

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

EXAMINATION REPORT  
OF  
SHENANDOAH SCHOOL CORPORATION  
HENRY COUNTY, INDIANA  
July 1, 2005 to June 30, 2007



**FILED**  
05/13/2008



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OFFICIALS

| <u>Office</u>                    | <u>Official</u>                     | <u>Term</u>                                  |
|----------------------------------|-------------------------------------|--|
| Treasurer                        | Julia D. Miller                     | 07-01-05 to 06-30-08                         |
| Superintendent<br>of Schools     | Ronald L. Green                     | 07-01-05 to 06-30-08                         |
| President of the<br>School Board | Marjorie Becker<br>Scott Trennepohl | 07-01-05 to 06-30-06<br>07-01-06 to 06-30-08 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Shenandoah School Corporation (School Corporation), for the period of July 1, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 25, 2008

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2006

| <u>Functions/Programs</u>                                    | <u>Disbursements</u>     | <u>Program Receipts</u>         |   | <u>Totals</u>   |
|--|--------------------------|---------------------------------|---|---|
|  |                          | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |   |
| Governmental activities:                                     |                          |                                 |   | Net<br>(Disbursement)<br>Receipts and<br>Changes in<br>Net Assets |
| Instruction  | \$ 3,409,704             | \$ -                            | \$ 48,441   | \$ (3,361,263)  |
| Support services   | 5,699,564                | 372,407                         | 144,320   | (5,182,837)   |
| Community services   | 137,077                  | -                               | -   | (137,077)   |
| Nonprogrammed charges  | 656,091                  | -                               | -   | (656,091)   |
| Debt service   | <u>2,247,344</u>         | <u>-</u>                        | <u>-</u>  | <u>(2,247,344)</u>  |
| <br>Total governmental activities                            | <br><u>\$ 12,149,780</u> | <br><u>\$ 372,407</u>           | <br><u>\$ 192,761</u>                             | <br><u>(11,584,612)</u>   |
| <br>General receipts:  |                          |                                 |   |   |
| Property taxes   |                          |                                 |   | 3,670,435   |
| Other local sources  |                          |                                 |   | 425,437   |
| State aid  |                          |                                 |   | 5,781,851   |
| Grants and contributions not restricted to specific programs |                          |                                 |   | 237,450   |
| Sale of property, adjustments, and refunds                   |                          |                                 |   | 418,836   |
| Investment earnings  |                          |                                 |   | <u>67,383</u>   |
| Total general receipts                                       |                          |                                 |   | <u>10,601,392</u>   |
| <br>Change in net assets                                     |                          |                                 |   | <br>(983,220)   |
| <br>Net assets - beginning                                   |                          |                                 |   | <br><u>3,407,587</u>  |
| <br>Net assets - ending                                      |                          |                                 |   | <br><u>\$ 2,424,367</u>   |
| <br><u>Assets</u>  |                          |                                 |   |   |
| Cash and investments   |                          |                                 |   | \$ 1,995,952  |
| Restricted assets:   |                          |                                 |   |   |
| Cash and investments   |                          |                                 |   | <u>428,415</u>  |
| <br>Total assets   |                          |                                 |   | <br><u>\$ 2,424,367</u>   |
| <br><u>Net Assets</u>  |                          |                                 |   |   |
| Restricted for:  |                          |                                 |   |   |
| Other purposes   |                          |                                 |   | \$ 428,415  |
| Unrestricted   |                          |                                 |   | <u>1,995,952</u>  |
| <br>Total net assets   |                          |                                 |   | <br><u>\$ 2,424,367</u>   |

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

| <u>Functions/Programs</u>                                    | <u>Disbursements</u> | Program Receipts                |   | <u>Totals</u>  |
|--|----------------------|---------------------------------|---|--|
|  |                      | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Net<br/>(Disbursement)<br/>Receipts and<br/>Changes in<br/>Net Assets</u> |
| Governmental activities:                                     |                      |                                 |   |  |
| Instruction  | \$ 3,644,613         | \$ -                            | \$ 46,864   | \$ (3,597,749)   |
| Support services   | 6,281,123            | 383,535                         | 154,855   | (5,742,733)  |
| Community services   | 147,614              | -                               | -   | (147,614)  |
| Nonprogrammed charges  | 972,837              | -                               | -   | (972,837)  |
| Debt service   | 1,548,402            | -                               | -   | (1,548,402)  |
| Total governmental activities                                | \$ 12,594,589        | \$ 383,535                      | \$ 201,719  | (12,009,335)   |
| General receipts:  |                      |                                 |   |  |
| Property taxes   |                      |                                 |   | 3,649,639  |
| Other local sources  |                      |                                 |   | 843,967  |
| State aid  |                      |                                 |   | 5,935,684  |
| Grants and contributions not restricted to specific programs |                      |                                 |   | 224,690  |
| Sale of property, adjustments, and refunds                   |                      |                                 |   | 296,432  |
| Investment earnings  |                      |                                 |   | 212,173  |
| Total general receipts                                       |                      |                                 |   | 11,162,585   |
| Change in net assets   |                      |                                 |   | (846,750)  |
| Net assets - beginning                                       |                      |                                 |   | 2,424,367  |
| Net assets - ending  |                      |                                 |   | \$ 1,577,617   |
| <u>Assets</u>  |                      |                                 |   |  |
| Cash and investments   |                      |                                 |   | \$ 1,362,685   |
| Restricted assets:   |                      |                                 |   |  |
| Cash and investments   |                      |                                 |   | 214,932  |
| Total assets   |                      |                                 |   | \$ 1,577,617   |
| <u>Net Assets</u>  |                      |                                 |   |  |
| Restricted for:  |                      |                                 |   |  |
| Other purposes   |                      |                                 |   | \$ 214,932   |
| Unrestricted   |                      |                                 |   | 1,362,685  |
| Total net assets   |                      |                                 |   | \$ 1,577,617   |

