

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SHENANDOAH SCHOOL CORPORATION  
HENRY COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**

01/03/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julia D. Miller	07-01-15 to 06-30-19
Superintendent of Schools	Ronald L. Green	07-01-15 to 06-30-19
President of the School Board	Scott Trennepohl	01-01-15 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Shenandoah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, 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, 2015 to June 30, 2017.

***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, 2015 to June 30, 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 13, 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

November 13, 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 SHENANDOAH SCHOOL CORPORATION, HENRY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Shenandoah School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated November 13, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

**Shenandoah School Corporation's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

November 13, 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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SHENANDOAH SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 350,048	\$ 9,003,824	\$ 8,582,496	\$ (58,449)	\$ 712,927	\$ 9,100,140	\$ 9,364,328	\$ 40	\$ 448,779
Debt Service	250,786	1,251,679	990,049	-	512,416	1,224,281	1,084,209	-	652,488
Retirement/Severance Bond Debt Service	41,288	434,234	338,723	-	136,799	406,323	326,932	-	216,190
Capital Projects	185,166	781,482	878,737	-	87,911	765,584	821,635	-	31,860
School Transportation	276,633	692,022	745,789	(150,000)	72,866	783,079	703,654	-	152,291
School Bus Replacement	39,973	94,172	85,574	-	48,571	29,848	-	-	78,419
Rainy Day	75,000	-	-	208,813	283,813	-	-	100,000	383,813
Retirement/Severance Bond	1,129,228	-	-	-	1,129,228	-	-	-	1,129,228
Construction	-	-	-	-	-	12,651	27,651	-	(15,000)
School Lunch	172,940	592,588	609,655	-	155,873	481,775	592,463	-	45,185
Textbook Rental	203,079	164,733	253,334	-	114,478	192,230	145,554	-	161,154
Self-Insurance	605,740	1,329,024	1,720,643	-	214,121	1,619,104	1,659,019	-	174,206
Levy Excess	2,102	-	-	-	2,102	-	-	-	2,102
Educational License Plates	1,202	131	-	-	1,333	113	-	-	1,446
Early Intervention Grant	-	13,911	13,911	-	-	1,300	1,300	-	-
School Intervention/Career	-	-	-	-	-	30,000	8,072	-	21,928
Formative Assessment	-	17,578	17,578	-	-	18,117	14,316	-	3,801
Computer Consortium/Ed Tech Advance	(5,963)	133,420	127,457	-	-	139,900	139,900	-	-
Secured Schools Safety Grant	-	-	119,422	-	(119,422)	50,000	29,921	-	(99,343)
Non-English Speaking Programs	-	-	-	-	-	2,136	2,141	-	(5)
School Technology	5,565	21,850	28,431	-	(1,016)	18,443	80,583	-	(63,156)
Career and Technical Performance Grant	-	-	-	-	-	11,052	8,507	-	2,545
Performance Based Awards	1,684	-	-	-	1,684	-	-	-	1,684
Miscellaneous Programs	3,099	30,850	30,509	-	3,440	29,944	31,686	-	1,698
Title I	(8,845)	133,798	159,789	-	(34,836)	174,761	146,766	-	(6,841)
Other Federal Programs	2,880	-	-	-	2,880	-	2,917	-	(37)
Improving Teacher Quality, No Child Left, Title II, Part A	(5,630)	17,380	17,326	-	(5,576)	15,926	17,437	-	(7,087)
Prepaid School Lunch	-	-	-	-	-	218,980	202,722	-	16,258
Payroll Withholdings	172	1,743,287	1,740,500	-	2,959	1,986,099	1,835,388	-	153,670
Totals	\$ 3,326,147	\$ 16,455,963	\$ 16,459,923	\$ 364	\$ 3,322,551	\$ 17,311,786	\$ 17,247,101	\$ 100,040	\$ 3,487,276

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

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

**A. Reporting Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Receipts**

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

*Local sources.* 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.

