

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

SHENANDOAH SCHOOL CORPORATION

HENRY COUNTY, INDIANA

July 1, 2003 to June 30, 2005



FILED
7/11/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jo Ann Penn Julia D. Miller	07-01-03 to 06-30-04 07-01-04 to 06-30-06
Superintendent of Schools	Ronald L. Green	07-01-03 to 06-30-08
President of the School Board	Marjorie Becker	07-01-03 to 06-30-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shenandoah School Corporation (School Corporation), as of and for the years ended June 30, 2004 and 2005, which collectively comprise the Shenandoah School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not disclose the beginning balances of capital assets at July 1, 2003, capital asset acquisitions, and sales or disposals of capital assets for fiscal years ending June 30, 2004 and 2005, which would be required to fairly present the financial position of the School Corporation according to the basis of accounting discussed in note I. It was not practicable to compile the information from the School Corporation's records. We were unable to satisfy ourselves by alternative auditing procedures.

In our opinion, except for the omission of the capital asset detailed activity which results in incomplete presentation as more fully described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

June 21, 2006

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>1,447,087</u>
 <u>Net Assets</u>	
Unrestricted	\$ <u>1,447,087</u>

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,904,391
Restricted assets:	
Cash and investments	<u>503,198</u>
Total assets	<u>\$ 3,407,589</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 503,198
Unrestricted	<u>2,904,391</u>
Total net assets	<u>\$ 3,407,589</u>

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 3,171,601	\$ -	\$ 61,603	\$ (3,109,998)
Support services	5,732,627	351,645	134,697	(5,246,285)
Community services	138,532	-	-	(138,532)
Nonprogrammed charges	867,498	-	-	(867,498)
Debt service	<u>2,503,400</u>	<u>-</u>	<u>-</u>	<u>(2,503,400)</u>
Total governmental activities	<u>\$ 12,413,658</u>	<u>\$ 351,645</u>	<u>\$ 196,300</u>	<u>(11,865,713)</u>
General receipts:				
Property taxes				4,019,658
Other local sources				1,494,652
State aid				5,577,521
Grants and contributions not restricted				181,560
Bonds and loans				1,578,622
Sale of property, adjustments, and refunds				160,398
Investment earnings				2,837
Intergovernmental transfers				<u>12,753</u>
Total general receipts and intergovernmental transfers				<u>13,028,001</u>
Change in cash and investments				1,162,288
Net assets - beginning				<u>284,799</u>
Net assets - ending				<u>\$ 1,447,087</u>

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 3,290,677	\$ -	\$ 64,028	\$ (3,226,649)
Support services	6,014,154	372,728	115,937	(5,525,489)
Community services	138,387	-	-	(138,387)
Nonprogrammed charges	1,267,211	-	-	(1,267,211)
Debt service	<u>2,183,755</u>	<u>-</u>	<u>-</u>	<u>(2,183,755)</u>
Total governmental activities	<u>\$ 12,894,184</u>	<u>\$ 372,728</u>	<u>\$ 179,965</u>	<u>(12,341,491)</u>
General receipts:				
Property taxes				5,880,562
Other local sources				1,716,008
State aid				5,451,979
Grants and contributions not restricted				279,216
Bonds and loans				506,480
Sale of property, adjustments, and refunds				71,628
Investment earnings				24,334
Intergovernmental transfers				<u>371,786</u>
				<u>14,301,993</u>
				1,960,502
				<u>1,447,087</u>
				<u>\$ 3,407,589</u>