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2006

|   | General           | Transportation<br>Operating | School<br>Lunch  | Textbook<br>Rental | Debt<br>Service    | Capital<br>Projects | School Bus<br>Replacement | Other              | Totals              |
|---|-------------------|-----------------------------|------------------|--------------------|--------------------|---------------------|---------------------------|--------------------|---------------------|
| <b>Receipts:</b>  |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Local sources   | \$ 1,809,338      | \$ 576,379                  | \$ 291,083       | \$ 81,586          | \$ 1,073,379       | \$ 484,002          | \$ 35,468                 | \$ 182,206         | \$ 4,533,441        |
| Intermediate sources  | 413               | -                           | -                | -                  | -                  | -                   | -                         | 825                | 1,238               |
| State sources   | 5,817,548         | -                           | 8,142            | 13,109             | -                  | -                   | -                         | 94,938             | 5,933,737           |
| Federal sources   | -                 | -                           | 123,069          | -                  | -                  | -                   | -                         | 155,257            | 278,326             |
| Sale of property, adjustments and refunds   | 379,312           | 3,706                       | (10)             | 3,386              | -                  | 20,575              | -                         | -                  | 406,969             |
| <b>Total receipts</b>   | <b>8,006,611</b>  | <b>580,085</b>              | <b>422,284</b>   | <b>98,081</b>      | <b>1,073,379</b>   | <b>504,577</b>      | <b>35,468</b>             | <b>433,226</b>     | <b>11,153,711</b>   |
| <b>Disbursements:</b>   |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| <b>Current:</b>   |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Instruction   | 3,305,739         | -                           | -                | -                  | -                  | -                   | -                         | 103,965            | 3,409,704           |
| Support services  | 3,652,361         | 768,945                     | 399,728          | 125,839            | -                  | 547,115             | 69,739                    | 135,837            | 5,699,564           |
| Community services  | 136,853           | -                           | -                | -                  | -                  | -                   | -                         | 224                | 137,077             |
| Nonprogrammed charges   | 783,696           | -                           | -                | -                  | -                  | -                   | -                         | 79,308             | 863,004             |
| Debt services   | 149,207           | 212,273                     | -                | -                  | 1,534,854          | -                   | -                         | 351,010            | 2,247,344           |
| <b>Total disbursements</b>  | <b>8,027,856</b>  | <b>981,218</b>              | <b>399,728</b>   | <b>125,839</b>     | <b>1,534,854</b>   | <b>547,115</b>      | <b>69,739</b>             | <b>670,344</b>     | <b>12,356,693</b>   |
| Excess (deficiency) of receipts over disbursements  | (21,245)          | (401,133)                   | 22,556           | (27,758)           | (461,475)          | (42,538)            | (34,271)                  | (237,118)          | (1,202,982)         |
| <b>Other financing sources (uses):</b>  |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Transfers in  | -                 | 317,898                     | -                | -                  | -                  | -                   | -                         | 7,890              | 325,788             |
| Transfers out   | (250,000)         | -                           | -                | -                  | (67,898)           | -                   | -                         | (7,890)            | (325,788)           |
| <b>Total other financing sources (uses)</b>   | <b>(250,000)</b>  | <b>317,898</b>              | <b>-</b>         | <b>-</b>           | <b>(67,898)</b>    | <b>-</b>            | <b>-</b>                  | <b>-</b>           | <b>-</b>            |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses   | (271,245)         | (83,235)                    | 22,556           | (27,758)           | (529,373)          | (42,538)            | (34,271)                  | (237,118)          | (1,202,982)         |
| Cash and investments - beginning  | 736,064           | 226,421                     | 46,738           | 133,244            | 503,199            | 1,149,998           | 61,975                    | 144,038            | 3,001,677           |
| Cash and investments - ending   | \$ 464,819        | \$ 143,186                  | \$ 69,294        | \$ 105,486         | \$ (26,174)        | \$ 1,107,460        | \$ 27,704                 | \$ (93,080)        | 1,798,695           |
| Amounts reported for governmental activities in the Schedule of Cash Activities and Net Assets - Cash and Investment Basis are different because:   |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Schedule of Activities and Net Assets - Cash and Investment Basis. |                   |                             |                  |                    |                    |                     |                           |                    |                     |
|   |                   |                             |                  |                    |                    |                     |                           |                    | 625,672             |
| Net assets of governmental activities   |                   |                             |                  |                    |                    |                     |                           |                    | \$ 2,424,367        |
| <b>Cash and Investment Assets - Ending</b>  |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Cash and investments  | \$ 464,819        | \$ 143,186                  | \$ 69,294        | \$ 105,486         | \$ -               | \$ 1,107,460        | \$ 27,704                 | \$ 78,003          | \$ 1,995,952        |
| Restricted assets:  |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Cash and investments  | -                 | -                           | -                | -                  | (26,174)           | -                   | -                         | (171,083)          | (197,257)           |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 464,819</b> | <b>\$ 143,186</b>           | <b>\$ 69,294</b> | <b>\$ 105,486</b>  | <b>\$ (26,174)</b> | <b>\$ 1,107,460</b> | <b>\$ 27,704</b>          | <b>\$ (93,080)</b> | <b>\$ 1,798,695</b> |
| <b>Cash and Investment Fund Balance - Ending</b>  |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Restricted for:   |                   |                             |                  |                    |                    |                     |                           |                    |                     |
| Debt service  | \$ -              | \$ -                        | \$ -             | \$ -               | \$ (26,174)        | \$ -                | \$ -                      | \$ (171,083)       | \$ (197,257)        |
| Unrestricted  | 464,819           | 143,186                     | 69,294           | 105,486            | -                  | 1,107,460           | 27,704                    | 78,003             | 1,995,952           |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 464,819</b> | <b>\$ 143,186</b>           | <b>\$ 69,294</b> | <b>\$ 105,486</b>  | <b>\$ (26,174)</b> | <b>\$ 1,107,460</b> | <b>\$ 27,704</b>          | <b>\$ (93,080)</b> | <b>\$ 1,798,695</b> |

