

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

EXAMINATION REPORT
OF
SHELBY EASTERN SCHOOLS
SHELBY COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
07/21/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathy Berger Mary C. Scott	07-01-06 to 09-12-08 09-13-08 to 06-30-09
Superintendent of Schools	John Jameson Brad Valentine (Interim) Donald Swisher	07-01-06 to 12-31-07 01-01-08 to 07-31-08 08-01-08 to 06-30-09
President of the School Board	Jeff Shelton Douglas Stocklin	07-01-06 to 06-30-07 07-01-07 to 06-30-09



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SHELBY EASTERN SCHOOLS, SHELBY COUNTY, INDIANA

We have examined the financial information presented herein of Shelby Eastern Schools (School Corporation), for the period of July 1, 2006 to June 30, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedules, Schedule of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. The Schedule of Funding Progress, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them. The Combining Schedules have been subjected to the examination procedures applied to the basic financial information and, in our opinion, are fairly stated in all material respects in relation to the basic information taken as a whole.

STATE BOARD OF ACCOUNTS

June 9, 2009

SHELBY EASTERN SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,438,383	\$ -	\$ 55,166	\$ (6,383,217)
Support services	4,331,924	458,431	155,870	(3,717,623)
Community services	146,471	-	-	(146,471)
Nonprogrammed charges	731,462	-	-	(731,462)
Debt service	<u>2,379,586</u>	<u>-</u>	<u>-</u>	<u>(2,379,586)</u>
Total government	<u>\$ 14,027,826</u>	<u>\$ 458,431</u>	<u>\$ 211,036</u>	<u>(13,358,359)</u>
General receipts:				
Property taxes				3,796,383
Other local sources				833,002
State aid				5,610,261
Grants and contributions not restricted to specific programs				248,572
Sale of property, adjustments, and refunds				29,437
Investment earnings				91,097
Tax anticipation loans received				2,986,358
Tax anticipation loans repaid				<u>(926,905)</u>
Total general receipts, interfund loans, transfers, and special items				<u>12,668,205</u>
Change in net assets				(690,154)
Net assets - beginning				<u>1,414,582</u>
Net assets - ending				<u>\$ 724,428</u>
<u>Assets</u>				
Cash and investments				\$ 641,978
Restricted assets:				
Cash and investments				<u>82,450</u>
Total assets				<u>\$ 724,428</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 82,450
Unrestricted				<u>641,978</u>
Total net assets				<u>\$ 724,428</u>

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

SHELBY EASTERN SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 5,596,033	\$ -	\$ 110,683	\$ (5,485,350)
Support services	4,625,674	419,987	187,695	(4,017,992)
Community services	166,236	-	-	(166,236)
Nonprogrammed charges	955,922	-	-	(955,922)
Debt service	2,646,960	-	-	(2,646,960)
Total government	<u>\$ 13,990,825</u>	<u>\$ 419,987</u>	<u>\$ 298,378</u>	<u>(13,272,460)</u>
General receipts:				
Property taxes				6,742,739
Other local sources				1,139,658
State aid				5,364,643
Bonds and loans - line of credit				850,000
Grants and contributions not restricted to specific programs				229,399
Sale of property, adjustments, and refunds				832
Investment earnings				26,237
Tax anticipation loans received				4,889,303
Tax anticipation loans repaid				<u>(4,998,485)</u>
Total general receipts, interfund loans, transfers, and special items				<u>14,244,326</u>
Change in net assets				971,866
Net assets - beginning				<u>724,428</u>
Net assets - ending				<u><u>\$ 1,696,294</u></u>
<u>Assets</u>				
Cash and investments				\$ 1,523,942
Restricted assets:				
Cash and investments				<u>172,352</u>
Total assets				<u><u>\$ 1,696,294</u></u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 172,352
Unrestricted				<u>1,523,942</u>
Total net assets				<u><u>\$ 1,696,294</u></u>

