

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SHOALS COMMUNITY SCHOOL CORPORATION  
MARTIN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
08/09/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
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 <i>Government Auditing Standards</i> .....	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement .....	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-29
Schedule of Payables and Receivables .....	31
Schedule of Leases and Debt .....	32
Schedule of Capital Assets.....	33
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance .....	36-38
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	41
Notes to Schedule of Expenditures of Federal Awards .....	42
Schedule of Findings and Questioned Costs .....	43-53
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	56-57
Corrective Action Plan .....	58-62
Other Reports.....	63

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa C. Elliott	01-01-14 to 12-31-18
Superintendent of Schools	Dr. Candace Roush	07-01-14 to 06-30-19
President of the School Board	May Lou Billings Lorna A. Troutman Dianna Ragsdale	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Shoals Community School Corporation (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 July 12, 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

July 12, 2018



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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 SHOALS COMMUNITY SCHOOL  
CORPORATION, MARTIN 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 Shoals Community School Corporation (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 July 12, 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 and significant deficiency.

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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a significant deficiency.

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.

**Shoals Community School Corporation's Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

July 12, 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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SHOALS COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 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	\$ 1,598,076	\$ 4,138,102	\$ 3,927,861	\$ 8,251	\$ 1,816,568	\$ 4,058,101	\$ 3,857,114	\$ 252	\$ 2,017,807
Debt Service	240,737	317,493	394,261	-	163,969	288,155	150,379	-	301,745
Retirement/Severance Bond Debt Service	79,032	248,795	210,455	-	117,372	225,016	212,436	2,166	132,118
Capital Projects	241,009	513,317	493,989	-	260,337	501,462	475,693	-	286,106
School Transportation	343,214	685,040	565,978	(100,000)	362,276	658,707	516,150	4,500	509,333
School Bus Replacement	234,604	42,561	108,893	-	168,272	46,592	105,314	(2,166)	107,384
Rainy Day	601,203	-	-	100,000	701,203	-	-	-	701,203
Retirement/Severance Bond	46,799	-	24,102	-	22,697	-	15,200	-	7,497
School Lunch	67,745	271,162	288,275	-	50,632	293,347	292,081	-	51,898
Textbook Rental	48,528	54,470	17,943	-	85,055	39,067	3,270	-	120,852
Educational License Plates	3,262	75	-	-	3,337	19	-	-	3,356
Early Intervention Grant	-	10,000	10,000	-	-	-	-	-	-
Donation	5,183	10,317	11,269	-	4,231	7,131	5,193	-	6,169
Leo Harding Endowment Fund	4,714	363	1,417	-	3,660	362	-	-	4,022
Elem Phi Delta Kapa-CAPE	496	-	-	-	496	-	-	-	496
Baseball Donation	6,142	-	420	-	5,722	-	-	-	5,722
Instruction Support	-	25,893	20,577	-	5,316	-	5,316	-	-
High Ability Grant 15/16	4,038	-	4,038	-	-	27,093	23,061	-	4,032
Secured Schools Safety Grant	-	29,903	29,903	-	-	-	4,000	-	(4,000)
School Technology	1,637	3,669	3,465	-	1,841	4,404	4,455	-	1,790
ISTA Settlement	65,994	-	65,994	-	-	-	-	-	-
Elearning	-	-	-	-	-	-	11,171	-	(11,171)
PBIS	-	-	-	-	-	43,900	10,000	-	33,900
Title I 15/16	(1,135)	54,645	53,510	-	-	70,947	116,393	-	(45,446)
Title I 14/15	-	64,594	99,679	-	(35,085)	58,976	23,891	-	-
Title II, Part A 14/15	-	13,468	23,995	-	(10,527)	24,869	14,578	-	(236)
Title II, Part A 15/16	-	-	-	-	-	10,560	14,909	-	(4,349)
Improving Teacher Quality NCLB, Title II, Part A 13/14	(2,812)	12,986	10,174	-	-	-	-	-	-
REAP 14/15	-	18,448	10,465	-	7,983	-	7,983	-	-
REAP 13/14	14,767	-	14,767	-	-	-	-	-	-
REAP 15/16	-	-	-	-	-	18,715	9,633	-	9,082
Payroll Clearing	(17)	932,212	932,195	-	-	897,449	897,449	-	-
Cafeteria Clearing	-	323,337	323,337	-	-	18,057	18,057	-	-
Cafeteria Prepaid Receipts	-	-	-	-	-	4,039	1,928	-	2,111
Totals	<u>\$ 3,603,216</u>	<u>\$ 7,770,850</u>	<u>\$ 7,646,962</u>	<u>\$ 8,251</u>	<u>\$ 3,735,355</u>	<u>\$ 7,296,968</u>	<u>\$ 6,795,654</u>	<u>\$ 4,752</u>	<u>\$ 4,241,421</u>

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

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, 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.