SHENANDOAH 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.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

**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.

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains funds with deficits in cash. This is a result of disbursements exceeding receipts due to the underestimation of current requirements or funds awaiting reimbursement for grant or construction expenditures.

**Note 8. Holding Corporation**

The School Corporation has entered into capital leases with the Shenandoah 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 ended June 30, 2016 and 2017, totaled \$807,000 and \$883,500, respectively.

#### 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.

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SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH 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	Retirement/ Severance Bond
Cash and investments - beginning	\$ 350,048	\$ 250,786	\$ 41,288	\$ 185,166	\$ 276,633	\$ 39,973	\$ 75,000	\$ 1,129,228
Receipts:								
Local sources	47,295	1,251,679	434,234	781,482	691,419	94,172	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	8,892,288	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	64,241	-	-	-	603	-	-	-
Total receipts	9,003,824	1,251,679	434,234	781,482	692,022	94,172	-	-
Disbursements:								
Instruction	5,659,602	-	-	15,773	-	-	-	-
Support services	2,741,632	-	-	18,372	745,789	85,574	-	-
Noninstructional services	162,570	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	789,082	-	-	-	-
Debt service	18,692	990,049	338,723	55,510	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	8,582,496	990,049	338,723	878,737	745,789	85,574	-	-
Excess (deficiency) of receipts over disbursements	421,328	261,630	95,511	(97,255)	(53,767)	8,598	-	-
Other financing sources (uses):								
Sale of capital assets	364	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	208,813	-
Transfers out	(58,813)	-	-	-	(150,000)	-	-	-
Total other financing sources (uses)	(58,449)	-	-	-	(150,000)	-	208,813	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	362,879	261,630	95,511	(97,255)	(203,767)	8,598	208,813	-
Cash and investments - ending	\$ 712,927	\$ 512,416	\$ 136,799	\$ 87,911	\$ 72,866	\$ 48,571	\$ 283,813	\$ 1,129,228

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

	Construction	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	School Intervention/Career
Cash and investments - beginning	\$ -	\$ 172,940	\$ 203,079	\$ 605,740	\$ 2,102	\$ 1,202	\$ -	\$ -
Receipts:								
Local sources	-	280,767	123,755	-	-	-	-	-
Intermediate sources	-	-	-	-	-	131	-	-
State sources	-	8,291	40,978	-	-	-	13,911	-
Federal sources	-	303,385	-	-	-	-	-	-
Other receipts	-	145	-	1,329,024	-	-	-	-
Total receipts	-	592,588	164,733	1,329,024	-	131	13,911	-
Disbursements:								
Instruction	-	-	-	-	-	-	13,911	-
Support services	-	12,437	253,334	-	-	-	-	-
Noninstructional services	-	597,218	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,720,643	-	-	-	-
Total disbursements	-	609,655	253,334	1,720,643	-	-	13,911	-
Excess (deficiency) of receipts over disbursements	-	(17,067)	(88,601)	(391,619)	-	131	-	-
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	-	(17,067)	(88,601)	(391,619)	-	131	-	-
Cash and investments - ending	\$ -	\$ 155,873	\$ 114,478	\$ 214,121	\$ 2,102	\$ 1,333	\$ -	\$ -

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

	Formative Assessment	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Performance Based Awards
Cash and investments - beginning	\$ -	\$ (5,963)	\$ -	\$ -	\$ 5,565	\$ -	\$ 1,684
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	17,578	133,420	-	-	21,850	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	17,578	133,420	-	-	21,850	-	-
Disbursements:							
Instruction	-	7,277	-	-	-	-	-
Support services	17,578	120,180	119,422	-	28,431	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	17,578	127,457	119,422	-	28,431	-	-
Excess (deficiency) of receipts over disbursements	-	5,963	(119,422)	-	(6,581)	-	-
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	-	5,963	(119,422)	-	(6,581)	-	-
Cash and investments - ending	\$ -	\$ -	\$ (119,422)	\$ -	\$ (1,016)	\$ -	\$ 1,684