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

|   | General           | Transportation<br>Operating | School<br>Lunch   | Textbook<br>Rental | Debt<br>Service     | Capital<br>Projects | School Bus<br>Replacement | Other              | Totals            |
|---|-------------------|-----------------------------|-------------------|--------------------|---------------------|---------------------|---------------------------|--------------------|-------------------|
| <b>Receipts:</b>  |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Local sources   | \$ 2,026,737      | \$ 559,847                  | \$ 292,983        | \$ 90,552          | \$ 973,133          | \$ 667,626          | \$ 109,946                | \$ 367,739         | \$ 5,088,563      |
| Intermediate sources  | -                 | -                           | -                 | -                  | -                   | -                   | -                         | 750                | 750               |
| State sources   | 5,969,803         | -                           | 8,173             | 15,190             | -                   | -                   | -                         | 90,646             | 6,083,812         |
| Federal sources   | -                 | -                           | 131,492           | -                  | -                   | -                   | -                         | 146,789            | 278,281           |
| Sale of property, adjustments and refunds   | 194,831           | 1,028                       | 967               | 2,053              | -                   | 47,845              | -                         | -                  | 246,724           |
| <b>Total receipts</b>   | <b>8,191,371</b>  | <b>560,875</b>              | <b>433,615</b>    | <b>107,795</b>     | <b>973,133</b>      | <b>715,471</b>      | <b>109,946</b>            | <b>605,924</b>     | <b>11,698,130</b> |
| <b>Disbursements:</b>   |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| <b>Current:</b>   |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Instruction   | 3,551,920         | -                           | -                 | -                  | -                   | -                   | -                         | 92,693             | 3,644,613         |
| Support services  | 3,511,953         | 770,688                     | 391,423           | 95,773             | -                   | 1,240,344           | 204,473                   | 66,469             | 6,281,123         |
| Community services  | 142,891           | -                           | -                 | -                  | -                   | -                   | -                         | 4,723              | 147,614           |
| Nonprogrammed charges   | 838,601           | -                           | -                 | -                  | -                   | -                   | -                         | 84,203             | 922,804           |
| Debt services   | -                 | -                           | -                 | -                  | 1,192,938           | -                   | -                         | 355,464            | 1,548,402         |
| <b>Total disbursements</b>  | <b>8,045,365</b>  | <b>770,688</b>              | <b>391,423</b>    | <b>95,773</b>      | <b>1,192,938</b>    | <b>1,240,344</b>    | <b>204,473</b>            | <b>603,552</b>     | <b>12,544,556</b> |
| Excess (deficiency) of receipts over disbursements  | 146,006           | (209,813)                   | 42,192            | 12,022             | (219,805)           | (524,873)           | (94,527)                  | 2,372              | (846,426)         |
| <b>Other financing sources (uses):</b>  |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Transfers in  | -                 | -                           | -                 | -                  | -                   | -                   | -                         | 3,000              | 3,000             |
| Transfers out   | -                 | -                           | -                 | -                  | -                   | -                   | -                         | (3,000)            | (3,000)           |
| <b>Total other financing sources</b>  | <b>-</b>          | <b>-</b>                    | <b>-</b>          | <b>-</b>           | <b>-</b>            | <b>-</b>            | <b>-</b>                  | <b>-</b>           | <b>-</b>          |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses   | 146,006           | (209,813)                   | 42,192            | 12,022             | (219,805)           | (524,873)           | (94,527)                  | 2,372              | (846,426)         |
| Cash and investments - beginning  | 464,819           | 143,186                     | 69,294            | 105,486            | (26,174)            | 1,107,460           | 27,704                    | (93,080)           | 1,798,695         |
| Cash and investments - ending   | \$ 610,825        | \$ (66,627)                 | \$ 111,486        | \$ 117,508         | \$ (245,979)        | \$ 582,587          | \$ (66,823)               | \$ (90,708)        | 952,269           |
| Amounts reported for governmental activities in the Schedule of Cash Activities and Net Assets - Cash and Investment Basis are different because:   |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Schedule of Activities and Net Assets - Cash and Investment Basis. |                   |                             |                   |                    |                     |                     |                           |                    |                   |
|   |                   |                             |                   |                    |                     |                     |                           |                    | 625,348           |
| Net assets of governmental activities   |                   |                             |                   |                    |                     |                     |                           |                    | \$ 1,577,617      |
| <u>Cash and Investment Assets - Ending</u>  |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Cash and investments  | \$ 610,825        | \$ (66,627)                 | \$ 111,486        | \$ 117,508         | \$ -                | \$ 582,587          | \$ (66,823)               | \$ 73,729          | \$ 1,362,685      |
| Restricted assets:  |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Cash and investments  | -                 | -                           | -                 | -                  | (245,979)           | -                   | -                         | (164,437)          | (410,416)         |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 610,825</b> | <b>\$ (66,627)</b>          | <b>\$ 111,486</b> | <b>\$ 117,508</b>  | <b>\$ (245,979)</b> | <b>\$ 582,587</b>   | <b>\$ (66,823)</b>        | <b>\$ (90,708)</b> | <b>\$ 952,269</b> |
| <u>Cash and Investment Fund Balance - Ending</u>  |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Restricted for:   |                   |                             |                   |                    |                     |                     |                           |                    |                   |
| Debt service  | \$ -              | \$ -                        | \$ -              | \$ -               | \$ (245,979)        | \$ -                | \$ -                      | \$ (164,437)       | \$ (410,416)      |
| Unrestricted  | 610,825           | (66,627)                    | 111,486           | 117,508            | -                   | 582,587             | (66,823)                  | 73,729             | 1,362,685         |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 610,825</b> | <b>\$ (66,627)</b>          | <b>\$ 111,486</b> | <b>\$ 117,508</b>  | <b>\$ (245,979)</b> | <b>\$ 582,587</b>   | <b>\$ (66,823)</b>        | <b>\$ (90,708)</b> | <b>\$ 952,269</b> |