SHOALS COMMUNITY SCHOOL CORPORATION  
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, revenue in lieu of taxes, 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, revenue in lieu of taxes, 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 petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

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

*Instruction.* 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.

*F. Other Financing Sources and Uses*

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

*Sale of capital assets.* 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.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

**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.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

*C. Additional Pension Plans*

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

SHOALS COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

**Note 8. Restatements**

For the year ended June 30, 2015, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2014	Prior Period Adjustment	Balance as of July 1, 2014
General	\$ 1,598,300	\$ (224)	\$ 1,598,076

**Note 9. Holding Corporation**

The School Corporation has entered into a capital lease with Shoals Community School 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 of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$210,500 and \$105,500, respectively.

**Note 10. Other Postemployment Benefits**

The School Corporation provides to eligible retirees and their spouses the following benefits. These benefits pose a liability to the School Corporation for this year and in future years. Teachers who retired prior to June 30, 2007, were provided an annual stipend paid monthly until social security age or a maximum of 10 years. They were also provided a single plan of insurance paid for by the School Corporation until they were eligible for Medicare or a maximum of 10 years. The retirees can pay all the cost of keeping additional family members on the School Corporation insurance plan until they turn 65. Information regarding the benefits can be obtained by contacting the School Corporation.

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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.

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,598,076	\$ 240,737	\$ 79,032	\$ 241,009	\$ 343,214	\$ 234,604	\$ 601,203
Receipts:							
Local sources	43,747	317,493	248,795	505,246	685,040	42,561	-
Intermediate sources	-	-	-	-	-	-	-
State sources	4,064,686	-	-	-	-	-	-
Federal sources	29,669	-	-	-	-	-	-
Other receipts	-	-	-	8,071	-	-	-
Total receipts	4,138,102	317,493	248,795	513,317	685,040	42,561	-
Disbursements:							
Instruction	2,742,998	-	-	-	-	-	-
Support services	1,085,614	5,390	-	431,249	565,978	108,893	-
Noninstructional services	98,287	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	62,740	-	-	-
Debt service	962	388,871	210,455	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	3,927,861	394,261	210,455	493,989	565,978	108,893	-
Excess (deficiency) of receipts over disbursements	210,241	(76,768)	38,340	19,328	119,062	(66,332)	-
Other financing sources (uses):							
Sale of capital assets	8,251	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	100,000
Transfers out	-	-	-	-	(100,000)	-	-
Total other financing sources (uses)	8,251	-	-	-	(100,000)	-	100,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	218,492	(76,768)	38,340	19,328	19,062	(66,332)	100,000
Cash and investments - ending	\$ 1,816,568	\$ 163,969	\$ 117,372	\$ 260,337	\$ 362,276	\$ 168,272	\$ 701,203

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	Retirement/ Severance Bond	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	Donation	Leo Harding Endowment Fund
Cash and investments - beginning	\$ 46,799	\$ 67,745	\$ 48,528	\$ 3,262	\$ -	\$ 5,183	\$ 4,714
Receipts:							
Local sources	-	76,648	20,573	-	-	10,317	363
Intermediate sources	-	-	-	75	-	-	-
State sources	-	27,159	33,897	-	10,000	-	-
Federal sources	-	167,355	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	271,162	54,470	75	10,000	10,317	363
Disbursements:							
Instruction	24,102	-	-	-	10,000	7,932	-
Support services	-	-	17,943	-	-	3,303	-
Noninstructional services	-	288,275	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	34	1,417
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	24,102	288,275	17,943	-	10,000	11,269	1,417
Excess (deficiency) of receipts over disbursements	(24,102)	(17,113)	36,527	75	-	(952)	(1,054)
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	(24,102)	(17,113)	36,527	75	-	(952)	(1,054)
Cash and investments - ending	\$ 22,697	\$ 50,632	\$ 85,055	\$ 3,337	\$ -	\$ 4,231	\$ 3,660

