-	-	-	(195,390)	-	(73)	(6)
Total other financing sources (uses)	-	-	-	(8,627)	-	(73)	(6)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,012,352)	10,206	85,640	-	(587)	(73)	(6)
Cash and investments - ending	\$ 857,333	\$ 190,865	\$ 260,651	\$ -	\$ 864	\$ -	\$ (1)

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, 2016

	Shelby Eastern FFA Grant 2014	Microsoft Tech Grant MHS/MES	Waldron Elementary Outdoor Lab Gifts	MHS Robotic Program Donations	Coca Cola Grant	Pepsi Proivder Agreement	Paul O Goble Memorial Donation
Cash and investments - beginning	\$ 321	\$ 11,426	\$ 282	\$ 6,370	\$ 19,949	\$ -	\$ 1,720
Receipts:							
Local sources	-	-	-	-	-	11,594	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	11,594	-
Disbursements:							
Instruction	-	-	-	-	2,603	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	2,603	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(2,603)	11,594	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(282)	-	-	-	-
Total other financing sources (uses)	-	-	(282)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(282)	-	(2,603)	11,594	-
Cash and investments - ending	\$ 321	\$ 11,426	\$ -	\$ 6,370	\$ 17,346	\$ 11,594	\$ 1,720

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, 2016

	Josh Dobkin Scholarship	America's Farmers Communities	SCDFC- Susie Swaney MES/MHS	Formative Assessment	G/T High Ability 2013/2014	G/T High Ability 2014/2015	G/T High Ability 2015/2016
Cash and investments - beginning	\$ 4,760	\$ -	\$ 20	\$ -	\$ -	\$ 4,083	\$ -
Receipts:							
Local sources	-	2,500	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	29,942
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	2,500	-	-	-	-	29,942
Disbursements:							
Instruction	-	-	-	-	-	4,082	29,942
Support services	-	-	-	9,867	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	9,867	-	4,082	29,942
Excess (deficiency) of receipts over disbursements	-	2,500	-	(9,867)	-	(4,082)	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	9,867	-	-	-
Transfers out	-	-	(20)	-	-	-	-
Total other financing sources (uses)	-	-	(20)	9,867	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,500	(20)	-	-	(4,082)	-
Cash and investments - ending	\$ 4,760	\$ 2,500	\$ -	\$ -	\$ -	\$ 1	\$ -

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, 2016

	Secured Schools Safety Grant	School Technology	Preschool Fund	Senator David Ford Technology	Title I Grant 2013/2014	Title I Grant 2014/2015	Title I Grant 2015/2016
Cash and investments - beginning	\$ (50,000)	\$ 13,545	\$ 23,839	\$ -	\$ (1)	\$ (34,524)	\$ -
Receipts:							
Local sources	-	13,208	10,220	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	50,000	4,499	-	-	-	-	-
Federal sources	-	-	-	-	-	66,993	61,570
Other receipts	-	-	-	-	-	-	-
Total receipts	50,000	17,707	10,220	-	-	66,993	61,570
Disbursements:							
Instruction	-	-	-	9,689	-	31,558	104,081
Support services	39,740	3,985	-	-	-	-	-
Noninstructional services	-	-	26,306	-	-	911	635
Facilities acquisition and construction	-	8,932	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	39,740	12,917	26,306	9,689	-	32,469	104,716
Excess (deficiency) of receipts over disbursements	10,260	4,790	(16,086)	(9,689)	-	34,524	(43,146)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	38,793
Transfers out	-	-	-	-	(15,909)	(20,214)	-
Total other financing sources (uses)	-	-	-	-	(15,909)	(20,214)	38,793
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,260	4,790	(16,086)	(9,689)	(15,909)	14,310	(4,353)
Cash and investments - ending	\$ (39,740)	\$ 18,335	\$ 7,753	\$ (9,689)	\$ (15,910)	\$ (20,214)	\$ (4,353)

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, 2016

	Special ED Part B IDEA FY 2014	Special ED Preschool IDEA 2014	Special ED Technical Grant	Special ED Preschool IDEA 2015	Special ED Part B IDEA FY 2015	Special ED Preschool IDEA 2016	Special ED Part B IDEA FY 2016
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (5,638)	\$ (96,665)	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	7,222	132,017	11,586	173,353
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	7,222	132,017	11,586	173,353
Disbursements:							
Instruction	-	-	-	1,584	35,350	15,912	239,350
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,584	35,350	15,912	239,350
Excess (deficiency) of receipts over disbursements	-	-	-	5,638	96,667	(4,326)	(65,997)
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	-	-	-	5,638	96,667	(4,326)	(65,997)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ (4,326)	\$ (65,997)