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

SHELBY EASTERN SCHOOLS
STATEMENT 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 Operating	Special Ed/ Preschool	Cafeteria	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:										
Local sources	\$ 2,247,403	\$ 520,498	\$ 5,593	\$ 417,457	\$ 123,003	\$ 1,122,182	\$ 558,736	\$ 57,993	\$ 125,525	\$ 5,178,390
Intermediate sources	407	-	-	-	-	-	-	-	113	520
State sources	5,652,354	-	64,460	8,472	15,868	-	-	-	13,077	5,754,231
Federal sources	-	-	-	131,529	-	-	-	-	184,112	315,641
Bonds and loans	2,986,358	-	-	-	-	-	-	-	-	2,986,358
Sale of property, adjustments and refunds	12,612	4,215	-	120	3,889	-	8,601	-	-	29,437
Total receipts	10,899,134	524,713	70,053	557,578	142,760	1,122,182	567,337	57,993	322,827	14,264,577
Disbursements:										
Current:										
Instruction	6,262,862	-	-	-	-	-	-	-	175,521	6,438,383
Support services	1,975,786	911,951	-	511,391	128,988	-	718,717	62,494	22,597	4,331,924
Community services	146,033	-	-	-	-	-	-	-	438	146,471
Nonprogrammed charges	665,462	-	66,000	-	-	-	-	-	-	731,462
Debt services	926,905	-	-	-	-	2,218,668	-	-	160,918	3,306,491
Total disbursements	9,977,048	911,951	66,000	511,391	128,988	2,218,668	718,717	62,494	359,474	14,954,731
Excess (deficiency) of receipts over disbursements	922,086	(387,238)	4,053	46,187	13,772	(1,096,486)	(151,380)	(4,501)	(36,647)	(690,154)
Other financing sources (uses):										
Transfers in	96,108	22,365	279	-	-	53,711	16,595	1,118	14,044	204,220
Transfers out	-	-	-	-	-	-	-	-	(204,220)	(204,220)
Total other financing sources (uses)	96,108	22,365	279	-	-	53,711	16,595	1,118	(190,176)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,018,194	(364,873)	4,332	46,187	13,772	(1,042,775)	(134,785)	(3,383)	(226,823)	(690,154)
Cash and investments - beginning	(666,625)	307,466	88,904	85,785	77,358	1,213,703	(12,283)	64,656	255,618	1,414,582
Cash and investments - ending	\$ 351,569	\$ (57,407)	\$ 93,236	\$ 131,972	\$ 91,130	\$ 170,928	\$ (147,068)	\$ 61,273	\$ 28,795	\$ 724,428
Cash and Investment Assets - Ending										
Cash and investments	\$ 351,569	\$ (57,407)	\$ 93,236	\$ 131,972	\$ 91,130	\$ -	\$ (147,068)	\$ 61,273	\$ 117,273	\$ 641,978
Restricted assets:										
Cash and investments	-	-	-	-	-	170,928	-	-	(88,478)	82,450
Total cash and investment assets - ending	\$ 351,569	\$ (57,407)	\$ 93,236	\$ 131,972	\$ 91,130	\$ 170,928	\$ (147,068)	\$ 61,273	\$ 28,795	\$ 724,428
Cash and Investment Fund Balance - Ending										
Restricted for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,928	\$ -	\$ -	\$ (88,478)	\$ 82,450
Unrestricted	351,569	(57,407)	93,236	131,972	91,130	-	(147,068)	61,273	117,273	641,978
Total cash and investment fund balance - ending	\$ 351,569	\$ (57,407)	\$ 93,236	\$ 131,972	\$ 91,130	\$ 170,928	\$ (147,068)	\$ 61,273	\$ 28,795	\$ 724,428

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

SHELBY EASTERN SCHOOLS
STATEMENT 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, 2008

	General	Transportation Operating	Special Ed/ Preschool	Cafeteria	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:										
Local sources	\$ 2,786,717	\$ 670,350	\$ 6,867	\$ 394,590	\$ 140,315	\$ 3,380,203	\$ 488,503	\$ 101,713	\$ 359,103	\$ 8,328,361
Intermediate sources	259	-	-	-	-	-	-	-	-	259
State sources	5,443,281	-	53,952	7,759	27,569	-	-	-	32,047	5,564,608
Federal sources	-	-	-	152,367	-	-	-	-	175,447	327,814
Bonds and loans	4,360,522	-	-	-	-	689,708	468,309	-	220,764	5,739,303
Sale of property, adjustments and refunds	(5,417)	2,608	-	100	500	-	3,041	-	-	832
Total receipts	12,585,362	672,958	60,819	554,816	168,384	4,069,911	959,853	101,713	787,361	19,961,177
Disbursements:										
Current:										
Instruction	5,448,887	-	-	-	-	-	-	-	147,147	5,596,034
Support services	2,353,671	996,426	5,745	533,379	105,622	-	559,225	-	71,606	4,625,674
Community services	165,565	-	-	-	-	-	-	-	671	166,236
Nonprogrammed charges	932,349	-	23,573	-	-	-	-	-	-	955,922
Debt services	2,488,935	609,550	-	-	-	4,229,527	-	-	317,433	7,645,445
Total disbursements	11,389,407	1,605,976	29,318	533,379	105,622	4,229,527	559,225	-	536,857	18,989,311
Excess (deficiency) of receipts over disbursements	1,195,955	(933,018)	31,501	21,437	62,762	(159,616)	400,628	101,713	250,504	971,866
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	3,370	3,370
Transfers out	-	-	-	-	-	-	-	-	(3,370)	(3,370)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,195,955	(933,018)	31,501	21,437	62,762	(159,616)	400,628	101,713	250,504	971,866
Cash and investments - beginning	351,569	(57,407)	93,236	131,972	91,130	170,928	(147,068)	61,273	28,795	724,428
Cash and investments - ending	\$ 1,547,524	\$ (990,425)	\$ 124,737	\$ 153,409	\$ 153,892	\$ 11,312	\$ 253,560	\$ 162,986	\$ 279,299	\$ 1,696,294
Cash and Investment Assets - Ending										
Cash and investments	\$ 1,547,524	\$ (990,425)	\$ 124,737	\$ 153,409	\$ 153,892	\$ -	\$ 253,560	\$ 162,986	\$ 118,259	\$ 1,523,942
Restricted assets:										
Cash and investments	-	-	-	-	-	11,312	-	-	161,040	172,352
Total cash and investment assets - ending	\$ 1,547,524	\$ (990,425)	\$ 124,737	\$ 153,409	\$ 153,892	\$ 11,312	\$ 253,560	\$ 162,986	\$ 279,299	\$ 1,696,294
Cash and Investment Fund Balance - Ending										
Restricted for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,312	\$ -	\$ -	\$ 161,040	\$ 172,352
Unrestricted	1,547,524	(990,425)	124,737	153,409	153,892	-	253,560	162,986	118,259	1,523,942
Total cash and investment fund balance - ending	\$ 1,547,524	\$ (990,425)	\$ 124,737	\$ 153,409	\$ 153,892	\$ 11,312	\$ 253,560	\$ 162,986	\$ 279,299	\$ 1,696,294