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS  
PROPRIETARY FUND  
For the Year Ended June 30, 2006

|   | <u>Internal<br/>Service<br/>Fund</u> |
|---|--------------------------------------|
| Operating receipts:                                       |                                      |
| Charges for services                                      | \$ 892,236                           |
| Miscellaneous   | <u>12,849</u>                        |
| Total operating receipts                                  | <u>905,085</u>                       |
| Operating disbursements:                                  |                                      |
| Insurance claims and expense                              | <u>685,323</u>                       |
| Excess of operating receipts over operating disbursements | <u>219,762</u>                       |
| Change in net assets                                      | 219,762                              |
| Cash and investment fund balance - beginning              | <u>405,910</u>                       |
| Cash and investment fund balance - ending                 | <u><u>\$ 625,672</u></u>             |
| <u>Cash and Investment Assets - Ending</u>                |                                      |
| Restricted assets:  |                                      |
| Cash and investments                                      | <u><u>\$ 625,672</u></u>             |
| <u>Cash and Investment Fund Balance - Ending</u>          |                                      |
| Restricted for:   |                                      |
| Other purposes  | <u><u>\$ 625,672</u></u>             |

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS  
PROPRIETARY FUND  
For the Year Ended June 30, 2007

|   | <u>Internal<br/>Service<br/>Fund</u> |
|---|--------------------------------------|
| Operating receipts:   |                                      |
| Charges for services  | \$ 711,358                           |
| Miscellaneous   | <u>49,709</u>                        |
| Total operating receipts                                      | <u>761,067</u>                       |
| Operating disbursements:                                      |                                      |
| Insurance claims and expense                                  | <u>761,391</u>                       |
| Deficiency of operating receipts over operating disbursements | <u>(324)</u>                         |
| Change in net assets  | (324)                                |
| Cash and investment fund balance - beginning                  | <u>625,672</u>                       |
| Cash and investment fund balance - ending                     | <u>\$ 625,348</u>                    |
| <u>Cash and Investment Assets - Ending</u>                    |                                      |
| Restricted assets:  |                                      |
| Cash and investments  | <u>\$ 625,348</u>                    |
| <u>Cash and Investment Fund Balance - Ending</u>              |                                      |
| Restricted for:   |                                      |
| Other purposes  | <u>\$ 625,348</u>                    |

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2006

|   | Pension<br>Trust Funds | Private-Purpose<br>Trust Funds |
|---|------------------------|--------------------------------|
| Additions:  |                        |                                |
| Contributions:  |                        |                                |
| Other   | \$ 71,429              | \$ -                           |
| Investment earnings:  |                        |                                |
| Interest  | 4,932                  | -                              |
| Total additions   | 76,361                 | -                              |
| Deductions:   |                        |                                |
| Benefits  | 7,350                  | -                              |
| Administrative and general                                      | -                      | 50                             |
| Total deductions  | 7,350                  | 50                             |
| Excess (deficiency) of total additions<br>over total deductions | 69,011                 | (50)                           |
| Cash and investment fund balance - beginning                    | 1,198,800              | 50                             |
| Cash and investment fund balance - ending                       | \$ 1,267,811           | \$ -                           |
| Net assets:   |                        |                                |
| Cash and investments  | \$ 1,267,811           | \$ -                           |
| Total net assets - cash and investment basis held in trust      | \$ 1,267,811           | \$ -                           |

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

SHENANDOAH SCHOOL CORPORATION  
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2007

|  | <u>Pension<br/>Trust Funds</u> |
|--|--------------------------------|
| Cash and investment fund balance - beginning               | \$ <u>1,267,811</u>            |
| Cash and investment fund balance - ending                  | \$ <u><u>1,267,811</u></u>     |
| Net assets:  |                                |
| Cash and investments                                       | \$ <u>1,267,811</u>            |
| Total net assets - cash and investment basis held in trust | \$ <u><u>1,267,811</u></u>     |

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedules of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial schedules.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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 INFORMATION  
(Continued)

The school lunch fund is used to record all receipts from the sale of lunches, federal and state reimbursements, and other receipts. Disbursements are for personal services, food, supplies, and equipment used for the school lunch program.

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 School Corporation reports the following major proprietary fund:

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

Additionally, the School Corporation reports the following fund types:

The pension trust fund, the retirement/severance bond fund, is used to account for receipts and disbursements authorized by Indiana Code 20-48-1-2.

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

**B. Measurement Focus and Basis of Accounting**

The government-wide, governmental fund, proprietary fund and fiduciary fund financial schedules are reported using the basis of accounting that demonstrates compliance with the cash and investment 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 and investment 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 schedules.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial schedules for governmental funds would use the modified accrual basis of accounting, while the fund financial schedules for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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.

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (Indiana Code 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 June 30 of the year collected.

Note 5. Deposits and Investments

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

State statute (Indiana Code 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.

Note 6. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

| <u>Transfer From</u>     | <u>Transfer To</u>            | <u>2006</u>       | <u>2007</u>     |
|--------------------------|-------------------------------|-------------------|-----------------|
| General Fund             | Transportation Operating Fund | \$ 250,000        | \$ -            |
| Debt Service Fund        | Transportation Operating Fund | 67,898            | -               |
| Other governmental funds | Other governmental funds      | <u>7,890</u>      | <u>3,000</u>    |
| Totals                   |                               | <u>\$ 325,788</u> | <u>\$ 3,000</u> |

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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 7. Pension Plans

A. 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 this defined benefit plan. State statutes (Indiana Code 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

B. Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's 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 (Indiana Code 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 members' 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 INFORMATION  
(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 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 8. Joint Ventures

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, IN 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, IN 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

SHENANDOAH SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 9. Subsequent Events

Tax Anticipation Warrants

The Shenandoah School Corporation received a line of credit from First Merchants Bank in July 2007 for up to \$1,000,000. The School Corporation received drawdowns on July 20, 2007, July 30, 2007, and August 10, 2007, in the amounts of \$100,000, \$200,000, and \$300,000, respectively. Total principal of \$600,000 was repaid August 31, 2007, along with interest of \$1,924.72.

Guaranteed Energy Savings Contract

Shenandoah School Corporation entered into a guaranteed energy savings contract with Performance Services, Inc., on April 20, 2007, for certain energy conservation measures for the price of \$3,289,961. Services to be performed at Shenandoah High School include: science classroom renovation; classroom heating and cooling; central plant installation and gym HVAC renovation; cafeteria ceiling and lighting replacement; window replacement; and other replacements and repairs.