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, 2016

	JumpStart 2014/2015 SY	Title II Part A 2011/2012	Title II Part A 2013/2014	Title II Part A 2014/2015	Cafeteria Prepay	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 3,338	\$ 1	\$ (8,813)	\$ -	\$ -	\$ 47,049	\$ 8,196,851
Receipts:							
Local sources	-	-	-	-	-	-	5,853,900
Intermediate sources	-	-	-	-	-	-	31
State sources	-	-	-	-	-	-	7,679,235
Federal sources	-	-	22,426	3,886	-	-	757,382
Other receipts	-	-	-	-	503,723	1,826,783	2,338,173
Total receipts	-	-	22,426	3,886	503,723	1,826,783	16,628,721
Disbursements:							
Instruction	1,779	-	-	-	-	-	5,528,716
Support services	-	-	13,613	3,886	-	-	4,077,759
Noninstructional services	-	-	-	-	-	-	793,547
Facilities acquisition and construction	-	-	-	-	-	-	1,582,817
Debt service	-	-	-	-	-	-	2,760,353
Nonprogrammed charges	-	-	-	-	-	-	8,847
Other disbursements	-	-	-	-	494,059	1,822,331	2,316,390
Total disbursements	1,779	-	13,613	3,886	494,059	1,822,331	17,068,429
Excess (deficiency) of receipts over disbursements	(1,779)	-	8,813	-	9,664	4,452	(439,708)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	1,127
Transfers in	-	-	-	-	-	-	671,194
Transfers out	-	-	-	-	-	-	(671,195)
Total other financing sources (uses)	-	-	-	-	-	-	1,126
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,779)	-	8,813	-	9,664	4,452	(438,582)
Cash and investments - ending	\$ 1,559	\$ 1	\$ -	\$ -	\$ 9,664	\$ 51,501	\$ 7,758,269

SHELBY EASTERN SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 186,148</u>	<u>\$ 67,537</u>

SHELBY EASTERN SCHOOLS
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Retirement/Severance Bonds	\$ 1,135,000	\$ 319,065
General obligation bonds	School Bonds	<u>1,900,000</u>	<u>157,586</u>
Total governmental activities		<u>3,035,000</u>	<u>476,651</u>
Totals		<u>\$ 3,035,000</u>	<u>\$ 476,651</u>

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Shelby Eastern Schools Building Corporation	Building Improvements	\$ 2,438,000	6/30/2011	12/31/2024

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SHELBY EASTERN SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

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

	<u>Ending Balance</u>
Governmental activities:	
Buildings	\$ 73,221,978
Machinery, equipment, and vehicles	<u>2,859,021</u>
Total governmental activities	<u>76,080,999</u>
Total capital assets	<u>\$ 76,080,999</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE 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, 2014 to June 30, 2016. 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, 2014 to June 30, 2016.

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 2016-002 and 2016-005. 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-004, and 2016-005 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

April 30, 2018

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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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SHELBY EASTERN SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

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 06-30-15	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
School Breakfast Program FY15			FY2015	\$ 38,387	\$ 5,258
School Breakfast Program FY16			FY2016	-	48,477
Total - School Breakfast Program				<u>38,387</u>	<u>53,735</u>
National School Lunch Program					
School Lunch Program FY15	Indiana Department of Education	10.555	FY 2015	194,985	22,745
School Lunch Program FY16			FY 2016	-	201,849
School Lunch Commodities			FY 2015	36,998	-
School Lunch Commodities			FY 2016	-	33,593
Total - National School Lunch Program				<u>231,983</u>	<u>258,187</u>
Total - Child Nutrition Cluster				<u>270,370</u>	<u>311,922</u>
Total - Department of Agriculture				<u>270,370</u>	<u>311,922</u>
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies					
Title I Part A 2013-2014	Indiana Department of Education	84.010	14-7285	50,586	-
Title I Part A 2014-2015			15-7285	49,412	66,993
Title I Part A 2015-2016			16-7285	-	61,570
Total - Title I Grants to Local Educational Agencies				<u>99,998</u>	<u>128,563</u>
Special Education Cluster (IDEA)					
Special Education_Grants to States					
Special Ed Part B 611 FY 2014	Indiana Department of Education	84.027	14214-087-PN01	154,030	-
Special Ed Technical Assistance			99914-087-TA01	6,805	-
Special Ed Part B 611 FY 2015			14215-087-PN01	168,991	132,017
Special Ed Part B 611 FY 2016			14216-087-PN01	-	173,353
Total - Special Education_Grants to States				<u>329,826</u>	<u>305,370</u>
Special Education_Preschool Grants					
Special Ed Preschool 2014	Indiana Department of Education	84.173	45714-087-PN01	8,661	-
Special Ed Preschool 2015			45715-087-PN01	8,733	7,222
Special Ed Preschool 2016			45716-087-PN01	-	11,586
Total - Special Education_Preschool Grants				<u>17,394</u>	<u>18,808</u>
Total - Special Education Cluster (IDEA)				<u>347,220</u>	<u>324,178</u>
Supporting Effective Instruction State Grants					
Title II Part A 2012-2013	Indiana Department of Education	84.367	12-7285	17,745	-
Title II Part A 2013-2014			13-7285	23,983	22,426
Title II Part A 2014-2015			14-7285	-	3,886
Total - Supporting Effective Instruction State Grants				<u>41,728</u>	<u>26,312</u>
Total - Department of Education				<u>488,946</u>	<u>479,053</u>
Total federal awards expended				<u>\$ 759,316</u>	<u>\$ 790,975</u>