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

	Miscellaneous Programs	Title I	Other Federal Programs	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid School Lunch	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 3,099	\$ (8,845)	\$ 2,880	\$ (5,630)	\$ -	\$ 172	\$ 3,326,147
Receipts:							
Local sources	-	-	-	-	-	-	3,704,803
Intermediate sources	-	-	-	-	-	-	131
State sources	30,850	-	-	-	-	-	9,159,166
Federal sources	-	133,798	-	17,380	-	-	454,563
Other receipts	-	-	-	-	-	1,743,287	3,137,300
Total receipts	30,850	133,798	-	17,380	-	1,743,287	16,455,963
Disbursements:							
Instruction	30,509	138,350	-	-	-	-	5,865,422
Support services	-	21,205	-	17,326	-	-	4,181,280
Noninstructional services	-	234	-	-	-	-	760,022
Facilities acquisition and construction	-	-	-	-	-	-	789,082
Debt service	-	-	-	-	-	-	1,402,974
Nonprogrammed charges	-	-	-	-	-	1,740,500	3,461,143
Total disbursements	30,509	159,789	-	17,326	-	1,740,500	16,459,923
Excess (deficiency) of receipts over disbursements	341	(25,991)	-	54	-	2,787	(3,960)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	364
Transfers in	-	-	-	-	-	-	208,813
Transfers out	-	-	-	-	-	-	(208,813)
Total other financing sources (uses)	-	-	-	-	-	-	364
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	341	(25,991)	-	54	-	2,787	(3,596)
Cash and investments - ending	\$ 3,440	\$ (34,836)	\$ 2,880	\$ (5,576)	\$ -	\$ 2,959	\$ 3,322,551

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 712,927	\$ 512,416	\$ 136,799	\$ 87,911	\$ 72,866	\$ 48,571	\$ 283,813	\$ 1,129,228
Receipts:								
Local sources	51,241	1,224,281	406,323	765,310	777,539	29,848	-	-
Intermediate sources	384	-	-	-	-	-	-	-
State sources	9,019,249	-	-	-	-	-	-	-
Federal sources	89	-	-	-	-	-	-	-
Other receipts	29,177	-	-	274	5,540	-	-	-
Total receipts	9,100,140	1,224,281	406,323	765,584	783,079	29,848	-	-
Disbursements:								
Instruction	5,999,631	-	-	-	-	-	-	-
Support services	3,180,213	19,521	-	44,929	703,654	-	-	-
Noninstructional services	164,764	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	693,005	-	-	-	-
Debt service	19,720	1,064,688	326,932	83,701	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	9,364,328	1,084,209	326,932	821,635	703,654	-	-	-
Excess (deficiency) of receipts over disbursements	(264,188)	140,072	79,391	(56,051)	79,425	29,848	-	-
Other financing sources (uses):								
Sale of capital assets	40	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	100,000	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	40	-	-	-	-	-	100,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(264,148)	140,072	79,391	(56,051)	79,425	29,848	100,000	-
Cash and investments - ending	\$ 448,779	\$ 652,488	\$ 216,190	\$ 31,860	\$ 152,291	\$ 78,419	\$ 383,813	\$ 1,129,228