Services to be performed at Shenandoah Middle School include: HVAC renovation; roof top air handlers control upgrade; window replacement; and other modifications, replacements, and repairs. An installment contract was entered into with Fifth Third Bank for \$3,000,000 plus interest, to finance the various energy conservation measures. The total payback is estimated to be \$4,016,186.44. The first payment is due July 15, 2008, and the last payment is due January 15, 2018. The project was 90% complete in August of 2007.

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006

|   | Special<br>Education<br>Preschool | Education<br>License<br>Plates | School<br>Safe<br>Haven | Technology<br>Grant | Cinergy<br>Foundation<br>Grant | Gifted and<br>Talented | Title 1          |
|---|-----------------------------------|--------------------------------|-------------------------|---------------------|--------------------------------|------------------------|------------------|
| <b>Receipts:</b>  |                                   |                                |                         |                     |                                |                        |                  |
| Local sources   | \$ 3,172                          | \$ -                           | \$ -                    | \$ -                | \$ -                           | \$ -                   | \$ -             |
| Intermediate sources  | -                                 | 825                            | -                       | -                   | -                              | -                      | -                |
| State sources   | 77,343                            | -                              | 2,850                   | -                   | 2,000                          | 12,745                 | -                |
| Federal sources   | -                                 | -                              | -                       | -                   | -                              | -                      | 109,060          |
| <b>Total receipts</b>   | <b>80,515</b>                     | <b>825</b>                     | <b>2,850</b>            | <b>-</b>            | <b>2,000</b>                   | <b>12,745</b>          | <b>109,060</b>   |
| <b>Disbursements:</b>   |                                   |                                |                         |                     |                                |                        |                  |
| <b>Current:</b>   |                                   |                                |                         |                     |                                |                        |                  |
| Instruction   | -                                 | -                              | 4,160                   | -                   | -                              | 13,358                 | 86,447           |
| Support services  | -                                 | -                              | -                       | 72,400              | -                              | -                      | 19,385           |
| Community services  | -                                 | -                              | -                       | -                   | -                              | -                      | 224              |
| Nonprogrammed charges   | 79,308                            | -                              | -                       | -                   | -                              | -                      | -                |
| Debt services   | -                                 | -                              | -                       | -                   | -                              | -                      | -                |
| <b>Total disbursements</b>  | <b>79,308</b>                     | <b>-</b>                       | <b>4,160</b>            | <b>72,400</b>       | <b>-</b>                       | <b>13,358</b>          | <b>106,056</b>   |
| Excess (deficiency) of receipts over disbursements  | 1,207                             | 825                            | (1,310)                 | (72,400)            | 2,000                          | (613)                  | 3,004            |
| <b>Other financing sources (uses):</b>  |                                   |                                |                         |                     |                                |                        |                  |
| Transfers in  | -                                 | -                              | -                       | -                   | -                              | -                      | -                |
| Transfers out   | -                                 | -                              | -                       | -                   | -                              | -                      | -                |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                          | <b>-</b>                       | <b>-</b>                | <b>-</b>            | <b>-</b>                       | <b>-</b>               | <b>-</b>         |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1,207                             | 825                            | (1,310)                 | (72,400)            | 2,000                          | (613)                  | 3,004            |
| Cash and investments - beginning  | 20,480                            | 801                            | 2,694                   | 72,400              | -                              | 3,256                  | 7,627            |
| Cash and investments - ending   | <u>\$ 21,687</u>                  | <u>\$ 1,626</u>                | <u>\$ 1,384</u>         | <u>\$ -</u>         | <u>\$ 2,000</u>                | <u>\$ 2,643</u>        | <u>\$ 10,631</u> |
| <b>Cash and Investment Assets - Ending</b>  |                                   |                                |                         |                     |                                |                        |                  |
| Cash and investments  | \$ 21,687                         | \$ 1,626                       | \$ 1,384                | \$ -                | \$ 2,000                       | \$ 2,643               | \$ 10,631        |
| Restricted assets:  |                                   |                                |                         |                     |                                |                        |                  |
| Cash and investments  | -                                 | -                              | -                       | -                   | -                              | -                      | -                |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 21,687</b>                  | <b>\$ 1,626</b>                | <b>\$ 1,384</b>         | <b>\$ -</b>         | <b>\$ 2,000</b>                | <b>\$ 2,643</b>        | <b>\$ 10,631</b> |
| <b>Cash and Investment Fund Balance - Ending</b>  |                                   |                                |                         |                     |                                |                        |                  |
| Restricted for:   |                                   |                                |                         |                     |                                |                        |                  |
| Debt service  | \$ -                              | \$ -                           | \$ -                    | \$ -                | \$ -                           | \$ -                   | \$ -             |
| Unrestricted  | 21,687                            | 1,626                          | 1,384                   | -                   | 2,000                          | 2,643                  | 10,631           |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 21,687</b>                  | <b>\$ 1,626</b>                | <b>\$ 1,384</b>         | <b>\$ -</b>         | <b>\$ 2,000</b>                | <b>\$ 2,643</b>        | <b>\$ 10,631</b> |