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

SHELBY EASTERN SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Retirement/ Severance Bond	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ -	\$ -
Other	-	98,766
Total contributions	-	98,766
Total additions	-	98,766
Deductions:		
Benefits	212,520	-
Administrative and general	-	69,264
Total deductions	212,520	69,264
Excess (deficiency) of total additions over total deductions	(212,520)	29,502
Cash and investment fund balance - beginning	525,265	30,026
Cash and investment fund balance - ending	\$ 312,745	\$ 59,528
Net assets:		
Cash and investments	\$ 312,745	\$ 59,528
Total net assets - cash and investment basis held in trust	\$ 312,745	\$ 59,528

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

SHELBY EASTERN SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Retirement/ Severance Bond	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ -	\$ -
Other	-	93,653
	-	93,653
Total contributions	-	93,653
	-	93,653
Deductions:		
Benefits	88,085	-
Administrative and general	-	71,448
	88,085	71,448
Total deductions	88,085	71,448
Excess (deficiency) of total additions over total deductions	(88,085)	22,205
Cash and investment fund balance - beginning	312,745	59,528
Cash and investment fund balance - ending	\$ 224,660	\$ 81,733
Net assets:		
Cash and investments	\$ 224,660	\$ 81,733
Total net assets - cash and investment basis held in trust	\$ 224,660	\$ 81,733

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

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Shelbyville Central Schools, Northwestern Consolidated School District of Shelby County, Southwestern Consolidated School District of Shelby County, and Flatrock-Hawcreek School Corporation in a joint venture to operate Blue River Special Education Cooperative. The coop was created to provide a comprehensive program of special education for children from the participating school corporations. The School Corporation is obligated by contract to remit an annual amount derived by a funding formula stated in the contract. Complete financial statements for the Blue River Special Education Cooperative can be obtained from their administrative offices located at 1111 West McKay Road, Shelbyville, Indiana, 46176.

The School Corporation is a participant with Shelbyville Central Schools, Northwestern Consolidated School District of Shelby County, and Southwestern Consolidated School District of Shelby County in a joint venture to operate Blue River Career Programs. The venture was created to provide a comprehensive program of vocational education for children from the participating school corporations. The School Corporation is obligated by contract to remit an annual amount derived by a funding formula stated in the contract. Complete financial statements for the Blue River Career Programs can be obtained from their administrative offices located at 801 St. Joseph Street, Shelbyville, Indiana, 46176.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds.

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements 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, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

The special education/preschool fund accounts for federal, state and local funds received for the operation of the special education preschool program.

The cafeteria fund accounts for federal, state and local funds received for the operation of the school lunch and breakfast program.

The textbook rental fund accounts for state and local funds received for the acquisition of textbooks.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the retirement severance bond fund, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the extra-curricular funds.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial statements 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.

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 statements.

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid timely.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2007 and 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007
General	\$ 500,777
Transportation Operating	154,625
Total	\$ 655,402

These disbursements were funded by available fund balance.

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006-2007	2007-2008
Severance Bond	\$ (88,478)	\$ -
Capital Projects	(147,068)	-
Transportation Operating	(57,408)	(990,426)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2008, the bank balances of the School Corporation were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2006-2007	2007-2008
General Fund	Other governmental funds	\$ 96,108	\$ -
Transportation Operating	Other governmental funds	22,365	-
Special Ed/Preschool	Other governmental funds	279	-
Debt Service	Other governmental funds	53,711	-
Capital Projects	Other governmental funds	16,595	-
School Bus Replacement	Other governmental funds	1,118	-
Other governmental funds	Other governmental funds	14,044	3,370
Totals		<u>\$ 204,220</u>	<u>\$ 3,370</u>

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

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	Balance as Reported June 30, 2006	Fund Reclassification	New Funds	Prior Period Adjustments	Balance as Restated July 1, 2006
Governmental Funds	\$ 1,418,441	\$ (3,859)	\$ -	\$ -	\$ 1,414,582
Private-Purpose Trust Funds	26,167	3,859	-	-	30,026

D. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions as follows:

Tax Anticipation Warrants	2007	2008
Due beginning of the year	\$ 3,205,110	\$ 5,264,563
New warrants advanced	2,986,358	4,889,303
Warrants repaid	<u>926,905</u>	<u>4,998,485</u>
Due end of the Year	<u>\$ 5,264,563</u>	<u>\$ 5,155,381</u>
<u>Due From Fund</u>		
General	\$ 2,754,563	\$ 3,776,150
Transportation	610,000	450
Capital Projects	-	468,309
Debt Service	1,900,000	689,708
Severance Bonds	<u>-</u>	<u>220,764</u>
	<u>\$ 5,264,563</u>	<u>\$ 5,155,381</u>

E. Loans Payable – Line-of-Credit

The School Corporation entered into a Line-of-Credit loan with Shelby County Bank in September of 2007 for the purposes of financing current operations. The maximum credit limit established by the School Board, and approved by the bank, was \$1,000,000.

During the fiscal year ended June 30, 2008, \$850,000 was advanced to the School Corporation under this agreement. That same amount remained as a loan payable as of June 30, 2008.

IV. Other Information

A. Risk Management

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

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Medical Benefits to Employees, Retirees and Dependents

During 1989, the School Corporation joined together with other governmental entities to form the South Central Indiana School Trust Fund, a public entity risk pool currently operating as a common risk management and insurance program for twelve member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees, and dependents. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with Shelby Eastern Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the government. Lease payments during the fiscal years ending June 30, 2007 and 2008, totaled \$2,026,500 and \$2,077,500, respectively.