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	Elem Phi Delta Kapa- CAPE	Baseball Donation	Instruction Support	High Ability Grant 15/16	Secured Schools Safety Grant	School Technology	ISTA Settlement
Cash and investments - beginning	\$ 496	\$ 6,142	\$ -	\$ 4,038	\$ -	\$ 1,637	\$ 65,994
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	25,893	-	29,903	3,669	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	25,893	-	29,903	3,669	-
Disbursements:							
Instruction	-	-	20,577	4,038	-	-	50,480
Support services	-	-	-	-	29,903	3,465	14,974
Noninstructional services	-	-	-	-	-	-	540
Facilities acquisition and construction	-	420	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	420	20,577	4,038	29,903	3,465	65,994
Excess (deficiency) of receipts over disbursements	-	(420)	5,316	(4,038)	-	204	(65,994)
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	-	(420)	5,316	(4,038)	-	204	(65,994)
Cash and investments - ending	\$ 496	\$ 5,722	\$ 5,316	\$ -	\$ -	\$ 1,841	\$ -

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	Elearning	PBIS	Title I 15/16	Title I 14/15	Title II, Part A 14/15	Title II, Part A 15/16	Improving Teacher Quality, NCLB, Title II, Part A 13/14
Cash and investments - beginning	\$ -	\$ -	\$ (1,135)	\$ -	\$ -	\$ -	\$ (2,812)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	54,645	64,594	13,468	-	12,986
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	54,645	64,594	13,468	-	12,986
Disbursements:							
Instruction	-	-	26,799	61,293	23,910	-	8,216
Support services	-	-	23,394	34,643	85	-	1,958
Noninstructional services	-	-	3,317	3,743	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	53,510	99,679	23,995	-	10,174
Excess (deficiency) of receipts over disbursements	-	-	1,135	(35,085)	(10,527)	-	2,812
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	-	-	1,135	(35,085)	(10,527)	-	2,812
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (35,085)	\$ (10,527)	\$ -	\$ -

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

	REAP 14/15	REAP 13/14	REAP 15/16	Payroll Clearing	Cafeteria Clearing	Cafeteria Prepaid Receipts	Totals
Cash and investments - beginning	\$ -	\$ 14,767	\$ -	\$ (17)	\$ -	\$ -	\$ 3,603,216
Receipts:							
Local sources	-	-	-	-	-	-	1,950,783
Intermediate sources	-	-	-	-	-	-	75
State sources	-	-	-	-	-	-	4,195,207
Federal sources	18,448	-	-	-	-	-	361,165
Other receipts	-	-	-	932,212	323,337	-	1,263,620
Total receipts	18,448	-	-	932,212	323,337	-	7,770,850
Disbursements:							
Instruction	-	-	-	-	-	-	2,980,345
Support services	10,465	14,767	-	-	-	-	2,352,024
Noninstructional services	-	-	-	-	-	-	394,162
Facilities acquisition and construction	-	-	-	-	-	-	64,611
Debt service	-	-	-	-	-	-	600,288
Nonprogrammed charges	-	-	-	932,195	323,337	-	1,255,532
Total disbursements	10,465	14,767	-	932,195	323,337	-	7,646,962
Excess (deficiency) of receipts over disbursements	7,983	(14,767)	-	17	-	-	123,888
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	8,251
Transfers in	-	-	-	-	-	-	100,000
Transfers out	-	-	-	-	-	-	(100,000)
Total other financing sources (uses)	-	-	-	-	-	-	8,251
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,983	(14,767)	-	17	-	-	132,139
Cash and investments - ending	\$ 7,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,735,355