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

Note 2. Summary of Significant Accounting Policies

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

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 weakness identified?	yes
Significant deficiency 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)

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 2016-001

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

Repeat Finding

This is a repeat of Finding 2014-001 from the immediately prior audit.

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

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer was the person solely responsible for preparing and submitting the SEFA. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control.

Context

The SEFA contained the following errors:

1. Not all CFDA numbers, program names, grants, and pass-through identifying numbers were correct or listed.
2. The Federal expenditures were incorrectly reported, resulting in an understatement of \$33,593 for the 2015-2016 school year.

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

Criteria

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

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

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

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

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

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

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

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

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Child Nutrition Cluster - Cash 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): FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The School Corporation did not have effective controls to monitor the net cash resources of the School Lunch fund and failed to ensure the amount did not exceed the three months average expenditures.

Context

The lack of properly designed and implemented controls and noncompliance were systemic problems, which occurred throughout the audit period. The net cash resources in the School Lunch fund exceeded the three months average expenditures for nine months of the audit period. The average excess balances were \$4,108 and \$26,709 for fiscal year 2015 and fiscal year 2016, respectively.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

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:

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency;"

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and 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 the School Corporation establish controls to ensure compliance with the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Internal Controls

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): FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

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

Repeat Finding

This is a repeat of Finding 2014-002 from the immediately prior audit regarding the requirements for Eligibility.

This is a repeat of Finding 2014-003 from the immediately prior audit regarding the requirements for Program Income, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure all of the free and reduced price meal applications were properly verified. The Food Service Director reviewed the guidelines to determine the students' eligibility; however, there was no evidence of an oversight, review, or approval process to ensure eligibility was determined correctly.

Program Income

In fiscal year 2015, the School Corporation had not designed or implemented controls to ensure receipts generated from cafeteria sales were properly recorded in the School Lunch fund. In fiscal year 2016, a separate Cafeteria Prepay fund was created to record payments by students on their accounts. There was no evidence of an oversight, review, or approval process to verify the accuracy of the amounts transferred from the Cafeteria Prepay fund to the School Lunch fund for cafeteria sales.

Reporting

The Sponsor Claim (claims for reimbursement), School Food Authority (SFA) Verification Collection Reports, and the Annual Financial Report were prepared and submitted by one person without evidence of an oversight, review, or approval process.

Special Tests and Provisions - Verification Free and Reduced Price Applications (NSLP)

An oversight, review, or approval process over the required verifications had not been established to ensure the accuracy of the verifications.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program Only)

The School Corporation had not established an effective internal control system related to Special Tests and Provisions - Paid Lunch Equity. The Treasurer was independently responsible for calculating the Paid Lunch Equity with no evidence of an oversight, review, or approval process.

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

Context

The lack of properly designed and implemented controls was a systemic problem throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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 the 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 related to the grant agreement and the compliance requirements listed above in the *Condition*.

Views of Responsible Officials

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

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

FINDING 2016-004

Subject: Special Education Cluster (IDEA) - Reporting
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): 14214-087-PN01, 45714-087-PN01,
99914-87-TA01, 14215-087-PN01,
45715-087-PN01, 14216-087-PN01,
45716-087-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. One person prepared the Final Expenditure Report without an oversight, review, or approval process to ensure that it was accurate before submission.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not established a proper internal control structure that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed in the *Condition*.

Views of Responsible Officials

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

FINDING 2016-005

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not complete Semi-Annual Certifications or Personal Activity Reports for employees who were paid solely or partially from the federal program for fiscal year 2015.

Context

The lack of properly designed and implemented controls and noncompliance were systemic problems during the 2015 fiscal year.

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

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. . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. . . ."