C. Subsequent Events – Controlled School Corporation Status

On October 23, 2007, the Indiana Department of Local Government Finance, on a recommendation from the School Property Tax Control Board, approved an excessive tax levy increase to provide the School Corporation emergency financial relief in the amount of \$1,900,000. On that date, substantial control of the School Corporation's financial activities was transferred from the Local School Board to the State Property Tax Control Board ("Controlled School" Status).

As of the date of this report, the School Corporation remains in that same "Controlled School" status.

D. Early Retirement Benefits

During the fiscal year 2007-2008, the School Corporation paid a total of \$85,810 in early retirement benefits to four eligible retirees.

E. Postemployment Benefits

In addition to the pension benefits described in Note IV F, the School Corporation provides postemployment medical insurance, life insurance and cash benefits, as authorized by IC 5-10-8, to all certified employees who retire from the School Corporation on or after attaining age 55 with at least 20 years of service. Currently, 16 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, \$153,750 was expended for postemployment benefits.

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 47,073
Interest on net pension obligation	(4,807)
Adjustment to annual required contribution	5,478
Annual pension cost	47,744
Contributions made	46,987
Increase (decrease) in net pension obligation	757
Net pension obligation, beginning of year	(66,302)
Net pension obligation, end of year	\$ (65,545)

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	6.41%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 48,801	103%	\$ (84,243)
	06-30-06	57,682	69%	(66,302)
	06-30-07	47,744	98%	(65,545)

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

Teachers' Retirement Fund

Plan Description

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

SHELBY EASTERN SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$137,177, \$130,504, and \$134,268, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SHELBY EASTERN SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 644,676	\$ 830,456	\$ (185,780)	78%	\$ 855,878	(22%)
07-01-06	645,543	676,836	(31,293)	95%	713,153	(4%)
07-01-07	715,070	647,539	67,531	110%	571,727	12%

SHELBY EASTERN SCHOOLS
 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

	Levy Excess	Education License Plates	School Safe Haven	Gifted/Talented 2005-2006	Gifted/Talented Gifted/Talented 2006-2007	Shelby County Drug Free Coalition
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	112	-	-	-	-
State sources	-	-	-	-	13,077	-
Federal sources	-	-	-	-	-	-
Total receipts	-	112	-	-	13,077	-
Disbursements:						
Current:						
Instruction	-	-	-	8,622	7,937	-
Support services	-	-	-	-	-	1,000
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	-	8,622	7,937	1,000
Excess (deficiency) of receipts over disbursements	-	112	-	(8,622)	5,140	(1,000)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(199,506)	-	(1)	-	-	-
Total other financing sources (uses)	(199,506)	-	(1)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(199,506)	112	(1)	(8,622)	5,140	(1,000)
Cash and investments - beginning	199,506	1,516	1	8,622	-	1,000
Cash and investments - ending	\$ -	\$ 1,628	\$ -	\$ -	\$ 5,140	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 1,628	\$ -	\$ -	\$ 5,140	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 1,628	\$ -	\$ -	\$ 5,140	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	1,628	-	-	5,140	-
Total cash and investment fund balance - ending	\$ -	\$ 1,628	\$ -	\$ -	\$ 5,140	\$ -

SHELBY EASTERN SCHOOLS
 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)

	Medicaid Reimbursement	Non-English Speaking	English Pilot Program	Regional Tech Grant	Biology Pilot Program	MES IN Student Student Achievement
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-
Cash and investments - beginning	14,452	41	5,927	2,100	8,177	639
Cash and investments - ending	<u>\$ 14,452</u>	<u>\$ 41</u>	<u>\$ 5,927</u>	<u>\$ 2,100</u>	<u>\$ 8,177</u>	<u>\$ 639</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 14,452	\$ 41	\$ 5,927	\$ 2,100	\$ 8,177	\$ 639
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 14,452</u>	<u>\$ 41</u>	<u>\$ 5,927</u>	<u>\$ 2,100</u>	<u>\$ 8,177</u>	<u>\$ 639</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	14,452	41	5,927	2,100	8,177	639
Total cash and investment fund balance - ending	<u>\$ 14,452</u>	<u>\$ 41</u>	<u>\$ 5,927</u>	<u>\$ 2,100</u>	<u>\$ 8,177</u>	<u>\$ 639</u>

SHELBY EASTERN SCHOOLS
 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)

	AP Bio/Chem Donations WHS	Title I 2005-2006	Title I 2006-2007	Title V, Part A	Title V, Part A 2005-2006	Safe/Drug Free Schools 03/05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	66,869	1,828	-	-
Total receipts	-	-	66,869	1,828	-	-
Disbursements:						
Current:						
Instruction	441	682	60,792	-	-	-
Support services	-	83	5,907	-	1,661	789
Community services	-	346	92	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	441	1,111	66,791	-	1,661	789
Excess (deficiency) of receipts over disbursements	(441)	(1,111)	78	1,828	(1,661)	(789)
Other financing sources (uses):						
Transfers in	-	-	4,713	-	-	-
Transfers out	-	(4,713)	-	-	-	-
Total other financing sources (uses)	-	(4,713)	4,713	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(441)	(5,824)	4,791	1,828	(1,661)	(789)
Cash and investments - beginning	441	5,824	-	-	4,231	5,212
Cash and investments - ending	\$ -	\$ -	\$ 4,791	\$ 1,828	\$ 2,570	\$ 4,423
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 4,791	\$ 1,828	\$ 2,570	\$ 4,423
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ 4,791	\$ 1,828	\$ 2,570	\$ 4,423
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	4,791	1,828	2,570	4,423
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 4,791	\$ 1,828	\$ 2,570	\$ 4,423

