

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

AUDIT REPORT
OF
SHENANDOAH SCHOOL CORPORATION
HENRY COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
03/29/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julia D. Miller	07-01-07 to 06-30-10
Superintendent of Schools	Ronald L. Green	07-01-07 to 06-30-10
President of the School Board	Scott Trennepohl	07-01-07 to 06-30-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shenandoah School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 15, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

March 15, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shenandoah School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, the School Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 15, 2010

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<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	\$ 5,278,957	\$ -	\$ 80,212	\$ (5,198,745)
Support services	3,784,382	338,254	180,738	(3,265,390)
Noninstructional services	626,556	-	-	(626,556)
Facilities acquisition and construction	802,220	-	-	(802,220)
Debt service	1,530,087	-	-	(1,530,087)
Nonprogrammed charges	1,114,428	-	-	(1,114,428)
Total governmental activities	<u>\$ 13,136,630</u>	<u>\$ 338,254</u>	<u>\$ 260,950</u>	<u>(12,537,426)</u>
General receipts:				
Property taxes				5,176,513
Other local sources				694,860
State aid				5,708,496
Tax anticipation warrants received				600,000
Tax anticipation warrants repaid				(600,000)
Grants and contributions not restricted to specific programs				205,189
Sale of property				49,393
Investment earnings				147,722
Other				<u>182,598</u>
Total general receipts				<u>12,164,771</u>
Change in net assets				(372,655)
Net assets - beginning				<u>1,577,618</u>
Net assets - ending				<u>\$ 1,204,963</u>
<u>Assets</u>				
Cash and investments				\$ 482,985
Restricted assets:				
Cash and investments				<u>721,978</u>
Total assets				<u>\$ 1,204,963</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 166,769
Other purposes				555,209
Unrestricted				<u>482,985</u>
Total net assets				<u>\$ 1,204,963</u>

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

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 5,095,230	\$ -	\$ 99,825	\$ (4,995,405)	
Support services	4,032,453	364,285	205,853	(3,462,315)	
Noninstructional services	614,566	-	-	(614,566)	
Facilities acquisition and construction	278,129	-	-	(278,129)	
Debt service	1,539,434	-	-	(1,539,434)	
Nonprogrammed charges	1,321,554	-	-	(1,321,554)	
Total governmental activities	\$ 12,881,366	\$ 364,285	\$ 305,678	(12,211,403)	
General receipts:					
Property taxes				4,149,292	
Other local sources				591,236	
State aid				6,370,725	
Grants and contributions not restricted to specific programs				921,134	
Sale of property				216	
Investment earnings				47,324	
Other				200,969	
Total general receipts				12,280,896	
Change in net assets				69,493	
Net assets - beginning				1,204,963	
Net assets - ending				\$ 1,274,456	
<u>Assets</u>					
Cash and investments				\$ 986,933	
Restricted assets:					
Cash and investments				287,523	
Total assets				\$ 1,274,456	
<u>Net Assets</u>					
Restricted for:					
Debt service				\$ (97,998)	
Other purposes				385,521	
Unrestricted				986,933	
Total net assets				\$ 1,274,456	