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Construction	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	School Intervention/Career
Cash and investments - beginning	\$ -	\$ 155,873	\$ 114,478	\$ 214,121	\$ 2,102	\$ 1,333	\$ -	\$ -
Receipts:								
Local sources	12,651	212,658	152,018	125,601	-	-	-	30,000
Intermediate sources	-	-	-	-	-	113	-	-
State sources	-	8,259	39,912	-	-	-	1,300	-
Federal sources	-	260,558	-	-	-	-	-	-
Other receipts	-	300	300	1,493,503	-	-	-	-
Total receipts	12,651	481,775	192,230	1,619,104	-	113	1,300	30,000
Disbursements:								
Instruction	-	-	-	-	-	-	1,300	-
Support services	-	8,214	145,554	-	-	-	-	8,072
Noninstructional services	-	584,249	-	-	-	-	-	-
Facilities acquisition and construction	15,000	-	-	-	-	-	-	-
Debt service	12,651	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,659,019	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	27,651	592,463	145,554	1,659,019	-	-	1,300	8,072
Excess (deficiency) of receipts over disbursements	(15,000)	(110,688)	46,676	(39,915)	-	113	-	21,928
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	(15,000)	(110,688)	46,676	(39,915)	-	113	-	21,928
Cash and investments - ending	\$ (15,000)	\$ 45,185	\$ 161,154	\$ 174,206	\$ 2,102	\$ 1,446	\$ -	\$ 21,928

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Formative Assessment	Computer Consortium/ Ed Tech Advance	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology	Career and Technical Performance Grant	Performance Based Awards
Cash and investments - beginning	\$ -	\$ -	\$ (119,422)	\$ -	\$ (1,016)	\$ -	\$ 1,684
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	18,117	139,900	50,000	2,136	18,443	11,052	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>18,117</u>	<u>139,900</u>	<u>50,000</u>	<u>2,136</u>	<u>18,443</u>	<u>11,052</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	1,340	-	8,507	-
Support services	14,316	139,900	29,921	635	80,583	-	-
Noninstructional services	-	-	-	166	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>14,316</u>	<u>139,900</u>	<u>29,921</u>	<u>2,141</u>	<u>80,583</u>	<u>8,507</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>3,801</u>	<u>-</u>	<u>20,079</u>	<u>(5)</u>	<u>(62,140)</u>	<u>2,545</u>	<u>-</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,801</u>	<u>-</u>	<u>20,079</u>	<u>(5)</u>	<u>(62,140)</u>	<u>2,545</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,801</u>	<u>\$ -</u>	<u>\$ (99,343)</u>	<u>\$ (5)</u>	<u>\$ (63,156)</u>	<u>\$ 2,545</u>	<u>\$ 1,684</u>

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Miscellaneous Programs	Title I	Other Federal Programs	Improving Teacher Quality, No Child Left, Title II, Part A	Prepaid School Lunch	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 3,440	\$ (34,836)	\$ 2,880	\$ (5,576)	\$ -	\$ 2,959	\$ 3,322,551
Receipts:							
Local sources	-	-	-	-	-	-	3,787,470
Intermediate sources	-	-	-	-	-	-	497
State sources	29,944	-	-	-	-	-	9,338,312
Federal sources	-	174,761	-	15,926	-	-	451,334
Other receipts	-	-	-	-	218,980	1,986,099	3,734,173
Total receipts	29,944	174,761	-	15,926	218,980	1,986,099	17,311,786
Disbursements:							
Instruction	31,686	115,265	-	-	-	-	6,157,729
Support services	-	31,501	-	17,437	-	-	4,424,450
Noninstructional services	-	-	-	-	-	-	749,179
Facilities acquisition and construction	-	-	2,917	-	-	-	710,922
Debt service	-	-	-	-	-	-	1,507,692
Nonprogrammed charges	-	-	-	-	-	-	1,659,019
Interfund loans	-	-	-	-	202,722	1,835,388	2,038,110
Total disbursements	31,686	146,766	2,917	17,437	202,722	1,835,388	17,247,101
Excess (deficiency) of receipts over disbursements	(1,742)	27,995	(2,917)	(1,511)	16,258	150,711	64,685
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	40
Transfers in	-	-	-	-	-	-	100,000
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	100,040
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,742)	27,995	(2,917)	(1,511)	16,258	150,711	164,725
Cash and investments - ending	\$ 1,698	\$ (6,841)	\$ (37)	\$ (7,087)	\$ 16,258	\$ 153,670	\$ 3,487,276

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 87,578</u>	<u>\$ 5,494,212</u>