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,816,568	\$ 163,969	\$ 117,372	\$ 260,337	\$ 362,276	\$ 168,272	\$ 701,203
Receipts:							
Local sources	42,204	288,155	225,016	501,462	658,707	46,592	-
Intermediate sources	490	-	-	-	-	-	-
State sources	3,983,607	-	-	-	-	-	-
Federal sources	31,450	-	-	-	-	-	-
Other receipts	350	-	-	-	-	-	-
Total receipts	4,058,101	288,155	225,016	501,462	658,707	46,592	-
Disbursements:							
Instruction	2,716,825	-	-	-	-	-	-
Support services	1,060,689	-	-	402,425	516,150	105,314	-
Noninstructional services	79,600	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	73,268	-	-	-
Debt service	-	150,379	212,436	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	3,857,114	150,379	212,436	475,693	516,150	105,314	-
Excess (deficiency) of receipts over disbursements	200,987	137,776	12,580	25,769	142,557	(58,722)	-
Other financing sources (uses):							
Sale of capital assets	252	-	-	-	4,500	-	-
Transfers in	-	-	2,166	-	-	-	-
Transfers out	-	-	-	-	-	(2,166)	-
Total other financing sources (uses)	252	-	2,166	-	4,500	(2,166)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	201,239	137,776	14,746	25,769	147,057	(60,888)	-
Cash and investments - ending	\$ 2,017,807	\$ 301,745	\$ 132,118	\$ 286,106	\$ 509,333	\$ 107,384	\$ 701,203

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Retirement/ Severance Bond	School Lunch	Textbook Rental	Educational License Plates	Early Intervention Grant	Donation	Leo Harding Endowment Fund
Cash and investments - beginning	\$ 22,697	\$ 50,632	\$ 85,055	\$ 3,337	\$ -	\$ 4,231	\$ 3,660
Receipts:							
Local sources	-	69,659	11,456	-	-	7,131	362
Intermediate sources	-	-	-	19	-	-	-
State sources	-	2,011	27,611	-	-	-	-
Federal sources	-	221,677	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	293,347	39,067	19	-	7,131	362
Disbursements:							
Instruction	15,200	-	-	-	-	4,789	-
Support services	-	69	3,270	-	-	404	-
Noninstructional services	-	264,127	-	-	-	-	-
Facilities acquisition and construction	-	24,736	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	3,149	-	-	-	-	-
Total disbursements	15,200	292,081	3,270	-	-	5,193	-
Excess (deficiency) of receipts over disbursements	(15,200)	1,266	35,797	19	-	1,938	362
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	(15,200)	1,266	35,797	19	-	1,938	362
Cash and investments - ending	\$ 7,497	\$ 51,898	\$ 120,852	\$ 3,356	\$ -	\$ 6,169	\$ 4,022

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Elem Phi Delta Kapa- CAPE	Baseball Donation	Instruction Support	High Ability Grant 15/16	Secured Schools Safety Grant	School Technology	ISTA Settlement
Cash and investments - beginning	\$ 496	\$ 5,722	\$ 5,316	\$ -	\$ -	\$ 1,841	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	27,093	-	4,404	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	27,093	-	4,404	-
Disbursements:							
Instruction	-	-	5,316	14,291	-	-	-
Support services	-	-	-	8,770	4,000	4,455	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	5,316	23,061	4,000	4,455	-
Excess (deficiency) of receipts over disbursements	-	-	(5,316)	4,032	(4,000)	(51)	-
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	-	-	(5,316)	4,032	(4,000)	(51)	-
Cash and investments - ending	\$ 496	\$ 5,722	\$ -	\$ 4,032	\$ (4,000)	\$ 1,790	\$ -

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	Elearning	PBIS	Title I 15/16	Title I 14/15	Title II, Part A 14/15	Title II, Part A 15/16	Improving Teacher Quality, NCLB, Title II, Part A 13/14
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (35,085)	\$ (10,527)	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	43,900	-	-	-	-	-
Federal sources	-	-	70,947	58,976	24,869	10,560	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	43,900	70,947	58,976	24,869	10,560	-
Disbursements:							
Instruction	8,961	10,000	83,113	13,801	12,663	14,909	-
Support services	2,210	-	30,514	9,907	1,915	-	-
Noninstructional services	-	-	2,766	183	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	11,171	10,000	116,393	23,891	14,578	14,909	-
Excess (deficiency) of receipts over disbursements	(11,171)	33,900	(45,446)	35,085	10,291	(4,349)	-
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	(11,171)	33,900	(45,446)	35,085	10,291	(4,349)	-
Cash and investments - ending	\$ (11,171)	\$ 33,900	\$ (45,446)	\$ -	\$ (236)	\$ (4,349)	\$ -