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

SHENANDOAH SCHOOL CORPORATION
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	School Lunch	Textbook Rental	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 2,265,628	\$ 299,637	\$ 81,136	\$ 1,747,670	\$ 650,106	\$ 1,312,402	\$ 6,356,579
Intermediate sources	207	-	-	-	-	563	770
State sources	5,757,096	8,023	29,666	-	-	82,245	5,877,030
Federal sources	-	143,049	-	-	-	154,556	297,605
Temporary loans	600,000	-	-	-	-	-	600,000
Other	129,865	1,173	300	-	8,072	473	139,883
Total receipts	8,752,796	451,882	111,102	1,747,670	658,178	1,550,239	13,271,867
Disbursements:							
Current:							
Instruction	5,144,673	-	-	-	-	134,284	5,278,957
Support services	2,395,704	-	36,478	-	461,690	890,510	3,784,382
Noninstructional services	149,722	476,634	-	-	-	200	626,556
Facilities acquisition and construction	-	-	-	-	802,220	-	802,220
Debt services	615,725	-	-	1,160,281	-	354,081	2,130,087
Nonprogrammed charges	932,595	-	-	-	-	47,469	980,064
Total disbursements	9,238,419	476,634	36,478	1,160,281	1,263,910	1,426,544	13,602,266
Excess (deficiency) of receipts over disbursements	(485,623)	(24,752)	74,624	587,389	(605,732)	123,695	(330,399)
Other financing sources (uses):							
Sale of capital assets	26,887	212	124	-	-	659	27,882
Transfers in	-	-	-	-	-	43,531	43,531
Transfers out	-	-	-	-	-	(43,531)	(43,531)
Total other financing sources (uses)	26,887	212	124	-	-	659	27,882
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(458,736)	(24,540)	74,748	587,389	(605,732)	124,354	(302,517)
Cash and investments - beginning	610,825	111,486	117,508	(245,979)	582,587	(224,156)	952,271
Cash and investments - ending	\$ 152,089	\$ 86,946	\$ 192,256	\$ 341,410	\$ (23,145)	\$ (99,802)	649,754
Amounts reported for governmental activities in the Statement 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 Statement of Activities and Net Assets - Cash and Investment Basis.							
							555,209
Net assets of governmental activities							\$ 1,204,963
Cash and Investment Assets - Ending							
Cash and investments	\$ 152,089	\$ 86,946	\$ 192,256	\$ -	\$ (23,145)	\$ 74,839	\$ 482,985
Restricted assets:							
Cash and investments	-	-	-	341,410	-	(174,641)	166,769
Total cash and investment assets - ending	\$ 152,089	\$ 86,946	\$ 192,256	\$ 341,410	\$ (23,145)	\$ (99,802)	\$ 649,754
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 341,410	\$ -	\$ (174,641)	\$ 166,769
Unrestricted	152,089	86,946	192,256	-	(23,145)	74,839	482,985
Total cash and investment fund balance - ending	\$ 152,089	\$ 86,946	\$ 192,256	\$ 341,410	\$ (23,145)	\$ (99,802)	\$ 649,754

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

SHENANDOAH SCHOOL CORPORATION
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, 2009

	General	School Lunch	Textbook Rental	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 1,997,714	\$ 301,173	\$ 82,552	\$ 898,798	\$ 565,699	\$ 1,305,544	\$ 5,151,480
Intermediate sources	207	-	-	-	-	450	657
State sources	6,438,673	-	31,881	-	-	74,901	6,545,455
Federal sources	-	173,972	-	-	-	878,110	1,052,082
Other	12,132	311	109	-	-	1,117	13,669
Total receipts	8,448,726	475,456	114,542	898,798	565,699	2,260,122	12,763,343
Disbursements:							
Current:							
Instruction	4,727,371	-	-	-	-	367,859	5,095,230
Support services	2,476,220	314	205,251	-	162,892	1,187,776	4,032,453
Noninstructional services	148,998	458,083	-	-	-	7,485	614,566
Facilities acquisition and construction	-	-	-	-	278,129	-	278,129
Debt services	22,052	-	-	1,164,000	-	353,382	1,539,434
Nonprogrammed charges	688,606	-	-	-	-	275,960	964,566
Total disbursements	8,063,247	458,397	205,251	1,164,000	441,021	2,192,462	12,524,378
Excess (deficiency) of receipts over disbursements	385,479	17,059	(90,709)	(265,202)	124,678	67,660	238,965
Other financing sources (uses):							
Sale of capital assets	-	-	216	-	-	-	216
Transfers in	-	-	-	-	-	2,103	2,103
Transfers out	-	-	-	-	-	(2,103)	(2,103)
Total other financing sources (uses)	-	-	216	-	-	-	216
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	385,479	17,059	(90,493)	(265,202)	124,678	67,660	239,181
Cash and investments - beginning	152,089	86,946	192,256	341,410	(23,145)	(99,802)	649,754
Cash and investments - ending	<u>\$ 537,568</u>	<u>\$ 104,005</u>	<u>\$ 101,763</u>	<u>\$ 76,208</u>	<u>\$ 101,533</u>	<u>\$ (32,142)</u>	888,935
Amounts reported for governmental activities in the Statement 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 Statement of Activities and Net Assets - Cash and Investment Basis.							
							<u>385,521</u>
Net assets of governmental activities							<u>\$ 1,274,456</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 537,568	\$ 104,005	\$ 101,763	\$ -	\$ 101,533	\$ 142,064	\$ 986,933
Restricted assets:							
Cash and investments	-	-	-	76,208	-	(174,206)	(97,998)
Total cash and investment assets - ending	<u>\$ 537,568</u>	<u>\$ 104,005</u>	<u>\$ 101,763</u>	<u>\$ 76,208</u>	<u>\$ 101,533</u>	<u>\$ (32,142)</u>	<u>\$ 888,935</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	76,208	\$ -	\$ (174,206)	\$ (97,998)
Unrestricted	537,568	104,005	101,763	-	101,533	142,064	986,933
Total cash and investment fund balance - ending	<u>\$ 537,568</u>	<u>\$ 104,005</u>	<u>\$ 101,763</u>	<u>\$ 76,208</u>	<u>\$ 101,533</u>	<u>\$ (32,142)</u>	<u>\$ 888,935</u>