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

|   | Title V<br>Part A | Drug<br>Free<br>Schools | Hurricane<br>Katrina/Rita<br>Relief | Title 11<br>Part A | Title 11<br>Part D | Retirement/<br>Severance<br>Bond | Totals             |
|---|-------------------|-------------------------|-------------------------------------|--------------------|--------------------|----------------------------------|--------------------|
| <b>Receipts:</b>  |                   |                         |                                     |                    |                    |                                  |                    |
| Local sources   | \$ -              | \$ -                    | \$ -                                | \$ -               | \$ -               | \$ 179,034                       | \$ 182,206         |
| Intermediate sources  | -                 | -                       | -                                   | -                  | -                  | -                                | 825                |
| State sources   | -                 | -                       | -                                   | -                  | -                  | -                                | 94,938             |
| Federal sources   | -                 | 4,888                   | 3,000                               | 36,390             | 1,919              | -                                | 155,257            |
| <b>Total receipts</b>   | <b>-</b>          | <b>4,888</b>            | <b>3,000</b>                        | <b>36,390</b>      | <b>1,919</b>       | <b>179,034</b>                   | <b>433,226</b>     |
| <b>Disbursements:</b>   |                   |                         |                                     |                    |                    |                                  |                    |
| <b>Current:</b>   |                   |                         |                                     |                    |                    |                                  |                    |
| Instruction   | -                 | -                       | -                                   | -                  | -                  | -                                | 103,965            |
| Support services  | 4,102             | 3,471                   | -                                   | 25,201             | 11,278             | -                                | 135,837            |
| Community services  | -                 | -                       | -                                   | -                  | -                  | -                                | 224                |
| Nonprogrammed charges   | -                 | -                       | -                                   | -                  | -                  | -                                | 79,308             |
| Debt services   | -                 | -                       | -                                   | -                  | -                  | 351,010                          | 351,010            |
| <b>Total disbursements</b>  | <b>4,102</b>      | <b>3,471</b>            | <b>-</b>                            | <b>25,201</b>      | <b>11,278</b>      | <b>351,010</b>                   | <b>670,344</b>     |
| Excess (deficiency) of receipts over disbursements  | (4,102)           | 1,417                   | 3,000                               | 11,189             | (9,359)            | (171,976)                        | (237,118)          |
| <b>Other financing sources (uses):</b>  |                   |                         |                                     |                    |                    |                                  |                    |
| Transfers in  | -                 | -                       | -                                   | -                  | 7,890              | -                                | 7,890              |
| Transfers out   | -                 | (1,500)                 | -                                   | (6,390)            | -                  | -                                | (7,890)            |
| <b>Total other financing sources (uses)</b>   | <b>-</b>          | <b>(1,500)</b>          | <b>-</b>                            | <b>(6,390)</b>     | <b>7,890</b>       | <b>-</b>                         | <b>-</b>           |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (4,102)           | (83)                    | 3,000                               | 4,799              | (1,469)            | (171,976)                        | (237,118)          |
| Cash and investments - beginning  | 4,787             | 2,624                   | -                                   | 16,499             | 11,977             | 893                              | 144,038            |
| Cash and investments - ending   | \$ 685            | \$ 2,541                | \$ 3,000                            | \$ 21,298          | \$ 10,508          | \$ (171,083)                     | \$ (93,080)        |
| <b>Cash and Investment Assets - Ending</b>  |                   |                         |                                     |                    |                    |                                  |                    |
| Cash and investments  | \$ 685            | \$ 2,541                | \$ 3,000                            | \$ 21,298          | \$ 10,508          | \$ -                             | \$ 78,003          |
| Restricted assets:  |                   |                         |                                     |                    |                    |                                  |                    |
| Cash and investments  | -                 | -                       | -                                   | -                  | -                  | (171,083)                        | (171,083)          |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 685</b>     | <b>\$ 2,541</b>         | <b>\$ 3,000</b>                     | <b>\$ 21,298</b>   | <b>\$ 10,508</b>   | <b>\$ (171,083)</b>              | <b>\$ (93,080)</b> |
| <b>Cash and Investment Fund Balance - Ending</b>  |                   |                         |                                     |                    |                    |                                  |                    |
| Restricted for:   |                   |                         |                                     |                    |                    |                                  |                    |
| Debt service  | \$ -              | \$ -                    | \$ -                                | \$ -               | \$ -               | \$ (171,083)                     | \$ (171,083)       |
| Unrestricted  | 685               | 2,541                   | 3,000                               | 21,298             | 10,508             | -                                | 78,003             |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 685</b>     | <b>\$ 2,541</b>         | <b>\$ 3,000</b>                     | <b>\$ 21,298</b>   | <b>\$ 10,508</b>   | <b>\$ (171,083)</b>              | <b>\$ (93,080)</b> |