SHELBY EASTERN SCHOOLS
 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)

	Safe/Drug Free Schools 05/07	Title II, Part A FY 2005	Title I Enhancing Ed Through Technology	Severance Bond	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 125,525	\$ -	\$ 125,525
Intermediate sources	-	-	-	-	-	112
State sources	-	-	-	-	-	13,077
Federal sources	-	66,021	49,394	-	-	184,112
Total receipts	-	66,021	49,394	125,525	-	322,826
Disbursements:						
Current:						
Instruction	-	97,048	-	-	-	175,522
Support services	556	7,970	4,631	-	-	22,597
Community services	-	-	-	-	-	438
Debt services	-	-	-	160,918	-	160,918
Total disbursements	556	105,018	4,631	160,918	-	359,475
Excess (deficiency) of receipts over disbursements	(556)	(38,997)	44,763	(35,393)	-	(36,649)
Other financing sources (uses):						
Transfers in	-	-	-	9,331	-	14,044
Transfers out	-	-	-	-	-	(204,220)
Total other financing sources (uses)	-	-	-	9,331	-	(190,176)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(556)	(38,997)	44,763	(26,062)	-	(226,825)
Cash and investments - beginning	556	52,961	2,704	(62,416)	4,126	255,620
Cash and investments - ending	\$ -	\$ 13,964	\$ 47,467	\$ (88,478)	\$ 4,126	\$ 28,795
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 13,964	\$ 47,467	\$ -	\$ 4,126	\$ 117,273
Restricted assets:						
Cash and investments	-	-	-	(88,478)	-	(88,478)
Total cash and investment assets - ending	\$ -	\$ 13,964	\$ 47,467	\$ (88,478)	\$ 4,126	\$ 28,795
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ (88,478)	\$ -	\$ (88,478)
Unrestricted	-	13,964	47,467	-	4,126	117,273
Total cash and investment fund balance - ending	\$ -	\$ 13,964	\$ 47,467	\$ (88,478)	\$ 4,126	\$ 28,795

SHELBY EASTERN SCHOOLS
 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, 2008

	Education License Plates	Gifted/Talented 2006-2007	Gifted/Talented 2007-2008	Medicaid Reimbursement	Non-English Speaking	School Technology	English Pilot Project
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,916	\$ -
State sources	-	-	32,047	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	-	-	32,047	-	-	12,916	-
Disbursements:							
Current:							
Instruction	-	5,070	10,176	-	-	-	-
Support services	-	70	-	-	-	6,240	-
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	5,140	10,176	-	-	6,240	-
Excess (deficiency) of receipts over disbursements	-	(5,140)	21,871	-	-	6,676	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,140)	21,871	-	-	6,676	-
Cash and investments - beginning	1,628	5,140	-	14,452	41	-	5,927
Cash and investments - ending	<u>\$ 1,628</u>	<u>\$ -</u>	<u>\$ 21,871</u>	<u>\$ 14,452</u>	<u>\$ 41</u>	<u>\$ 6,676</u>	<u>\$ 5,927</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 1,628	\$ -	\$ 21,871	\$ 14,452	\$ 41	\$ 6,676	\$ 5,927
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,628</u>	<u>\$ -</u>	<u>\$ 21,871</u>	<u>\$ 14,452</u>	<u>\$ 41</u>	<u>\$ 6,676</u>	<u>\$ 5,927</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,628	-	21,871	14,452	41	6,676	5,927
Total cash and investment fund balance - ending	<u>\$ 1,628</u>	<u>\$ -</u>	<u>\$ 21,871</u>	<u>\$ 14,452</u>	<u>\$ 41</u>	<u>\$ 6,676</u>	<u>\$ 5,927</u>

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

SHELBY EASTERN SCHOOLS
 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, 2008
 (Continued)

	Regional Tech Grant	Biology Pilot Program	MES IN Student Achievement	Title I 2006-2007	Title I 2007-2008	Title V, Part A 2007-2008	Title I, Part A 2005-2006
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	111,666	2,009	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	-	-	-	-	111,666	2,009	-
Disbursements:							
Current:							
Instruction	-	-	-	522	86,844	-	-
Support services	-	-	-	600	8,037	-	2,570
Community services	-	-	-	299	372	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,421	95,253	-	2,570
Excess (deficiency) of receipts over disbursements	-	-	-	(1,421)	16,413	2,009	(2,570)
Other financing sources (uses):							
Transfers in	-	-	-	-	3,370	-	-
Transfers out	-	-	-	(3,370)	-	-	-
Total other financing sources (uses)	-	-	-	(3,370)	3,370	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(4,791)	19,783	2,009	(2,570)
Cash and investments - beginning	2,100	8,177	639	4,791	-	1,828	2,570
Cash and investments - ending	<u>\$ 2,100</u>	<u>\$ 8,177</u>	<u>\$ 639</u>	<u>\$ -</u>	<u>\$ 19,783</u>	<u>\$ 3,837</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 2,100	\$ 8,177	\$ 639	\$ -	\$ 19,783	\$ 3,837	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 2,100</u>	<u>\$ 8,177</u>	<u>\$ 639</u>	<u>\$ -</u>	<u>\$ 19,783</u>	<u>\$ 3,837</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,100	8,177	639	-	19,783	3,837	-
Total cash and investment fund balance - ending	<u>\$ 2,100</u>	<u>\$ 8,177</u>	<u>\$ 639</u>	<u>\$ -</u>	<u>\$ 19,783</u>	<u>\$ 3,837</u>	<u>\$ -</u>