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

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 980,999
Miscellaneous	<u>64,226</u>
Total operating receipts	<u>1,045,225</u>
Operating disbursements:	
Insurance claims and expense	705,485
Other	<u>409,878</u>
Total operating disbursements	<u>1,115,363</u>
Change in net assets	(70,138)
Cash and investment fund balance - beginning	<u>625,347</u>
Cash and investment fund balance - ending	<u>\$ 555,209</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 555,209</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 555,209</u>

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

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 917,024
Miscellaneous	187,300
Total operating receipts	1,104,324
Operating disbursements:	
Insurance claims and expense	27,154
Other	1,246,858
Total operating disbursements	1,274,012
Change in net assets	(169,688)
Cash and investment fund balance - beginning	555,209
Cash and investment fund balance - ending	\$ 385,521
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 385,521
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 385,521

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

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 36,213	
Excess of total additions over total deductions	36,213	
Cash and investment fund balance - beginning	1,267,810	
Cash and investment fund balance - ending	\$ 1,304,023	\$ 603
Net assets:		
Cash and investments	\$ 1,304,023	
Total net assets - cash and investment basis held in trust	\$ 1,304,023	

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

SHENANDOAH SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 8,515	
Deductions:		
Benefits	3,310	
Excess of total additions over total deductions	5,205	
Cash and investment fund balance - beginning	1,304,023	
Cash and investment fund balance - ending	<u>\$ 1,309,228</u>	<u>\$ 8,837</u>
Net assets:		
Cash and investments	<u>\$ 1,309,228</u>	
Total net assets - cash and investment basis held in trust	<u>\$ 1,309,228</u>	

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

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Shenandoah School Corporation

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

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 many other member school corporations in a joint venture to operate East Central Indiana Natural Gas Cooperative (Co-op) which was created to take advantage of bulk purchasing power. The Co-op's governing board consists of a member selected by each participating school corporation. The board has full authority to manage the Co-op's operations and also maintains the treasury functions. Complete financial statements for the East Central Indiana Natural Gas Cooperative can be obtained from East Central Educational Service Center, 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, IN 47362.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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

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

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

The School 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.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The agency fund accounts for assets held by the School Corporation as an agent for amounts withheld from employees and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

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.

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

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

D. Assets and Cash 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 scheduled to be distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary 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 and proprietary 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:

- 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. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

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 or highway use taxes are received 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.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the 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. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Retirement/Severance Bond	\$ (174,641)	\$ (174,206)
Capital Projects	(23,145)	-
Transportation Operating	(25,846)	(60,844)
Totals	<u>\$ (223,632)</u>	<u>\$ (235,050)</u>

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 and Investments

1. 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. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the School Corporation had deposit balances in the amount of \$2,592,519.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School Corporation does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

SHENANDOAH SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
Other governmental funds	Other governmental funds	<u>\$ 43,531</u>	<u>\$ 2,103</u>

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

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$35,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with Shenandoah School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

School Corporation. The Shenandoah School Building Corporation also refunded the Shenandoah Middle School Building Corporation capital lease and the Northwest Henry School Building Corporation lease that were organized for the purpose of financing and constructing and reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years ended June 30, 2008 and 2009, totaled \$945,000 and \$975,000, respectively.