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	General	Transportation Operating	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,977,671	\$ 519,977	\$ 87,695	\$ 1,438,292	\$ 756,451	\$ 35,241	\$ 277,905	\$ 5,093,232
Intermediate sources	207	-	-	-	-	-	731	938
State sources	5,532,659	67,898	15,683	25,326	-	-	60,632	5,702,198
Federal sources	-	-	-	-	-	-	253,183	253,183
Bonds and loans	1,371,424	207,198	-	-	-	-	-	1,578,622
Sale of property, adjustments and refunds	716	823	1,121	-	-	-	1,510	4,170
Intergovernmental transfers	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,748</u>	<u>12,753</u>
Total receipts	<u>8,882,682</u>	<u>795,896</u>	<u>104,499</u>	<u>1,463,618</u>	<u>756,451</u>	<u>35,241</u>	<u>606,709</u>	<u>12,645,096</u>
Disbursements:								
Current:								
Instruction	3,069,512	-	-	-	-	-	102,089	3,171,601
Support services	3,085,127	741,339	96,163	2,202	562,922	58,653	415,016	4,961,422
Community services	137,892	-	-	-	-	-	640	138,532
Nonprogrammed charges	698,301	15,000	-	85,000	35,000	-	34,197	867,498
Debt services	<u>1,100,360</u>	<u>27,585</u>	<u>-</u>	<u>1,375,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,503,400</u>
Total disbursements	<u>8,091,192</u>	<u>783,924</u>	<u>96,163</u>	<u>1,462,657</u>	<u>597,922</u>	<u>58,653</u>	<u>551,942</u>	<u>11,642,453</u>
Excess (deficiency) of total receipts over (under) total disbursements	791,490	11,972	8,336	961	158,529	(23,412)	54,767	1,002,643
Cash and investments - beginning	<u>(376,762)</u>	<u>(96,969)</u>	<u>123,917</u>	<u>(162,499)</u>	<u>480,102</u>	<u>27,533</u>	<u>91,814</u>	<u>87,136</u>
Cash and investments - ending	<u>\$ 414,728</u>	<u>\$ (84,997)</u>	<u>\$ 132,253</u>	<u>\$ (161,538)</u>	<u>\$ 638,631</u>	<u>\$ 4,121</u>	<u>\$ 146,581</u>	<u>\$ 1,089,779</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 1,002,643
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>159,645</u>
Change in cash and investments of governmental activities	<u>\$ 1,162,288</u>

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,950,764	\$ 829,990	\$ 89,301	\$ 1,791,468	\$ 991,463	\$ 94,232	\$ 459,838	\$ 7,207,056
Intermediate sources	207	-	-	-	-	-	638	845
State sources	5,499,062	-	14,358	-	-	-	155,590	5,669,010
Federal sources	-	-	-	-	-	-	242,150	242,150
Bonds and loans	149,207	227,273	-	85,000	35,000	-	10,000	506,480
Sale of property, adjustments and refunds	28,293	3,608	2,685	-	130	-	1,023	35,739
Intergovernmental transfers	71,997	186,448	-	-	-	-	113,341	371,786
Total receipts	8,699,530	1,247,319	106,344	1,876,468	1,026,593	94,232	982,580	14,033,066
Disbursements:								
Current:								
Instruction	3,181,104	-	-	-	-	-	109,573	3,290,677
Support services	3,362,451	748,796	105,353	-	504,655	35,880	484,001	5,241,136
Community services	138,190	-	-	-	-	-	197	138,387
Nonprogrammed charges	1,060,026	7,405	-	20,224	10,569	498	168,489	1,267,211
Debt services	636,424	179,703	-	1,191,508	-	-	176,120	2,183,755
Total disbursements	8,378,195	935,904	105,353	1,211,732	515,224	36,378	938,380	12,121,166
Excess of total receipts over total disbursements	321,335	311,415	991	664,736	511,369	57,854	44,200	1,911,900
Cash and investments - beginning	414,728	(84,997)	132,253	(161,538)	638,631	4,121	146,581	1,089,779
Cash and investments - ending	<u>\$ 736,063</u>	<u>\$ 226,418</u>	<u>\$ 133,244</u>	<u>\$ 503,198</u>	<u>\$ 1,150,000</u>	<u>\$ 61,975</u>	<u>\$ 190,781</u>	<u>\$ 3,001,679</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 1,911,900
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>48,602</u>
Change in cash and investments of governmental activities	<u>\$ 1,960,502</u>

SHENANDOAH SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 PROPRIETARY FUND
 For The Year Ended June 30, 2004

	Internal Service Fund
Receipts:	
Local sources	\$ 774,622
Sale of property, adjustments and refunds	156,228
Total receipts	930,850
Disbursements:	
Support services	771,205
Changes in cash and investments	159,645
Cash and investments - beginning	197,663
Cash and investments - ending	\$ 357,308

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 785,731
Sale of property, adjustments and refunds	35,889
Total receipts	821,620
Disbursements:	
Support services	773,018
Changes in cash and investments	48,602
Cash and investments - beginning	357,308
Cash and investments - ending	\$ 405,910

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2004

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 1,500
Excess of total additions over total deductions	1,500
Cash and investments - beginning	-
Cash and investments - ending	\$ 1,500