Cause

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



SHELBY EASTERN SCHOOLS

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

Mission Statement:

Shape, Empower, and Support the minds of tomorrow

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002 Eligibility

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Mary C Scott (Chris)
Contact Phone Number: 765-544-2246

Status of Audit Finding:

The Corrective Actions in the Child Nutrition Cluster has been completed and is working effectively. Beginning July 1, 2017, applications are reviewed and signed by both the Chartwell's Representative and the Corporation Treasurer.

FINDING 2014-003 Internal Controls over the Child Nutrition Cluster

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Mary C Scott (Chris)
Contact Phone Number: 765-544-2246

Status of Audit Finding:

The Corrective Action in the Child Nutrition Cluster related to reporting and program income has been completed and is working effectively. All School Food funds have been brought into the central office and a separate cafeteria prepay account has been established. Monthly reimbursement requests are now prepared by the cafeteria manager and then sent to the Corporation Treasurer for final review and approval.

The Corrective Action in the Child Nutrition Cluster related to the Special Tests and Provisions – Paid Lunch Equity has not been corrected. Beginning school year 2018-2019, the Paid Lunch Equity calculation will be retained and reviewed by a second person prior to board approval.

FINDING 2014-004 Internal Controls over the Title I Grants to Local Educational Agencies

Fiscal year in which the finding initially occurred: 2014
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Mary C Scott (Chris)
Contact Phone Number: 765-544-2246

Status of Audit Finding:

The Corrective Action in the Title I Grant has been completed and is working effectively. The Title I Director and the Corporation Treasurer both work together to ensure the accuracy of required reports, eligibility of students, the period of availability, cash management, and the allowable cost/costs principles. All required logs and reports are completed by the Title I Director and reviewed and signed by the Corporation Treasurer or the Superintendent.

Amey C. Seatt
(Signature)

Treasurer
(Title)

4/5/2018
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



SHELBY EASTERN SCHOOLS

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

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April 24, 2018

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

CORRECTIVE ACTION PLAN FOR 2014-2016 AUDIT


FINDING 2016-001-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: June 30, 2018

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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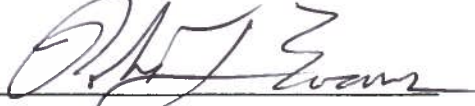
FINDING 2016-002 and 003-ELIGIBILITY

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 2015, FY 2016
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: June 30, 2018

CORRECTIVE ACTION PLAN

With the School Corporation now overseeing the Cafeteria fund and the addition of outsourcing the Food Service Department 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 Director, with final approval signed off by the Corporation Treasurer. With the addition of a Food Service Director, we will be able to implement the required internal controls and segregation of duties, other food service activity regarding eligibility, procurement and suspension and ineligibility and program income will be performed by the Food Service Director 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

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FINDING 2016-004 Special Education Reporting

Federal Agency: Department of Education

Federal Program: Special Education Grants to States, Special Education Preschool Grants
CFDA Number 84.027. 84.173

Federal Award Number and Year (or Other Identifying Numbers): 14214-087-PN01, 45714-098-PN01,
99914-87-TA011

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness

Contact Person: Mary C Scott/Dr. Robert Evans

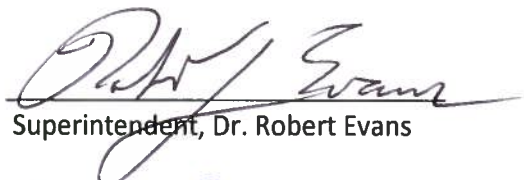
Title: Corporation Treasurer

Phone: 765-544-2246

Expected Completing Date: June 30, 2018

CORRECTIVE ACTION PLAN

Internal controls have been put in to place to provide oversight, and will be implemented so that the preparation and reporting of the Final Expenditure Report will be prepared by the Corporation Treasurer and reviewed by the Deputy Treasurer or the Superintendent.


Superintendent, Dr. Robert Evans


Corporation Treasurer, Mary C Scott



SHELBY EASTERN SCHOOLS

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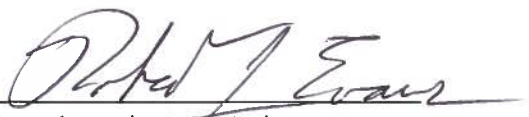
FINDING 2016-005 Child Nutrition Cluster


Child Nutrition Cluster- Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Contact Person: Mary C Scott/Dr. Robert Evans
Title: Corporation Treasurer
Phone: 765-544-2246
Expected Completing Date: June 30, 2018

CORRECTIVE ACTION PLAN

Effective July 1, 2015 Shelby Eastern Schools began implementing the time and effort requirements under the uniform guidance.


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/>.