SHOALS COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

	REAP 14/15	REAP 13/14	REAP 15/16	Payroll Clearing	Cafeteria Clearing	Cafeteria Prepaid Receipts	Totals
Cash and investments - beginning	\$ 7,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,735,355
Receipts:							
Local sources	-	-	-	-	-	-	1,850,744
Intermediate sources	-	-	-	-	-	-	509
State sources	-	-	-	-	-	-	4,088,626
Federal sources	-	-	18,715	-	-	-	437,194
Other receipts	-	-	-	897,449	18,057	4,039	919,895
Total receipts	-	-	18,715	897,449	18,057	4,039	7,296,968
Disbursements:							
Instruction	732	-	3,956	-	-	-	2,904,556
Support services	7,251	-	5,677	-	-	-	2,163,020
Noninstructional services	-	-	-	-	-	-	346,676
Facilities acquisition and construction	-	-	-	-	-	-	98,004
Debt service	-	-	-	-	-	-	362,815
Nonprogrammed charges	-	-	-	897,449	18,057	1,928	920,583
Total disbursements	7,983	-	9,633	897,449	18,057	1,928	6,795,654
Excess (deficiency) of receipts over disbursements	(7,983)	-	9,082	-	-	2,111	501,314
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	4,752
Transfers in	-	-	-	-	-	-	2,166
Transfers out	-	-	-	-	-	-	(2,166)
Total other financing sources (uses)	-	-	-	-	-	-	4,752
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,983)	-	9,082	-	-	2,111	506,066
Cash and investments - ending	\$ -	\$ -	\$ 9,082	\$ -	\$ -	\$ 2,111	\$ 4,241,421

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SHOALS COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 116,145</u>	<u>\$ 65,202</u>

SHOALS COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Hewlett-Packard Financial Services	Technology Equipment	\$ 11,418	6/30/2016	6/30/2020
Shoals Community School Building Corporation	School Renovation and Addition of Walkway	<u>276,500</u>	8/26/2015	1/15/2026
Total governmental activities		<u>287,918</u>		
Total of annual lease payments		<u>\$ 287,918</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Teachers' Retirement	<u>\$ 295,000</u>	<u>\$ 207,812</u>
Total governmental activities		<u>295,000</u>	<u>207,812</u>
Totals		<u>\$ 295,000</u>	<u>\$ 207,812</u>

SHOALS COMMUNITY SCHOOL CORPORATION  
 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:	
Land	\$ 90,948
Buildings	5,896,625
Improvements other than buildings	1,302,491
Machinery, equipment, and vehicles	<u>840,256</u>
Total governmental activities	<u>8,130,320</u>
Total capital assets	<u>\$ 8,130,320</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 SHOALS COMMUNITY SCHOOL  
CORPORATION, MARTIN COUNTY, INDIANA

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

We have audited the Shoals Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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. Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

As described in item 2016-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with this requirement applicable to the program.

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

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

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Eligibility, described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2014 to June 30, 2016.

***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 item 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

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

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 2016-003, 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

July 12, 2018

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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SHOALS COMMUNITY SCHOOL CORPORATION  
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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 14-15	\$ -	\$ 44,568	\$ -	\$ -
			FY 15-16	-	-	-	46,471
Total - School Breakfast Program				-	44,568	-	46,471
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Fund			FY 14-15	-	148,203	-	-
			FY 15-16	-	-	-	155,146
Commodities			FY 14-15	-	16,849	-	-
			FY 15-16	-	-	-	18,454
Total - National School Lunch Program				-	165,052	-	173,600
Total - Child Nutrition Cluster				-	209,620	-	220,071
Child Nutrition Discretionary Grants Limited Availability							
Child Nutrition School Meals Equipment Grant	Indiana Department of Education	10.579	FY 15-16	-	-	-	20,000
Total - Child Nutrition Discretionary Grants Limited Availability				-	-	-	20,000
Total - Department of Agriculture				-	209,620	-	240,071
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14213-049-PN01	-	27,500	-	-
			14214-049-PN01	-	37,887	-	27,515
			14215-049-PN01	-	85,982	-	42,199
			14216-049-PN01	-	-	-	81,240
			99914-049-TA01	-	3,673	-	31
Total - Special Education_Grants to States				-	155,042	-	150,985
Special Education_Preschool Grants	Indiana Department of Education	84.173	45713-049-PN01	-	441	-	-
			45714-049-PN01	-	2,146	-	-
			45715-049-PN01	-	4,770	-	3,118
			45716-049-PN01	-	-	-	4,046
Total - Special Education_Preschool Grants				-	7,357	-	7,164
Total - Special Education Cluster (IDEA)				-	162,399	-	158,149
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	FY 14-15	-	119,239	-	-
			FY 15-16	-	-	-	129,923
Total - Title I Grants to Local Educational Agencies				-	119,239	-	129,923
Rural Education							
Rural & Low Income Schools Grant	Indiana Department of Education	84.358	FY 14-15	-	25,232	-	-
			FY 15-16	-	-	-	17,616
Total - Rural Education				-	25,232	-	17,616
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FY 14-15	-	26,454	-	-
			FY 15-16	-	-	-	35,429
Total - Improving Teacher Quality State Grants				-	26,454	-	35,429
Total - Department of Education				-	333,324	-	341,117
Total federal awards expended				\$ -	\$ 542,944	\$ -	\$ 581,188