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
5/3 Bank	Guaranteed Energy Savings	\$ 502,698	01/01/08	01/15/18
Toshiba Business Solutions	Copier Lease	15,672	07/01/16	07/01/21
Shenandoah School Building Corporation	2012 A	29,500	01/01/12	07/01/29
Shenandoah School Building Corporation	2012 B	91,500	01/01/12	01/01/27
Shenandoah School Building Corporation	2012 C	202,500	01/01/12	01/01/27
Shenandoah School Building Corporation	2012 D	179,500	01/01/12	07/01/29
Shenandoah School Building Corporation	2012 E	112,500	01/01/12	01/01/33
Shenandoah School Building Corporation	2012 F	87,500	01/01/12	07/01/23
Shenandoah School Building Corporation	1st Mortgage 2013	182,500	01/01/13	07/01/29
Shenandoah School Building Corporation	1st Mortgage 2017	<u>55,000</u>	01/01/17	07/01/33
Total of annual lease payments		<u>\$ 1,458,870</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General Obligation Bonds	Pension Bond 2004	\$ 1,372,629	\$ 327,336
General Obligation Bonds	1st Mortgage 2009	1,132,000	173,000
Notes and Loans Payable	Common School Loan A1717	26,360	26,558
Notes and Loans Payable	Common School Loan A1849	54,280	27,615
Notes and Loans Payable	Common School Loan A1952	106,736	27,685
Notes and Loans Payable	Common School Loan A2872	<u>111,920</u>	<u>29,030</u>
Totals		<u>\$ 2,803,925</u>	<u>\$ 611,224</u>

SHENANDOAH SCHOOL CORPORATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2017

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	\$ 59,599
Infrastructure	250,000
Buildings	12,258,173
Improvements other than buildings	2,788,582
Machinery, equipment, and vehicles	1,054,838
Construction in progress	1,810,000
Books and other	<u>150,000</u>
Total capital assets	<u>\$ 18,371,192</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the Shenandoah School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-005, 2017-007, and 2017-008. 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 the Uniform Guidance, 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 and significant deficiencies.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-005, 2017-007, and 2017-008 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-003, and 2017-006 to be significant deficiencies.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

November 13, 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.

SHENANDOAH SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2016 and 2017

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 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY15	\$ -	\$ 43,351	\$ -	\$ -
School Breakfast Program			FY16	-	-	-	40,364
Total - School Breakfast Program				-	43,351	-	40,364
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555	FY15	-	260,034	-	-
National School Lunch Program			FY16	-	-	-	220,194
Commodities			FY15	-	48,437	-	-
			FY16	-	-	-	96,008
Total - National School Lunch Program				-	308,471	-	316,202
Total - Child Nutrition Cluster				-	351,822	-	356,566
Total - Department of Agriculture				-	351,822	-	356,566
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Special Education FY15			14215-044-PN01	-	106,117	-	-
Special Education FY16			14216-044-PN01	-	191,236	-	99,549
Special Education FY17			14217-044-PN01	-	-	-	201,521
Total - Special Education_Grants to States				-	297,353	-	301,070

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2016 and 2017

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 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool FY15			45715-044-PN01	-	4,744	-	-
Special Education Preschool FY16			45716-044-PN01	-	8,416	-	5,243
Special Education Preschool FY17			45717-044-PN01	-	-	-	8,637
Total - Special Education_Preschool Grants				-	13,160	-	13,880
Total - Special Education Cluster (IDEA)				-	310,513	-	314,950
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant FY14-15			15-3435	-	8,845	-	-
Title I Basic Grant FY15-16			16-3435	-	124,953	-	43,854
Title I Basic Grant FY16-17			17-3435	-	-	-	130,907
Total - Title I Grants to Local Educational Agencies				-	133,798	-	174,761
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II FY2015			14-3435	-	2,946	-	-
Title II FY2016			15-3435	-	14,435	-	13,394
Title II FY2017			16-3435	-	-	-	2,532
Total - Supporting Effective Instruction State Grants				-	17,381	-	15,926
Total - Department of Education				-	461,692	-	505,637
Total federal awards expended				\$ -	\$ 813,514	\$ -	\$ 862,203

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. *Special Education Cooperative***

The School Corporation is a member of the Newcastle Area Special Services Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some 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.