C. Subsequent Events

Construction and Related Financing

The School Corporation entered into a \$1,888,440 contract with Performance Services, Inc., on November 16, 2009, for the installation of certain energy conservation measures at the middle school and roof replacement construction on the high school gymnasium.

The School Corporation construction was financed by a program awarded through the American Recovery and Reinvestment Act (ARRA), by way of the Qualified School Construction Bond Program, and a guaranteed energy savings long-term lease with the Shenandoah School Building Corporation.

The Shenandoah School Building Corporation issued \$1,978,000 Taxable Ad Valorem Property Tax First Mortgage Bonds - Series 2009 (dated December 1, 2009). The bonds were sold to the Indiana Bond Bank to finance the construction. The repayment period begins July 1, 2011, and ends January 1, 2024. Semiannual payments are due each July 1 and January 1 at interest rates ranging from 1.53% to 1.77%. The average annual debt service requirement will be \$173,264.

D. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare and Early Retirement Cash Payment Plan

Plan Description

The Shenandoah School Corporation Healthcare and Early Retirement Cash Payment Plan is a single-employer defined benefit healthcare and early retirement cash payment plan administered by the Shenandoah School Board. The plan provides medical benefits to eligible retirees and their spouses and early retirement cash payments to retirees. The number of retirees meeting eligibility requirements for the healthcare plan and the early retirement cash payment plan are twelve certified staff and three non-certified staff. IC 5-10-08 assigns the authority to establish and amend benefit provisions to the School Corporation. The financial activity of this plan is included in these financial statements.

Funding Policy

The contribution requirements of plan members for the Shenandoah School Corporation Healthcare Plan are established by the School Corporation's school board. The required contribution is based on pay-as-you-go financing requirements. For the audit period ended June 30, 2009, the School Corporation contributed \$150,803 for healthcare benefits, 90% of total premiums. Plan members receiving benefits contributed \$12,748 or approximately 10% of the total premiums. The School Corporation expended \$220,204 for early retirement cash payments to retirees.

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 63,687
Interest on net pension obligation	(4,604)
Adjustment to annual required contribution	5,247
Annual pension cost	64,330
Contributions made	70,206
Increase (decrease) in net pension obligation	(5,876)
Net pension obligation, beginning of year	(63,509)
Net pension obligation, end of year	\$ (69,385)

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	7.50%
Plan members	3%
Actuarial valuation date	07-01-08
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

<u>Actuarial Assumptions</u>	PERF
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	06-30-06	\$ 58,542	96%	\$ (57,325)
	06-30-07	55,515	111%	(63,509)
	06-30-08	64,330	109%	(69,385)

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

Teachers' Retirement Fund

Plan Description

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

SHENANDOAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.0% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2008, and 2009, were \$121,474, \$134,429, and \$152,571, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SHENANDOAH SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 821,475	\$ 887,678	\$ (66,203)	93%	\$ 771,764	(9%)
07-01-07	954,634	1,044,001	(89,367)	91%	862,434	(10%)
07-01-08	970,300	1,120,268	(149,968)	87%	890,160	(17%)

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, 2008

	Transportation Operating	Special Education Preschool	Education License Plates	School Safe Haven	Cinergy Foundation Grant	Gifted and Talented 07-08	Gifted and Talented 06-07
Receipts:							
Local sources	\$ 794,392	\$ 5,323	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	563	-	-	-	-
State sources	-	50,382	-	251	-	-	31,612
Federal sources	-	-	-	-	-	-	-
Other	473	-	-	-	-	-	-
Total receipts	794,865	55,705	563	251	-	-	31,612
Disbursements:							
Current:							
Instruction	-	-	-	2,185	195	13,666	10,646
Support services	754,741	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	47,469	-	-	-	-	-
Total disbursements	754,741	47,469	-	2,185	195	13,666	10,646
Excess (deficiency) of receipts over disbursements	40,124	8,236	563	(1,934)	(195)	(13,666)	20,966
Other financing sources (uses):							
Sale of capital assets	659	-	-	-	-	-	-
Transfers in	-	-	-	-	-	24,874	-
Transfers out	-	-	-	-	-	-	(24,874)
Total other financing sources (uses)	659	-	-	-	-	24,874	(24,874)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	40,783	8,236	563	(1,934)	(195)	11,208	(3,908)
Cash and investments - beginning	(66,629)	17,914	366	2,185	1,879	-	3,908
Cash and investments - ending	\$ (25,846)	\$ 26,150	\$ 929	\$ 251	\$ 1,684	\$ 11,208	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ (25,846)	\$ 26,150	\$ 929	\$ 251	\$ 1,684	\$ 11,208	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ (25,846)	\$ 26,150	\$ 929	\$ 251	\$ 1,684	\$ 11,208	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(25,846)	26,150	929	251	1,684	11,208	-
Total cash and investment fund balance - ending	\$ (25,846)	\$ 26,150	\$ 929	\$ 251	\$ 1,684	\$ 11,208	\$ -