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Bonds and loans	\$ 3,920,000	\$ -
Deductions:		
Instruction	-	1,450
Support services	2,721,200	-
Total deductions	2,721,200	1,450
Excess (deficiency) of total additions over (under) total deductions	1,198,800	(1,450)
Cash and investments - beginning	-	1,500
Cash and investments - ending	\$ 1,198,800	\$ 50

The accompanying notes are an integral part of the financial statements.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Joint Venture

The School Corporation is a participant with various east central Indiana school corporations in a joint venture to operate East Central Educational Service Center (ECESC) which was created to provide various services to member school corporations. The School Corporation is obligated by contract to remit the membership fee based on ADM annually to supplement the ECESC. Complete financial statements for the East Central Educational Service Center can be obtained from ECESC, 1601 Indiana Avenue, Connersville, Indiana, 47331.

The School Corporation is a participant with various area school corporations in a joint venture to operate New Castle Area Vocational School (NCAVS) which was created to provide vocational educational services to member school corporations. The School Corporation is obligated by contract to remit a proportion of the total vocational education budget annually to supplement the NCAVS. Complete financial statements for the NCAVS can be obtained from NCAVS, 322 Elliott Avenue, New Castle, Indiana, 47362.

The School Corporation is a participant with various area school corporations in a joint venture to operate New Castle Area Programs for Exceptional Children (NCAPEC) which was created to provide special educational services. The School Corporation is obligated by contract to remit a proportion of the total NCAPEC budget annually to supplement the NCAPEC. The NCAPEC pays its surplus to the participants or retains it to be applied to the cost of the joint program for the following budget years as the participating school corporations determine. Complete financial statements for the NCAPEC can be obtained from NCAPEC, 322 Elliott Avenue, New Castle, Indiana, 47362.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund, proprietary fund and fiduciary financial statements are reported using the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash 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. Investment transactions are not presented on the financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The textbook rental fund accounts for all receipts of fees collected for the rent of textbooks and workbooks furnished to students. Disbursements are made for the purchase of textbooks, repair of textbooks, and purchase of workbooks furnished to students.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling, and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for self-insurance for employee health insurance coverage.

The private-purpose trust fund was used to account for a donation. The donation was used for other special programs.

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Compensated Absences

a. Sick Leave

School Corporation custodial staff employees earn sick leave at the rate of 8 days per year. Unused sick leave may be accumulated to a maximum of 130 days. Accumulated sick leave is paid to employees upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation custodial staff employees earn personal leave at the rate of 3 days per year. Unused personal leave accumulates as sick leave.

d. Other Leave

Administrators and certified personnel earn other leave at the rate of 15 to 21 days per year. Unused other leave may be accumulated indefinitely.

Noncertified personnel (excluding custodial staff, cooks, and prime-time aides) earn other leave at the rate of 14 to 20 days per year. Unused other leave may be accumulated to a maximum of 115 days for media clerks. There is a \$6,500 limit for central office personnel and secretaries. Accumulated other leave is paid to employees upon retirement.

Cooks and prime-time aides earn other leave at the rate of 5 days per year. Unused other leave cannot be accumulated.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at calendar year end.

On or before September 10, the fiscal officer of the School Corporation submits to the School Board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from the Indiana Department of Local Government Finance.

SHENANDOAH SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the School Board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2004, disbursements exceeded budgeted appropriations in the following fund, by the amount below:

Fund	2004
Debt Service	\$ <u>180,300</u>

C. Cash and Investment Balance Deficits

At June 30, 2004, the following funds reported deficits in cash and investments:

Fund	2004
Transportation Operating	\$ 84,997
Joint Services and Supply	21,032
Debt Service	161,538

Cash and investment deficits arose primarily from disbursements or expenses exceeding receipts or revenues due to the underestimate of current requirements. These deficits are to be repaid from future revenues.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. Depository balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

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.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) are as follows:

	Capitalization Threshold
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment	5,000

Capital asset balances as of June 30, 2005, follows:

As of June 30, 2005	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 51,000
Buildings	13,697,886
Improvements other than buildings	638,082
Machinery and equipment	4,557,979
Total governmental activities, capital assets not being depreciated	\$ 18,944,947

C. Interfund Transfers

Interfund transfers for the fiscal years ended June 30, 2004 and 2005, were as follows:

Transfer From	Transfer To	2004	2005
General Fund	Nonmajor Governmental	\$ -	\$ 21,032.00
General Fund	Transportation Operating	-	186,448
Debt Service Fund	Nonmajor Governmental	-	20,224
Capital Projects Fund	Nonmajor Governmental	-	10,569
General Fund	Nonmajor Governmental	-	26,518
Transportation Operating	Nonmajor Governmental	-	7,405
School Bus Replacement	Nonmajor Governmental	-	498
Nonmajor Governmental	General Fund	5	71,997
Nonmajor Governmental	Nonmajor Governmental	12,748	27,095
Totals		\$ 12,753	\$ 371,786

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Capital Leases

The School Corporation has entered into various capital leases for an elementary and middle-elementary school buildings. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2005, follows:

	Governmental Activities
2006	\$ 1,435,891
2007	1,082,000
2008	1,077,000
2009	1,084,000
2010	1,079,000
2011-2015	1,811,000
2016	178,500
Total minimum lease payments	7,747,391
Less amount representing interest	967,391
Present value of net minimum lease payments	\$ 6,780,000

The assets acquired through capital leases still in effect are as follows:

	Governmental Activities
Buildings	\$ 13,697,886

E. Short-Term Liabilities

1. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund. These notes are necessary to meet budgeted expenditures prior to the time when tax proceeds are distributed.

2. Other Short-Term Loans

The School Corporation uses short-term loans to meet budgeted expenditures prior to the time when tax proceeds are distributed.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Short-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

<u>Fiscal Year 2003-2004</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Tax anticipation warrants	\$ 500,000	\$ 600,000	\$ 1,100,000	\$ -
Bond bank loans	-	843,622	27,495	816,127
Totals	<u>\$ 500,000</u>	<u>\$ 1,443,622</u>	<u>\$ 1,127,495</u>	<u>\$ 816,127</u>
 <u>Fiscal Year 2004-2005</u>				
Bond bank loans	<u>\$ 816,127</u>	<u>\$ 361,480</u>	<u>\$ 816,127</u>	<u>\$ 361,480</u>

F. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities or to finance retirement/severance liabilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the School Corporation. General obligation bonds currently outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Pension Bonds Severance Program Series 8 A	5.3%	<u>\$ 3,855,000</u>

Annual debt service requirements to maturity for general obligation bonds, for the years ended June 30, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 80,000	\$ 96,153
2007	165,000	188,354
2008	170,000	182,345
2009	180,000	175,583
2010	185,000	168,109
2011-2015	1,055,000	705,238
2016-2020	1,365,000	402,401
2021-2022	<u>655,000</u>	<u>47,226</u>
Totals	<u>\$ 3,855,000</u>	<u>\$ 1,965,409</u>

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Loans Payable

The School Corporation has entered into various loans. Annual debt service requirements to maturity for the loans are as follows:

	Governmental Activities	
	Principal	Interest
2006	\$ 75,000	\$ 25,625
2007	75,000	19,688
2008	75,000	15,938
2009	75,000	12,187
2010	75,000	8,437
2011-2012	118,750	5,625
Totals	\$ 493,750	\$ 87,500

3. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
<u>Fiscal Year 2003-2004</u>					
Governmental activities:					
Capital leases	\$ 7,616,088	\$ 7,895,000	\$ 7,836,088	\$ 7,675,000	\$ 895,000
Loans payable	699,917	-	131,167	568,750	75,000
Total governmental activities long-term liabilities	\$ 8,316,005	\$ 7,895,000	\$ 7,967,255	\$ 8,243,750	\$ 970,000
<u>Fiscal Year 2004-2005</u>					
Governmental activities:					
Bonds payable:					
General obligation	\$ -	\$ 3,920,000	\$ 65,000	\$ 3,855,000	\$ 80,000
Capital leases	7,675,000	-	895,000	6,780,000	1,150,000
Loans payable	568,750	-	75,000	493,750	75,000
Total governmental activities long-term liabilities	\$ 8,243,750	\$ 3,920,000	\$ 1,035,000	\$ 11,128,750	\$ 1,305,000

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents (excluding Postemployment Benefits)

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$30,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for employee payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

B. Holding Corporations

The School Corporation has entered into capital leases with Northwest (Henry) School Building Corporation, Shenandoah Middle School Building Corporation, and Shenandoah School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing, refinancing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation.