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

SHELBY EASTERN SCHOOLS
 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, 2008
 (Continued)

	Title IV, Part A Safe/Drug Free	Title II, Part A	Title I FY2005	Title II, Part D	Severance Bond	Construction	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 346,187	\$ -	\$ 359,103
State sources	-	-	-	-	-	-	32,047
Federal sources	-	11,672	39,600	10,500	-	-	175,447
Bonds and loans	-	-	-	-	220,764	-	220,764
Total receipts	-	11,672	39,600	10,500	566,951	-	787,361
Disbursements:							
Current:							
Instruction	-	-	42,282	2,253	-	-	147,147
Support services	4,423	-	2,199	47,467	-	-	71,606
Community services	-	-	-	-	-	-	671
Debt services	-	-	-	-	317,433	-	317,433
Total disbursements	4,423	-	44,481	49,720	317,433	-	536,857
Excess (deficiency) of receipts over disbursements	(4,423)	11,672	(4,881)	(39,220)	249,518	-	250,504
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	3,370
Transfers out	-	-	-	-	-	-	(3,370)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,423)	11,672	(4,881)	(39,220)	249,518	-	250,504
Cash and investments - beginning	4,423	-	13,964	47,467	(88,478)	4,126	28,795
Cash and investments - ending	\$ -	\$ 11,672	\$ 9,083	\$ 8,247	\$ 161,040	\$ 4,126	\$ 279,299
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 11,672	\$ 9,083	\$ 8,247	\$ -	\$ 4,126	\$ 118,259
Restricted assets:							
Cash and investments	-	-	-	-	161,040	-	161,040
Total cash and investment assets - ending	\$ -	\$ 11,672	\$ 9,083	\$ 8,247	\$ 161,040	\$ 4,126	\$ 279,299
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 161,040	\$ -	\$ 161,040
Unrestricted	-	11,672	9,083	8,247	-	4,126	118,259
Total cash and investment fund balance - ending	\$ -	\$ 11,672	\$ 9,083	\$ 8,247	\$ 161,040	\$ 4,126	\$ 279,299

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

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	MHS Library Award	Wal-Mart Grant - Roth	Blue River Foundation	Blue River Foundation - MHS	Wal-Mart WHS Girls Basketball	Pacer Foundation Grant - MHS	School to Career
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ -	\$ 425	\$ -	\$ 3,358	\$ -
Total additions	-	-	-	425	-	3,358	-
Deductions:							
Administrative and general	-	274	936	425	-	1,858	835
Excess (deficiency) of total additions over total deductions	-	(274)	(936)	-	-	1,500	(835)
Cash and investment fund balance - beginning	1,000	1,000	1,000	-	24	-	835
Cash and investments - June 30	<u>\$ 1,000</u>	<u>\$ 726</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 1,500</u>	<u>\$ -</u>
Net assets:							
Cash and investments	\$ 1,000	\$ 726	\$ 64	\$ -	\$ 24	\$ 1,500	\$ -
Total net assets - cash and investment basis held in trust	<u>\$ 1,000</u>	<u>\$ 726</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 1,500</u>	<u>\$ -</u>

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Waldron Elementary Outdoor Lab	MHS Robotic Program Donations	2002 Shelby County Drug Free Coalition	Shelby Co. Drug Free Coalition - WHS	Morristown HS Career Donation	Media Center Grant	MHS Tobacco Prevention
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ 684	\$ 300	\$ 200	\$ -	\$ 1,600
Total additions	<u>-</u>	<u>-</u>	<u>684</u>	<u>300</u>	<u>200</u>	<u>-</u>	<u>1,600</u>
Deductions:							
Administrative and general	<u>-</u>	<u>-</u>	<u>684</u>	<u>119</u>	<u>200</u>	<u>1,131</u>	<u>431</u>
Excess (deficiency) of total additions over total deductions	-	-	-	181	-	(1,131)	1,169
Cash and investment fund balance - beginning	<u>1,149</u>	<u>137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,131</u>	<u>-</u>
Cash and investments - June 30	<u>\$ 1,149</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>
Net assets:							
Cash and investments	<u>\$ 1,149</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,149</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Shelby County Health Dept.	Coca Cola Grant	Rush/Shelby Energy Grant	Wal-Mart Grant 2005 - MHS	K-Club	BRF-MHS Life Skills Grant	Rush/Shelby Energy Grant 2006
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ -	\$ -	\$ 87,199	\$ -	\$ -
Total additions	-	-	-	-	87,199	-	-
Deductions:							
Administrative and general	-	1,958	(14)	-	53,979	96	31
Excess (deficiency) of total additions over total deductions	-	(1,958)	14	-	33,220	(96)	(31)
Cash and investment fund balance - beginning	84	4,478	(14)	309	12,845	342	31
Cash and investments - June 30	<u>\$ 84</u>	<u>\$ 2,520</u>	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ 46,065</u>	<u>\$ 246</u>	<u>\$ -</u>
Net assets:							
Cash and investments	\$ 84	\$ 2,520	\$ -	\$ 309	\$ 46,065	\$ 246	\$ -
Total net assets - cash and investment basis held in trust	<u>\$ 84</u>	<u>\$ 2,520</u>	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ 46,065</u>	<u>\$ 246</u>	<u>\$ -</u>