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2017-001**

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 2015-002.

*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).

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

Due to the lack of controls, the following errors occurred on the SEFA:

1. The National School Lunch Program expenditures were understated by \$48,437 and \$87,749 for the years ended June 30, 2016 and 2017, respectively.
2. The Special Education\_Grants to States expenditures were understated by \$297,353 and \$301,071 for the years ended June 30, 2016 and 2017, respectively.
3. The Special Education\_Preschool Grants expenditures were understated by \$13,159 and \$13,880 for the years ended June 30, 2016 and 2017, respectively.
4. The Title I Grants to Local Educational Agencies expenditures were overstated by \$647,269 for the year ended June 30, 2016, and understated by \$11,724 for the year ended June 30, 2017.
5. The Supporting Effective Instruction State Grants expenditures were overstated by \$2,938 and \$14,826 for the years ended June 30, 2016 and 2017, respectively.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*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, 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.

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

*Views of Responsible Officials*

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

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

**FINDING 2017-002**

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-044-PN01, 14216-044-PN01,  
14217-044-PN01, 45715-044-PN01,  
45716-044-PN01, 45717-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Audit Finding: Significant Deficiency

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

*Condition*

The School Corporation was a member school corporation of the New Castle Area Special Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. Since the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, the School Corporation was ultimately responsible for following the compliance requirements.

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 Activities Allowed or Unallowed compliance requirement. There was no control procedure in place to ensure payroll expenditures from the special education programs were for allowable activities.

*Context*

The lack of controls was isolated to the first year of the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

*Cause*

The School Corporation's management had not developed a system of internal controls to ensure compliance with the allowable activities requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed 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 2017-003**

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-044-PN01, 14216-044-PN01,  
14217-044-PN01, 45715-044-PN01,  
45716-044-PN01, 45717-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Significant Deficiency

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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

*Condition*

The School Corporation was a member of the New Castle Area Special Services Cooperative (Cooperative). The School Corporation provided oversight of the Cooperative through the Superintendent of Schools, who served as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to the Allowable Costs/Cost Principles compliance requirement.

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. There was no control procedure in place to ensure that all employees paid from the special education programs were allowed.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation's management had not developed a system of internal controls to ensure compliance with the allowable costs requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

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

*Views of Responsible Officials*

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

**FINDING 2017-004**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-044-PN01, 14216-044-PN01,  
14217-044-PN01, 45715-044-PN01,  
45716-044-PN01. 45715-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 level of effort - maintenance of effort (MOE) requirements.

The School Corporation did not provide adequate supporting documentation to support compliance with the MOE requirements. Some of the amounts used in the MOE calculation for the fiscal year 2017 application were estimated amounts. When compared to actual amounts expended for fiscal year 2017, the MOE calculation was understated by \$43,314.

*Context*

The lack of internal controls and noncompliance pertained only to the fiscal year 2017 MOE calculation.

*Criteria*

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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

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

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
  - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

*Cause*

The School Corporation's Management had not developed a system of internal controls that would have ensured compliance with the MOE requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the MOE requirements could have resulted in the loss of funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Matching, Level of Effort, Earmarking 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 2017-005**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
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): FY15, FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

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

*Condition*

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

The School Corporation did not keep the proper time and effort documentation for the employees paid from the School Lunch fund. One employee worked as an ECA Treasurer and worked for the food service program. There were no time and effort logs, which indicated the allocation of the time worked on the food service program compared to the time being worked as the ECA Treasurer for this employee. Another employee who worked exclusively for the food service program did not have Semi-Annual Certifications, which indicated the time worked on the food service program.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period.