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (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.

**Note 3. Special Education Cooperative**

The School Corporation is a member of the Orange-Lawrence-Jackson-Martin-Greene Joint Services Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

SHOALS COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for Child Nutrition Cluster, Unmodified for Special Education Cluster (IDEA)
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, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

SHOALS COMMUNITY SCHOOL CORPORATION  
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 federal award information within the School Corporation's Annual Report on the Indiana Gateway for Government Units, which was used to generate the School Corporation's SEFA, was entered by the Treasurer without a control process in place to ensure its accuracy before submission.

*Context*

The following errors occurred on the SEFA: federal expenditures in the Child Nutrition Cluster and Special Education Cluster (IDEA) were understated by \$66,495 and \$34, respectively, and the Child Nutrition Discretionary Grants Limited Availability federal expenditures, totaling \$20,000, were not reported. Additionally, one grant was reported that was not a federal program, resulting in an overstatement of \$10,000. Combined, these errors resulted in a net understatement of the SEFA, totaling \$76,529. In addition, several grant names were reported incorrectly.

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:

SHOALS COMMUNITY SCHOOL CORPORATION  
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*

The School Corporation's 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, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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

**FINDING 2016-002**

Subject: Financial Transactions and Reporting - Payroll Disbursements  
Audit Finding: Significant Deficiency

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

*Condition*

The School Corporation had implemented an internal control over payroll disbursements that noncertified employees completed time cards each pay period and the time cards were to be signed by the employee's supervisor. However, the control was not operating effectively during the audit period. Additionally, the control was not being monitored properly to ensure it was operating effectively.

During testing of implementation of the control identified above, not all time cards for noncertified employees were signed by the employee's supervisor for three of the five pay periods reviewed, all of which occurred in the 2015-2016 school year.

*Context*

The internal control issues were isolated to school year 2015-2016.

*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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

*Cause*

Management of the School Corporation had not properly implemented and monitored the system of internal controls related to payroll disbursements.

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

*Effect*

The failure to properly implement and monitor controls could have enabled misstatements or irregularities related to payroll disbursements to remain undetected.

*Recommendation*

We recommended that the School Corporation's management monitor the system of internal controls related to payroll disbursements to ensure that internal controls operated effectively.

*Views of Responsible Officials*

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

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

**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): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

*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 Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

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

Adequate internal controls were not in place over the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements to ensure the accuracy of the reports filed. The same employee had sole responsibility for preparing and submitting the monthly Sponsor Claims (claims for reimbursement), the Annual Financial Reports, and the School Food Authority (SFA) Verification Collection Reports. There was no segregation of duties documented, such as an oversight, review or approval process, or other compensating control over the reports that were filed.

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

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

Adequate internal controls were not in place over the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The same employee had sole responsibility for preparation of the paid lunch equity calculation with no evidence of an independent oversight, review, or approval process to ensure the accuracy of the calculation performed.

*Context*

The lack of controls was a systemic problem occurring 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 of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

*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.

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

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2016-004**

Subject: Child Nutrition Cluster - Eligibility  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Findings: Material Weakness, Modified Opinion

*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 Eligibility compliance requirement.