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Paul O. Goble Memorial Donation	Morristown High School Soccer	Indiana Next 03/04	Cape Grant	SCDFC - MHS Lana Allen	SCDFC-WHS Mary Jo Nieman	Totals
Additions:							
Contributions:							
Other	\$ 50	\$ -	\$ -	\$ 2,000	\$ 2,200	\$ 750	\$ 98,766
Total additions	50	-	-	2,000	2,200	750	98,766
Deductions:							
Administrative and general	-	-	3,221	2,000	1,100	-	69,264
Excess (deficiency) of total additions over total deductions	50	-	(3,221)	-	1,100	750	29,502
Cash and investment fund balance - beginning	1,595	80	4,000	-	-	-	30,026
Cash and investments - June 30	<u>\$ 1,645</u>	<u>\$ 80</u>	<u>\$ 779</u>	<u>\$ -</u>	<u>\$ 1,100</u>	<u>\$ 750</u>	<u>\$ 59,528</u>
Net assets:							
Cash and investments	\$ 1,645	\$ 80	\$ 779	\$ -	\$ 1,100	\$ 750	\$ 59,528
Total net assets - cash and investment basis held in trust	<u>\$ 1,645</u>	<u>\$ 80</u>	<u>\$ 779</u>	<u>\$ -</u>	<u>\$ 1,100</u>	<u>\$ 750</u>	<u>\$ 59,528</u>

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	MHS Library Award	Wal-Mart Grant - Roth	Blue River Foundation	Wal-Mart WHS Girls Basketball	Pacer Foundation Grant - MHS	Waldron Elementary Outdoor Lab	MHS Robotic Program Donations
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,829
Total additions	-	-	-	-	-	-	20,829
Deductions:							
Administrative and general	-	-	-	-	1,500	-	14,674
Excess (deficiency) of total additions over total deductions	-	-	-	-	(1,500)	-	6,155
Cash and investment fund balance - beginning	1,000	726	64	24	1,500	1,149	137
Cash and investments - June 30	<u>\$ 1,000</u>	<u>\$ 726</u>	<u>\$ 64</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 1,149</u>	<u>\$ 6,292</u>
Net assets:							
Cash and investments	\$ 1,000	\$ 726	\$ 64	\$ 24	\$ -	\$ 1,149	\$ 6,292
Total net assets - cash and investment basis held in trust	<u>\$ 1,000</u>	<u>\$ 726</u>	<u>\$ 64</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 1,149</u>	<u>\$ 6,292</u>

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Shelby Co. Drug Free Coalition - WHS	MHS Tobacco Prevention	Shelby County Health Dept.	MHS BR Robotics	Coca Cola Grant	Wal-Mart Grant 2005 - MHS	K-Club
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ -	\$ 2,000	\$ 28,286	\$ -	\$ 33,339
Total additions	-	-	-	2,000	28,286	-	33,339
Deductions:							
Administrative and general	55	1,098	-	500	1,000	-	48,220
Excess (deficiency) of total additions over total deductions	(55)	(1,098)	-	1,500	27,286	-	(14,881)
Cash and investment fund balance - beginning	181	1,169	84	-	2,520	309	46,065
Cash and investments - June 30	<u>\$ 126</u>	<u>\$ 71</u>	<u>\$ 84</u>	<u>\$ 1,500</u>	<u>\$ 29,806</u>	<u>\$ 309</u>	<u>\$ 31,184</u>
Net assets:							
Cash and investments	\$ 126	\$ 71	\$ 84	\$ 1,500	\$ 29,806	\$ 309	\$ 31,184
Total net assets - cash and investment basis held in trust	<u>\$ 126</u>	<u>\$ 71</u>	<u>\$ 84</u>	<u>\$ 1,500</u>	<u>\$ 29,806</u>	<u>\$ 309</u>	<u>\$ 31,184</u>

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	BRF-MHS Life Skills Grant	Rush/Shelby Energy Grant 2006	Beta Phi Psi Iota XI - WHS	Paul O. Goble Memorial Donation	Rush/Shelby Energy Grant MHS	Eli Lilly Grant MHS
Additions:						
Contributions:						
Other	\$ -	\$ 2,199	\$ 850	\$ 75	\$ 525	\$ 500
Total additions	<u>-</u>	<u>2,199</u>	<u>850</u>	<u>75</u>	<u>525</u>	<u>500</u>
Deductions:						
Administrative and general	<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>525</u>	<u>499</u>
Excess (deficiency) of total additions over total deductions	(66)	2,199	850	75	-	1
Cash and investment fund balance - beginning	<u>246</u>	<u>-</u>	<u>-</u>	<u>1,645</u>	<u>-</u>	<u>-</u>
Cash and investments - June 30	<u>\$ 180</u>	<u>\$ 2,199</u>	<u>\$ 850</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1</u>
Net assets:						
Cash and investments	<u>\$ 180</u>	<u>\$ 2,199</u>	<u>\$ 850</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1</u>
Total net assets - cash and investment basis held in trust	<u>\$ 180</u>	<u>\$ 2,199</u>	<u>\$ 850</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1</u>

SHELBY EASTERN SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Morristown High School Soccer	Indiana Next 03/04	SCDFC-MHS Lana Allen	SCDFC-WHS Mary Jo Nieman	SCDFC Susie Swaney MES/MHS	Totals
Additions:						
Contributions:						
Other	\$ -	\$ 1,650	\$ -	\$ -	\$ 3,400	\$ 93,653
Total additions	-	1,650	-	-	3,400	93,653
Deductions:						
Administrative and general	-	1,361	1,100	750	100	71,448
Excess (deficiency) of total additions over total deductions	-	289	(1,100)	(750)	3,300	22,205
Cash and investment fund balance - beginning	80	779	1,100	750	-	59,528
Cash and investments - June 30	<u>\$ 80</u>	<u>\$ 1,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,300</u>	<u>\$ 81,733</u>
Net assets:						
Cash and investments	\$ 80	\$ 1,068	\$ -	\$ -	\$ 3,300	\$ 81,733
Total net assets - cash and investment basis held in trust	<u>\$ 80</u>	<u>\$ 1,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,300</u>	<u>\$ 81,733</u>