*Criteria*

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). . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(iv) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

SHENANDOAH 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 compliance with the allowable costs requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the allowable costs requirements could have resulted in the loss of funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-006**

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): FY15, FY16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Significant Deficiency

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding eligibility, reporting, and verification of free and reduced price applications. The prior audit finding numbers were 2015-005 and 2015-006.

*Condition*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

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

*Cash Management*

The School Corporation had not developed procedures whereby the cash balances (net cash resources) in its School Lunch fund were monitored to ensure that they did not exceed three months average expenditures of the program.

*Eligibility*

One individual was responsible for determining students' eligibility for free and reduced price meals. There were no controls in place, such as an oversight, review, or approval process over the applications, to ensure that the eligibility determinations were correct.

*Reporting*

The School Corporation had not developed procedures to ensure the accuracy of required reports. There was no review or approval of the Monthly Sponsor Claims for Reimbursement, Annual Financial Reports, or the School Food Authority (SFA) Verification Collection Reports to ensure their accuracy before submission.

*Verification of Free and Reduced Price Applications (NSLP)*

One employee was primarily responsible for verifying eligibility determinations based on the free and reduced price applications. An oversight or review process, or other compensating control, had not been established to ensure that the proper number of applications were verified.

*School Food Accounts*

The School Corporation was required to account for revenues and expenditures for food service in accordance with state requirements; however, there was no documented oversight or review to verify these funds were accounted for properly.

*Paid Lunch Equity (National School Lunch Program only)*

One employee was primarily responsible for performing the paid lunch equity calculations. An oversight or review process, or other compensating control, had not been established to ensure that the paid lunch equity calculations were correct.

*Context*

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

*Criteria*

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

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

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls to ensure compliance 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 listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls 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 2017-007**

Subject: Child Nutrition Cluster - Suspension and Debarment  
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): FY15, FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
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 Procurement and Suspension and Debarment compliance requirement.

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

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the suspension and debarment requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment 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 2017-008**

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 15-16, FY 16-17  
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 properly designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records.

The School Corporation recorded all receipts, including prepaid amounts, directly in the School Lunch fund (800) during the 2015-2016 school year. They had not established a School Lunch Clearing Fund (8400) to account for the prepaid school lunch accounts until July 2016. Therefore, prepaid amounts were reported as program income before meals were charged to the accounts.

*Context*

The lack of controls and noncompliance were isolated to the 2015-2016 school year.

*Criteria*

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). . . ."

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

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 220.7(e) states in part:

"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; . . ."

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, September 2015)

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the program income requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to remain undetected. Noncompliance with the grant agreement and the program income requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply 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.



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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2015-001***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number: (765) 354-2266 Ext 502

Status of Audit Finding: Completed, July, 2016

### ***FINDING 2015-002***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number: (765)354-2266 Ext 502

Status of Audit Finding: We have not currently implemented internal controls related to the preparation of the SEFA, but are still working on it.

### ***FINDING 2015-003***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: New Castle Special Education Co-op  
Contact Phone Number: (765) 354-2266

Status of Audit Finding: We have not currently implemented internal controls related to Activities Allowed and Allowable Costs, but are still working on it

### ***FINDING 2015-004***

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number:

Status of Audit Finding: Completed.

**FINDING 2015-005**


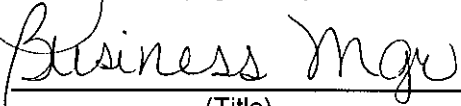
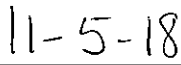
Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Wendy Riggs  
Contact Phone Number: (765) 354-6636

Status of Audit Finding: We have not currently implemented internal controls related to Reporting and Verifications, but are still working on it.

**FINDING 2015-006**

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Wendy Riggs  
Contact Phone Number: (765) 354-6636

Status of Audit Finding: We have not currently implemented internal controls related to Eligibility, but are still working on it.