No procedures existed to ensure the accuracy of the eligibility determination calculations performed for free and reduced price applications. The Deputy Treasurer was solely responsible for updating the poverty information each year in the financial software program (program), as well as for inputting applicant information into the program. The program automatically calculated eligibility based upon the data that was entered into the program by the Deputy Treasurer. There was no evidence of an independent review of the poverty information entered into the program or of any of the calculations to ensure that the Deputy Treasurer was correctly entering applicant data into the program.

There was no process in place to ensure that the eligibility determination section of the application was completed to substantiate the eligibility determination made. Eligibility determinations were properly certified through the first week of August 2015. However, after that time the School Corporation changed procedures, and a School Corporation official did not complete the eligibility determination section of the application certifying that the eligibility determination made by the program was accurate. The majority of free and reduced price applications for school year 2015-2016 were submitted after the first week of August and, therefore, were not properly certified by the School Corporation.

Additionally, the School Corporation was required to provide written notice to applicants whose applications for free and reduced price meals were denied. The School Corporation indicated they mailed letters to these applicants during the audit period; however, the School Corporation did not retain copies of those letters or any other documentation indicating to whom letters were sent to as required. Therefore, compliance with this requirement could not be verified.

*Context*

The internal control issues and failure to retain supporting documentation of notifications made to applicants who were denied benefits were systemic problems throughout the audit period. The record-keeping issue that applications were not fully completed was isolated to 2015-2016.

SHOALS COMMUNITY SCHOOL CORPORATION  
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. . . ."

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). . . ."

7 CFR 245.6 states in part:

". . . (c) . . . The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local education agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year. . . ."

*(7) Denied applications and the notice of denial.* When the application furnished by a family is not complete or does not meet the eligibility criteria for free or reduced price benefits, the local educational agency must document and retain the reasons for ineligibility and must retain the denied application. In addition, the local educational agency must promptly provide written notice to each family denied benefits. At a minimum, this notice shall include:

- (i) The reason for the denial of benefits, e.g. income in excess of allowable limits or incomplete application;
- (ii) Notification of the right to appeal;
- (iii) Instructions on how to appeal; and
- (iv) A statement reminding parents that they may reapply for free or reduced benefits at any time during the school year. . . .

*(e) Recordkeeping.* The local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain, except that if audit findings have not been resolved, the documentation must be maintained as long as required for resolution of the issues raised by the audit. . . ."

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

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured proper supporting documentation was maintained and made available for audit relating to the Eligibility compliance requirement.

*Effect*

The failure to ensure proper supporting documentation was maintained and made available for audit prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure supporting documentation will be maintained and made available for audit relating to the Eligibility 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 2016-005**

Subject: Child Nutrition Cluster - Program Income  
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): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
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 Program Income compliance requirement.

The School Corporation had not designed or implemented policies or procedures to ensure that program income was properly recorded in its records. A single fund, the School Lunch fund, was used to account for all activity of the school food service program from July 2014 to December 2015 with no distinction between prepaid amounts and the program income generated from the school food service program.

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

In January 2016, the School Corporation set up Fund 8400 - Cafeteria Prepaid Receipts to account for prepayments as required. However, the School Corporation did not properly utilize this fund for its prepaid transactions. The School Corporation did not record all receipts into the Cafeteria Prepaid Receipts fund and did not make subsequent transfers periodically or at the end of each month to the School Lunch fund as required.

*Context*

The internal control and noncompliance issues were systemic problems that existed 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). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 200.7 states in part:

". . . (e) Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

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

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Administrator and Uniform Compliance Guidelines, Volume 183)

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material 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 that the School Corporation's management develop and implement procedures and establish controls over the recording of program income generated by the School Corporation to ensure compliance with the Program Income compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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

# Shoals Community School Corporation

Dr. Candace Roush  
Superintendent

Lisa C. Elliott  
Corporation Treasurer

Miranda Beaver  
Corporation Secretary  
Deputy Treasurer  
Transportation Secretary  
Payroll

11741 Ironton Road  
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Dianna Ragsdale  
President

Eva George  
Vice President

Jenell Hoffman  
Secretary

Bill Bauer  
Member

Drexel Turpin  
Member

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

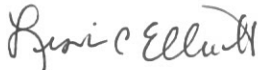
### **FINDING 2014-001**

Fiscal year in which the finding initially occurred: Fiscal Audit 2012-14  
Contact Person Responsible for Corrective Action: Lisa C. Elliott  
Contact Phone Number: 812-247-2060

#### Status of Audit Finding:

The corrective action for Finding 2014-001 or the completion of Schedule of Expenditures of Federal Awards is still in progress. I did add the Grant Money that runs through our Joint Service Agency on our report, but the amount was incorrect. I will try to check this amount with the director of the Joint Service Office before the next report is due. There was also still a problem with the Child and Nutrition grant as the amount on this grant was also reported incorrectly. I will have the Manager of our Nutrition grant check this amount with her director as well.