SHELBY EASTERN SCHOOLS
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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land/Buildings	\$ 72,374,404
Equipment	<u>2,712,454</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 75,086,858</u>

SHELBY EASTERN SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
High school facilities	\$ 26,655,000	\$ 2,146,000
Notes and loans payable	234,974	103,114
Bonds payable:		
General obligation bonds:		
Severance	2,830,000	483,658
Total governmental activities debt	\$ 29,719,974	\$ 2,732,772

SHELBY EASTERN SCHOOLS
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Severance Bond Fund, Capital Projects Fund and Transportation Operating Fund were overdrawn in FY 2006-2007. The Transportation Operating Fund was overdrawn in FY 2007-2008.

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)

GUARANTEED ENERGY SAVINGS CONTRACTS

Shelby Eastern Schools entered into a guaranteed energy savings contract with Johnson Controls on December 20, 1994, with an addendum added on April 13, 2000. The total amount of the contract was \$651,410 and the addendum was \$703,800. The total amount of guaranteed energy savings was \$401,270 for the contract and \$372,661 for the addendum. The total amount of guaranteed operational savings was \$250,140 for the contract. The total amount of guaranteed deferred capital cost savings was \$611,129 for the addendum. The contract provides operational cost savings projections and included capital expenditures as "agreed upon Operational Cost Savings." The "agreed upon" savings were "deemed realized upon execution" of the contract. No information was presented for audit to document the operational cost savings or guaranteed deferred capital cost savings.

The contract states in part: "Stipulated Savings are mutually agreed by the Customer and JCI . . . to be achieved upon execution of the Certificate of Substantial Completion and shall not be measured or monitored during the Term."

Stipulated Savings is further described in the contract as "Capital Budget Annual Avoided Cost - Includes any labor and material costs associated with the repair of unplanned maintenance of the equipment being replaced in the scope of work and includes cost avoidance from future planned equipment upgrades or replacement with the cost amortized over the ten years of the agreement." No information was presented for audit to document any "stipulated savings" that resulted in guaranteed deferred capital cost savings from energy conservation measures.

The project includes per the contract, "Cooling Tower Repl.," "High Efficiency Lighting," "Stream Trap Repair," "Facilities Management System," "Chiller Replacement," "Controls Repair," "Cooling Repair," "Cooling Tower Cleaning," and "System Balancing."

Statutory and Other Compliance Guideline Provisions

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

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

SHELBY EASTERN SCHOOLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

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

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

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

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

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

IC 36-1-12.5-11 states in part:

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

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

(c) The guaranteed energy savings contract shall:

(1) describe stipulated savings for:

(A) energy conservation measures; and

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

(2) document assumptions by industry engineering standards."

SHELBY EASTERN SCHOOLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

Repayment of Costs in Excess of Savings

Shelby Eastern Schools Officials conveyed that the items shown as "agreed upon" or "stipulated savings" have been predetermined. Furthermore, Shelby Eastern Schools Officials do not have available for audit and conveyed they do not plan in the future to have any additional information to document actual operating or energy savings. Accordingly, with due regards for the remaining contract time for which information may be presented to document actual operating and energy savings (effective March 21, 2002, "stipulated savings" documented by "industry engineering standards"), Shelby Eastern Schools should request reimbursement from Johnson Controls, Inc., for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by "industry engineering standards") at the end of the contract term in accordance with IC 36-1-12.5-5(d)(2)(B).

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

Non "Causally Connected Work"

The project included a "Security System", a "fire alarm", "new high performance coaxial speakers", "state intercom system", attic storage space added, and exterior sandblasting which totaled twenty percent (20%) of the total project.

Effective March 21, 2002, IC 36-1-12.5-12 states in part: "(a) An improvement that is not causally connected to an energy conservation measure may be included in a guaranteed energy savings contract if:

- (1) the total value of the improvement does not exceed fifteen percent (15%) of the total value of the guaranteed energy savings contract . . ."

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2007	\$ 500,777
Transportation	2007	154,625

IC 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."

SHELBY EASTERN SCHOOLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records presented for examination to support the Average Daily Membership (ADM) claimed by the School Corporation were not certified by the respective building principals.

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties of \$2,038.48 were paid to the Internal Revenue Service on April 13, 2007, for the period ending June 30, 2006.

Interest of \$6.81 was paid to the Indiana Department of Revenue on May 15, 2007, for the period ending December 31, 2003.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PRESCRIBED FORMS

The Transfer Tuition Statement (Form 515) was not in use for fiscal year 2007-2008. As a result, transfer students were not properly charged for tuition.

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)

SHELBY EASTERN SCHOOLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE

We noted \$24,309 was due from students for cash tuition as of June 30, 2008.

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

COMPENSATION AND BENEFITS

Some employee positions were not reflected in the salary ordinance or resolution adopted by the governing body.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

SHELBY EASTERN SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2009, with Donald Swisher, Superintendent of Schools; Mary C. Scott, Treasurer; Douglas Stocklin, President of the School Board; John R. Haymond, School Board Member; and Donna J. Tracy, School Board Member. The officials concurred with our examination findings.