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007

|   | Special<br>Education<br>Preschool | Education<br>License<br>Plates | School<br>Safe<br>Haven | Cinergy<br>Foundation<br>Grant | Gifted and<br>Talented | Title 1         | Title V<br>Part A |
|---|-----------------------------------|--------------------------------|-------------------------|--------------------------------|------------------------|-----------------|-------------------|
| <b>Receipts:</b>  |                                   |                                |                         |                                |                        |                 |                   |
| Local sources   | \$ 5,629                          | \$ -                           | \$ -                    | \$ -                           | \$ -                   | \$ -            | \$ -              |
| Intermediate sources  | -                                 | 750                            | -                       | -                              | -                      | -               | -                 |
| State sources   | 74,801                            | -                              | 3,100                   | -                              | 12,745                 | -               | -                 |
| Federal sources   | -                                 | -                              | -                       | -                              | -                      | 94,639          | 6,361             |
| <b>Total receipts</b>   | <b>80,430</b>                     | <b>750</b>                     | <b>3,100</b>            | <b>-</b>                       | <b>12,745</b>          | <b>94,639</b>   | <b>6,361</b>      |
| <b>Disbursements:</b>   |                                   |                                |                         |                                |                        |                 |                   |
| <b>Current:</b>   |                                   |                                |                         |                                |                        |                 |                   |
| Instruction   | -                                 | -                              | 2,299                   | 121                            | 11,481                 | 78,792          | -                 |
| Support services  | -                                 | 2,010                          | -                       | -                              | -                      | 17,399          | 7,725             |
| Community services  | -                                 | -                              | -                       | -                              | -                      | 102             | -                 |
| Nonprogrammed charges   | 84,203                            | -                              | -                       | -                              | -                      | -               | -                 |
| Debt services   | -                                 | -                              | -                       | -                              | -                      | -               | -                 |
| <b>Total disbursements</b>  | <b>84,203</b>                     | <b>2,010</b>                   | <b>2,299</b>            | <b>121</b>                     | <b>11,481</b>          | <b>96,293</b>   | <b>7,725</b>      |
| Excess (deficiency) of receipts over disbursements  | (3,773)                           | (1,260)                        | 801                     | (121)                          | 1,264                  | (1,654)         | (1,364)           |
| <b>Other financing sources (uses):</b>  |                                   |                                |                         |                                |                        |                 |                   |
| Transfers in  | -                                 | -                              | -                       | -                              | -                      | -               | 3,000             |
| Transfers out   | -                                 | -                              | -                       | -                              | -                      | -               | -                 |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                          | <b>-</b>                       | <b>-</b>                | <b>-</b>                       | <b>-</b>               | <b>-</b>        | <b>3,000</b>      |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (3,773)                           | (1,260)                        | 801                     | (121)                          | 1,264                  | (1,654)         | 1,636             |
| Cash and investments - beginning  | 21,687                            | 1,626                          | 1,384                   | 2,000                          | 2,643                  | 10,631          | 685               |
| Cash and investments - ending   | <u>\$ 17,914</u>                  | <u>\$ 366</u>                  | <u>\$ 2,185</u>         | <u>\$ 1,879</u>                | <u>\$ 3,907</u>        | <u>\$ 8,977</u> | <u>\$ 2,321</u>   |
| <b>Cash and Investment Assets - Ending</b>  |                                   |                                |                         |                                |                        |                 |                   |
| Cash and investments  | \$ 17,914                         | \$ 366                         | \$ 2,185                | \$ 1,879                       | \$ 3,907               | \$ 8,977        | \$ 2,321          |
| Restricted assets:  |                                   |                                |                         |                                |                        |                 |                   |
| Cash and investments  | -                                 | -                              | -                       | -                              | -                      | -               | -                 |
| <b>Total cash and investment assets - ending</b>  | <b>\$ 17,914</b>                  | <b>\$ 366</b>                  | <b>\$ 2,185</b>         | <b>\$ 1,879</b>                | <b>\$ 3,907</b>        | <b>\$ 8,977</b> | <b>\$ 2,321</b>   |
| <b>Cash and Investment Fund Balance - Ending</b>  |                                   |                                |                         |                                |                        |                 |                   |
| Restricted for:   |                                   |                                |                         |                                |                        |                 |                   |
| Debt service  | \$ -                              | \$ -                           | \$ -                    | \$ -                           | \$ -                   | \$ -            | \$ -              |
| Unrestricted  | 17,914                            | 366                            | 2,185                   | 1,879                          | 3,907                  | 8,977           | 2,321             |
| <b>Total cash and investment fund balance - ending</b>  | <b>\$ 17,914</b>                  | <b>\$ 366</b>                  | <b>\$ 2,185</b>         | <b>\$ 1,879</b>                | <b>\$ 3,907</b>        | <b>\$ 8,977</b> | <b>\$ 2,321</b>   |

SHENANDOAH SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

|   | Drug<br>Free<br>Schools | Hurricane<br>Katrina/Rita<br>Relief | Snow<br>Emergency | Title 11<br>Part A | Title 11<br>Part D | Retirement/<br>Severance<br>Bond | Totals             |
|---|-------------------------|-------------------------------------|-------------------|--------------------|--------------------|----------------------------------|--------------------|
| Receipts:   |                         |                                     |                   |                    |                    |                                  |                    |
| Local sources   | \$ -                    | \$ -                                | \$ -              | \$ -               | \$ -               | \$ 362,110                       | \$ 367,739         |
| Intermediate sources  | -                       | -                                   | -                 | -                  | -                  | -                                | 750                |
| State sources   | -                       | -                                   | -                 | -                  | -                  | -                                | 90,646             |
| Federal sources   | 4,002                   | 4,500                               | 2,103             | 35,184             | -                  | -                                | 146,789            |
| Total receipts  | 4,002                   | 4,500                               | 2,103             | 35,184             | -                  | 362,110                          | 605,924            |
| Disbursements:  |                         |                                     |                   |                    |                    |                                  |                    |
| Current:  |                         |                                     |                   |                    |                    |                                  |                    |
| Instruction   | -                       | -                                   | -                 | -                  | -                  | -                                | 92,693             |
| Support services  | 2,962                   | -                                   | -                 | 27,128             | 9,245              | -                                | 66,469             |
| Community services  | -                       | 4,621                               | -                 | -                  | -                  | -                                | 4,723              |
| Nonprogrammed charges   | -                       | -                                   | -                 | -                  | -                  | -                                | 84,203             |
| Debt services   | -                       | -                                   | -                 | -                  | -                  | 355,464                          | 355,464            |
| Total disbursements   | 2,962                   | 4,621                               | -                 | 27,128             | 9,245              | 355,464                          | 603,552            |
| Excess (deficiency) of receipts over<br>disbursements   | 1,040                   | (121)                               | 2,103             | 8,056              | (9,245)            | 6,646                            | 2,372              |
| Other financing sources (uses):   |                         |                                     |                   |                    |                    |                                  |                    |
| Transfers in  | -                       | -                                   | -                 | -                  | -                  | -                                | 3,000              |
| Transfers out   | (1,000)                 | -                                   | -                 | (2,000)            | -                  | -                                | (3,000)            |
| Total other financing sources (uses)  | (1,000)                 | -                                   | -                 | (2,000)            | -                  | -                                | -                  |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | 40                      | (121)                               | 2,103             | 6,056              | (9,245)            | 6,646                            | 2,372              |
| Cash and investments - beginning  | 2,541                   | 3,000                               | -                 | 21,298             | 10,508             | (171,083)                        | (93,080)           |
| Cash and investments - ending   | <u>\$ 2,581</u>         | <u>\$ 2,879</u>                     | <u>\$ 2,103</u>   | <u>\$ 27,354</u>   | <u>\$ 1,263</u>    | <u>\$ (164,437)</u>              | <u>\$ (90,708)</u> |
| <u>Cash and Investment Assets - Ending</u>  |                         |                                     |                   |                    |                    |                                  |                    |
| Cash and investments  | \$ 2,581                | \$ 2,879                            | \$ 2,103          | \$ 27,354          | \$ 1,263           | \$ -                             | \$ 73,729          |
| Restricted assets:  |                         |                                     |                   |                    |                    |                                  |                    |
| Cash and investments  | -                       | -                                   | -                 | -                  | -                  | (164,437)                        | (164,437)          |
| Total cash and investment assets - ending   | <u>\$ 2,581</u>         | <u>\$ 2,879</u>                     | <u>\$ 2,103</u>   | <u>\$ 27,354</u>   | <u>\$ 1,263</u>    | <u>\$ (164,437)</u>              | <u>\$ (90,708)</u> |
| <u>Cash and Investment Fund Balance - Ending</u>  |                         |                                     |                   |                    |                    |                                  |                    |
| Restricted for:   |                         |                                     |                   |                    |                    |                                  |                    |
| Debt service  | \$ -                    | \$ -                                | \$ -              | \$ -               | \$ -               | \$ (164,437)                     | \$ (164,437)       |
| Unrestricted  | 2,581                   | 2,879                               | 2,103             | 27,354             | 1,263              | -                                | 73,729             |
| Total cash and investment fund balance - ending   | <u>\$ 2,581</u>         | <u>\$ 2,879</u>                     | <u>\$ 2,103</u>   | <u>\$ 27,354</u>   | <u>\$ 1,263</u>    | <u>\$ (164,437)</u>              | <u>\$ (90,708)</u> |