After I prepare the list of Grant Awards, I will present a copy of the report to Candace Roush, Superintendent, for her to audit. If any corrections are needed, they will be adjusted at that time.



Lisa C. Elliott  
Corporation Treasurer  
6/25/18

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-002**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Candace Roush

Contact Phone Number: 812-247-2060

Status of Audit Finding:

The school has been collecting monthly time and effort logs for the Title 1 Coordinator who is the one Title 1 employee paid out of multiple costs objectives.

Candace Roush  
(Signature)

Superintendent  
(Title)

6-28-18  
(Date)

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Lisa C. Elliott  
Contact Phone Number: 812-247-2060

Views of Responsible Official: We concur with the finding.

#### Description of Corrective Action Plan:

I will check the grants to be included on the Schedule of Expenditures for Federal Awards with the Form 9 that will be completed around the same time as the SEFA. I will check with the Director of Joint Services in Bedford to make sure that I have the correct amounts listed for the Special Education Grants. I will have our Child Nutrition Manager check her grant amount with the director of the Child Nutrition Grant.

The program names will be checked with the list that the current auditor left us after this audit was completed.

After I prepare the list of Grant Awards, I will present a copy of the report to Candace Roush, Superintendent, for her to audit. If any corrections are needed, they will be adjusted at that time.

Anticipated Completion Date: Summer of 2018

(Signature)

Lisa C. Elliott

(Title)

Corp. Treasurer

(Date)

6/25/2018

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-002**

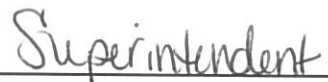
Contact Person Responsible for Corrective Action: Candace Roush  
Contact Phone Number: 812-247-2060


Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Superintendent will create a checklist for all department heads to sign and turn in with their building reports to show that they have signed time cards from all employees directly under their supervision.

Anticipated Completion Date: June 30, 2018

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-003**

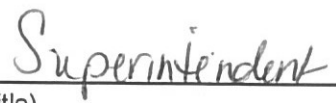
Contact Person Responsible for Corrective Action: Michelle Roush  
Contact Phone Number: 812-247-2060

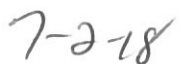
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We will have the cafeteria manager, assistant manager, or deputy treasurer sign the cafeteria annual financial report, verifications, monthly claims, and paid lunch calculations. At least two people will sign these reports.

Anticipated Completion Date: June 30, 2018

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-004**

Contact Person Responsible for Corrective Action: Michelle Roush  
Contact Phone Number: 812-247-2060

Views of Responsible Official: We concur with the finding.

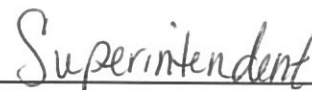
#### Description of Corrective Action Plan:

We have already started keeping duplicate copies of cafeteria free/reduced lunch denial letters and filling out the eligibility determination section in Harmony for the online applications. We will also start signing a yearly document in November to state that we have reviewed the poverty information in harmony and pulled a sample number of applications to review.

Anticipated Completion Date: The duplicate copies are already being kept for the denial letters and eligibility determination section is already being filled out. The yearly document signing will take place by November 30, 2018.



(Signature)



(Title)



(Date)

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## CORRECTIVE ACTION PLAN


### **FINDING 2016-005**

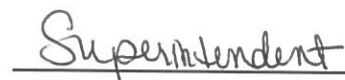
Contact Person Responsible for Corrective Action: Michelle Roush  
Contact Phone Number: 812-247-2060

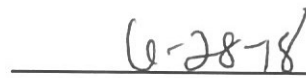
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The pre-paid lunch account balance will be double checked with our student database system on a monthly basis. All cafeteria funds will be deposited into the pre-sales account and then transferred monthly to the cafeteria account based on the monthly sales.

Anticipated Completion Date: September 2, 2018 after the first month of student collections.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

#### 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/>.