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

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



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SHENANDOAH SCHOOL CORPORATION  
CORRECTIVE ACTION PLAN  
Audit Period 7/1/15 to 6/30/17  
November 13, 2018

**FINDING 2017-001** PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding.

Description of Corrective Action Plan:

We have not currently implemented internal controls related to the preparation of SEFA but are still working on the changes. The Shenandoah School Corporation will add controls over review of financial activities, including but not limited to bank reconciliations, receipting, disbursing, recording and general accounting procedures.

Anticipated Completion Date:

January 1, 2019

**FINDING 2017-002** ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

This is a repeat finding from the immediate prior audit report. The prior audit finding number was 2015-003.

Description of Corrective Action Plan:

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

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

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-003 ALLOWABLE COSTS/COST PRINCIPLES***

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

This is a repeat finding from the immediate prior audit report. The prior audit finding number was 2015-003.

Description of Corrective Action Plan:

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

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

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-004 LEVEL OF EFFORT-MAINTENANCE OF EFFORT***

Contact Person Responsible for Corrective Action: Julia Miller

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

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

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

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-005 CHILD NUTRITION CLUSTER-ALLOWABLE COSTS/COST PRINCIPLES***

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to include Time and Effort documentation for all employees paid from the School Lunch Fund as related to the compliance requirements.

Anticipated Completion Date:

November 18, 2018

**FINDING 2017-006 CHILD NUTRITION CLUSTER-INTERNAL CONTROLS**

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

This is a repeat finding from the immediately prior audit regarding eligibility, reporting, and verification of free and reduced price applications. The prior audit finding numbers were 2015-005 and 2015-006.

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to include Cash Management to ensure that the net cash resources in the fund did not exceed the three months average expenditures.

Also, The Shenandoah School Corporation will add controls to include Segregation of Duties to ensure that the eligibility for the applications of the School Lunch program and that all eligibility determinations were correct.

Also, The Shenandoah School Corporation will add controls to include provide proper oversight and monitoring of preparation and reporting of the Monthly Sponsor Claim for Reimbursement, Annual Financial Report (AFR) and Verifications Summary Report related to the compliance requirements.

Also, The Shenandoah School Corporation will add controls to include provide proper oversight and monitoring of preparation and reporting of the NSLP Verification of Free and Reduced Price Applications, School Food Accounts and Paid Lunch Equity as related to the compliance requirements.

Anticipated Completion Date:

January 1, 2019

**FINDING 2017-007 CHILD NUTRITION CLUSTER-SUSPENSION AND DEBARMENT**

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to ensure compliance with requirement related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. .

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-008*** CHILD NUTRITION CLUSTER-PROGRAM INCOME

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

This has been corrected and the finding was limited to the 2016 program year.

Anticipated Completion Date:

Completed.

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

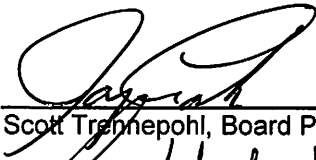
This is a repeat finding from the immediate prior audit report. The prior audit finding number was 2015-005

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to include provide proper oversight and monitoring of preparation and reporting of the NSLP Verification of Free and Reduced Price Applications, School Food Accounts and Paid Lunch Equity as related to the compliance requirements.

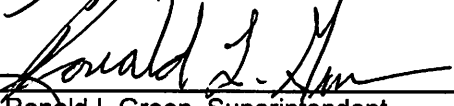
Anticipated Completion Date:

January 1, 2019



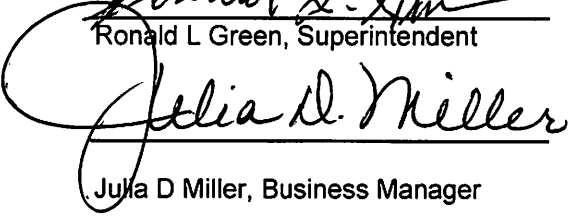
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Scott Trennepohl, Board President



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Ronald L Green, Superintendent



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Julia D Miller, Business Manager

## OTHER REPORTS

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