The school building facilities under the leases are included in the capital assets note of the School Corporation and the corresponding lease obligations have been included in the governmental activities column of the lease note. Lease payments during the year ended June 30, 2005, totaled \$895,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance and cash payment early retirement benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 22 retirees meet these eligibility requirements. The School Corporation provides health insurance at the same cost to the individual that the retiree would pay for insurance coverage if he or she were actively teaching. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2005, disbursements of \$81,362 and \$168,654 were recognized for postemployment health insurance and cash payment early retirement benefits.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 45,611
Interest on net pension obligation	(3,354)
Adjustment to annual required contribution	3,822
Annual pension cost	46,079
Contributions made	59,439
Decrease in net pension obligation	(13,360)
Net pension obligation, beginning of year	(46,261)
Net pension obligation, end of year	\$ (59,621)

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	6.75%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	35 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 54,568	114%	\$ (28,051)
	06-30-04	42,042	143%	(46,261)
	06-30-05	46,079	141%	(59,621)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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 member's contributions, set by state statute at 3% 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.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$88,106, \$74,813, and \$106,777, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SHENANDOAH SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 678,866	\$ 786,803	\$ (107,937)	86%	\$ 671,460	(16%)
07-01-04	709,456	819,137	(109,681)	87%	732,171	(15%)
07-01-05	753,717	953,715	(199,998)	79%	801,805	(25%)

SHENANDOAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ATTENDANCE/TIME RECORDS

Employee attendance/time records were not always approved by the appropriate official or department head.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

- (1) There were posting errors related to local property tax revenues received in the 2003-2004 year in various funds. As a result, the fiscal year-end revenues and the June 30, 2004, fund balances were incorrectly recorded/reported for the following funds: the General Fund was overstated \$135,000; the Debt Service Fund was understated \$85,000; the Capital Projects Fund was understated 35,000; and the Transportation Fund was understated \$15,000.

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

- (2) The posting errors noted above were corrected on July 30, 2004, with a "negative" local property tax receipt in the General Fund and local property tax receipts in the Debt Service Fund, Capital Projects Fund, and the Transportation Fund in the amounts stated above. As a result, the General Fund local property tax revenues were understated, the Debt Service Fund, Capital Projects Fund, and the Transportation Fund local property tax revenues were overstated for the fiscal year ended June 30, 2005.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Debt Service Fund	2004	\$ <u>180,300</u>

SHENANDOAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL PROJECTS FUND - BUDGETED LINE ITEMS

Disbursements of \$27,838.42 for the technology coordinator position were paid from appropriation account number 25353 (skilled craft employees), rather than appropriation account number 26700 (technology coordinator) for the July to December 2003 period. The disbursement appears to be an allowable expenditure but was misclassified. Currently, the technology coordinator position is paid from appropriation account number 26700.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCES

The Transportation Operating Fund, the Joint Services and Supply Fund and the Debt Service Fund were overdrawn at June 30, 2004, in the amounts of \$84,997, \$21,032, and \$161,538, respectively.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORDS

Information presented for audit did not reflect a complete inventory of all capital assets at the acquisition cost for the period July 1, 2003 to June 30, 2005. The "property inventory and accounting cost record" included capital asset acquisition cost information through June 30, 2004. However, not all capital assets listed reflected an acquisition cost. As a result, the total capital asset amount reported as \$18,944,947 at June 30, 2004, was understated. No capital asset acquisition cost information was available for the period July 1, 2004 to June 30, 2005. Additionally, capital asset purchase and disposal information was not available for audit for the period July 1, 2003 to June 30, 2005.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2005.

The enrollment count date for 2004-2005 year was September 17, 2004. The difference between the count reported on the ADM and the verified figures is shown below:

SHENANDOAH SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

School Year	Grade	Count as Reported on Form 30A	Actual Enrollment Figures	Difference
2004-2005	Kindergarten	52.5	52.5	-
	1 through 12	1,316	1,315	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

AVERAGE DAILY MEMBERSHIP (ADM)

Class lists were not certified by the building level Official at the Middle School (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office.

The building level Official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. (The School Administrator and Uniform Compliance Guidelines, Volume 123, Page 6)

GUARANTEED ENERGY SAVINGS CONTRACTS

The Shenandoah School Corporation entered into a guaranteed energy savings contract with Johnson Controls, Inc., on September 12, 1994. The total amount of the contract was \$378,750. The total amount of guaranteed energy savings was \$262,230. The total amount of guaranteed operational savings was \$116,520. The contract provides operational cost savings projections as "agreed upon Operational Cost Savings." The "agreed upon" savings were "deemed realized upon execution" of the contract. No information was presented for audit to document actual operational savings.