SHENANDOAH SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For the Year Ended June 30, 2007

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>As of June 30, 2004 (Most Current Valuation)</u>                    | <u>Ending<br/>Balance</u> |
|--|---------------------------|
| Governmental activities:   |                           |
| Capital assets, not being depreciated:                                 |                           |
| Land   | \$ 51,000                 |
| Buildings  | 13,697,886                |
| Improvements other than buildings                                      | 638,082                   |
| Machinery and equipment  | <u>4,557,979</u>          |
| Total governmental activities, capital<br>assets not being depreciated | <u>\$ 18,944,947</u>      |

SHENANDOAH SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For the Year Ended June 30, 2007

The School Corporation has entered into the following debt:

| Description of Debt                | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|------------------------------------|--------------------------------|---|
| Governmental Activities:           |                                |   |
| Capital leases:                    |                                |   |
| Middle and Elementary Schools      | \$ 4,700,000                   | \$ 1,077,000  |
| Notes and loans payable:           |                                |   |
| Common School Loan                 | 337,500                        | 90,938  |
| Bonds payable:                     |                                |   |
| General obligation bonds:          |                                |   |
| Pension Bond Series 8 A            | <u>3,525,000</u>               | <u>354,081</u>                                      |
| Total governmental activities debt | <u>\$ 8,562,500</u>            | <u>\$ 1,522,019</u>                                 |

SHENANDOAH SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

| Fund                           | Year<br>Ending | Excess<br>Amount<br>Expended |
|--------------------------------|----------------|------------------------------|
| Transportation Bus Replacement | 2006           | \$ 47,648                    |

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."

TEMPORARY LOAN

A temporary loan of \$10,000 was made June 30, 2005, from the General Fund to the Pension Debt Service Fund and not repaid by December 31, 2005. The loan had not been repaid as of June 30, 2007, and to date.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the State Board of Accounts and the Department of Local Government Finance."

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

The information presented for examination indicates enrollment amounts on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2006, and 2007.

The enrollment count dates for 2006 year and 2007 year were September 16, 2005, and September 15, 2006, respectively. The difference between the count reported on the ADM and the verified totals are shown below:

SHENANDOAH SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

| School Year | Grade        | Count as Reported on Form 30A | Actual Enrollment Figures | Difference |
|-------------|--------------|-------------------------------|---------------------------|------------|
| 2005-2006   | Kindergarten | 45                            | 45                        | -          |
|             | 1 through 12 | 1,356                         | 1,355                     | 1          |
| 2006-2007   | Kindergarten | 55                            | 55                        | 1          |
|             | 1 through 12 | 1,296                         | 1,297                     | (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)

CAPITAL ASSET RECORDS

Information presented for examination did not reflect a complete inventory of all capital assets at the acquisition cost for the periods July 1, 2003 to June 30, 2005, and July 1, 2005 to June 30, 2007. 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 periods July 1, 2004 to June 30, 2005, and July 1, 2005 to June 30, 2007. Additionally, capital asset purchase and disposal information was not available for examination for the periods July 1, 2003 to June 30, 2005, and July 1, 2005 to June 30, 2007.

A similar comment appeared in the prior Report B27326.

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)

CONDITION OF RECORDS (Applies to the School Lunch Program)

The school lunch Sales Activity Reports for Shenandoah Elementary School and Shenandoah Middle/High School did not reconcile to the school lunch combined Annual Financial Report submitted to the Department of Education for the period July 1, 2005 to June 30, 2006. Additionally, the school lunch combined Annual Financial Report did not reconcile to the school lunch activity reflected in the School Lunch Fund in the School Corporation records for the July 1, 2005 to June 30, 2006, period. Reporting errors were found in the combined Annual Financial Report for the July 1, 2005 to June 30, 2006 period.

Projected receipts as calculated from the Claim for Reimbursement (CND-1 form) for school lunch/breakfast sales to students and adults were approximately 9% less than actual receipts reflected in the School Corporation School Lunch Fund for the school lunch/breakfast sales to students and adults for the July 1, 2005 to June 30, 2006 period.

SHENANDOAH SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

BUDGETED LINE ITEMS

Disbursements for payroll of substitute bus drivers were made from the Transportation Operating Fund 26900-130 line item in the amount of \$4,188 during the 2005-2006 year. Disbursements for bus repairs were made from the Transportation Operating Fund 25450-412 line item in the amounts of \$153.32 and \$190.04 during the 2005-2006 year and the 2006-2007 year.

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 Debt Service Fund and the Retirement/Severance Bond Fund were overdrawn \$26,174 and \$171,083, respectively, at June 30, 2006. The Debt Service Fund, the Retirement/Severance Bond Fund, the Transportation Operating Fund, and the Transportation Bus Replacement Fund were overdrawn \$245,979, \$164,437, \$66,627, and \$66,823, respectively, at June 30, 2007.

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)

SHENANDOAH SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2008, with Ronald L. Green, Superintendent of Schools; Marjorie Becker, Vice President of the School Board; and Julia D. Miller, Treasurer. The officials concurred with our findings.