The project includes per the contract, high efficiency lighting, a facilities management system, high school gym ceiling fans, and elementary boiler retrofit. No information was presented for audit to document any actual savings of operating costs achieved by the Shenandoah School Corporation for these items.

Statutory and Other Compliance Guideline Provisions

The Public Works Law, Indiana Code 36-1-12-1(e) states in part: "As an alternative to this chapter, the governing body . . . may . . . enter into a guaranteed energy savings contract as permitted under IC 36-1-12.5."

Effective March 21, 2002, Indiana Code 36-1-12.5-1 states in part: "As used in this chapter, 'energy conservation measure' means a school facility alteration or an alteration of a structure (as defined in IC 36-1-10-2) designed to reduce energy consumption costs or other operating costs . . . including future:

- (A) labor costs;
- (B) costs for contracted services; and
- (C) related capital expenditures."

SHENANDOAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-12.5-5(a) concerning energy savings contracts states in part: "The governing body may enter into . . . a guaranteed energy savings contract with a qualified provider to reduce the school corporation's or the political subdivision's energy consumption costs or operating costs if, after review of the report described in section 6 of this chapter, the governing body finds: (1) that the amount the governing body would spend on the energy conservation measures under the contract and that are recommended in the report is not likely to exceed the amount to be saved in energy consumption costs and other operating costs over ten (10) years from the date of installation if the recommendations in the report were followed; and (2) in the case of a guaranteed energy savings contract, the qualified provider provides a written guarantee as described in subsection (d)(2)."

Indiana Code 36-1-12.5-5(d) states in part: "An agreement to participate in . . . guaranteed energy savings contract under this section must provide that: . . . (2) in the case of the guaranteed energy savings contract: (A) the savings in energy and operating costs due to the energy conservation measures are guaranteed to cover the costs of the payments for the measures; and (B) the qualified provider will reimburse the school corporation or political subdivision for the difference between the guaranteed savings and the actual savings . . ."

Effective March 21, 2002, Indiana Code 36-1-12.5-0.5 states: "As used in this chapter, 'actual savings' includes stipulated savings."

Indiana Code 36-1-12.5-0.7 states: "As used in this chapter, 'causally connected work' means work that is required to properly implement an energy conservation measure."

Indiana Code 36-1-12.5-3.7 states in part: "As used in this chapter, 'stipulated savings' are assumed savings that are documented by industry engineering standards."

Indiana Code 36-1-12.5-11 states in part:

"(a) A guaranteed energy savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards.

(b) Stipulated savings may be used for energy conservation measures including . . . (9) Any work that is causally connected to the energy conservation measures listed in subdivisions (1) through (8).

(c) The guaranteed energy savings contract shall:

(1) describe stipulated savings for:

(A) energy conservation measures; and

(B) work causally connected to the energy conservation measures; and

(2) document assumptions by industry engineering standards."

Repayment of Costs in Excess of Savings

Shenandoah School Corporation Officials conveyed that the items shown as "agreed upon" or "stipulated savings" have been predetermined. Furthermore, Shenandoah School Corporation Officials do not have available for audit and conveyed they do not plan in the future to have any additional information to document

SHENANDOAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

actual operating or energy savings. The contract expired April 30, 2005. The Shenandoah School Corporation should request reimbursement from Johnson Controls, Inc., for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by "industry engineering standards") in accordance with Indiana Code 36-1-12.5-5(d)(2)(B).

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Page 9-4)

PRESCRIBED FORMS - USE OF FORM SA-5 FINANCIAL REPORT (Applies to Shenandoah High School)

The June 1, 2005, Shenandoah High School Financial Report (Form SA-5) presented for audit was inaccurate and incomplete. The receipts, disbursements and fund balances as presented in the report did not accurately reflect the financial activity of the Extra-Curricular Account for the period ending June 1, 2005. The financial activity presented in the report was through May 31, 2005. Significant activity (receipts and disbursements) occurred on June 1, 2005.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SHENANDOAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2006, with Ronald L. Green, Superintendent of Schools; and Julia D. Miller, Treasurer. The officials concurred with our audit findings.