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, 2008
 (Continued)

	Title I 07-08	Title I 06-07	Title V Part A 07-08	Title V Part A 06-07	Drug Free Schools 07-08	Drug Free Schools 06-07	Hurricane Katrina/ Rita Relief
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	63,000	49,553	2,142	-	4,061	-	-
Other	-	-	-	-	-	-	-
Total receipts	63,000	49,553	2,142	-	4,061	-	-
Disbursements:							
Current:							
Instruction	58,541	49,051	-	-	-	-	-
Support services	1,130	1,531	7,137	2,322	2,747	1,670	-
Noninstructional services	184	16	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	59,855	50,598	7,137	2,322	2,747	1,670	-
Excess (deficiency) of receipts over disbursements	3,145	(1,045)	(4,995)	(2,322)	1,314	(1,670)	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	7,932	-	7,711	-	911	-	2,103
Transfers out	-	(7,932)	-	-	(911)	(911)	-
Total other financing sources (uses)	7,932	(7,932)	7,711	-	-	(911)	2,103
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,077	(8,977)	2,716	(2,322)	1,314	(2,581)	2,103
Cash and investments - beginning	-	8,977	-	2,322	-	2,581	2,880
Cash and investments - ending	\$ 11,077	\$ -	\$ 2,716	\$ -	\$ 1,314	\$ -	\$ 4,983
Cash and Investment Assets - Ending							
Cash and investments	\$ 11,077	\$ -	\$ 2,716	\$ -	\$ 1,314	\$ -	\$ 4,983
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 11,077	\$ -	\$ 2,716	\$ -	\$ 1,314	\$ -	\$ 4,983
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	11,077	-	2,716	-	1,314	-	4,983
Total cash and investment fund balance - ending	\$ 11,077	\$ -	\$ 2,716	\$ -	\$ 1,314	\$ -	\$ 4,983

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, 2008
 (Continued)

	Snow Emergency	Title II Part A	Title II Part D	Retirement/ Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 343,876	\$ 168,811	\$ 1,312,402
Intermediate sources	-	-	-	-	-	563
State sources	-	-	-	-	-	82,245
Federal sources	-	35,800	-	-	-	154,556
Other	-	-	-	-	-	473
Total receipts	-	35,800	-	343,876	168,811	1,550,239
Disbursements:						
Current:						
Instruction	-	-	-	-	-	134,284
Support services	-	34,324	1,263	-	83,645	890,510
Noninstructional services	-	-	-	-	-	200
Debt services	-	-	-	354,081	-	354,081
Nonprogrammed charges	-	-	-	-	-	47,469
Total disbursements	-	34,324	1,263	354,081	83,645	1,426,544
Excess (deficiency) of receipts over disbursements	-	1,476	(1,263)	(10,205)	85,166	123,695
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	659
Transfers in	-	-	-	-	-	43,531
Transfers out	(2,103)	(6,800)	-	-	-	(43,531)
Total other financing sources (uses)	(2,103)	(6,800)	-	-	-	659
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,103)	(5,324)	(1,263)	(10,205)	85,166	124,354
Cash and investments - beginning	2,103	27,354	1,263	(164,436)	(66,823)	(224,156)
Cash and investments - ending	\$ -	\$ 22,030	\$ -	\$ (174,641)	\$ 18,343	\$ (99,802)
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 22,030	\$ -	\$ -	\$ 18,343	\$ 74,839
Restricted assets:						
Cash and investments	-	-	-	(174,641)	-	(174,641)
Total cash and investment assets - ending	\$ -	\$ 22,030	\$ -	\$ (174,641)	\$ 18,343	\$ (99,802)
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ (174,641)	\$ -	\$ (174,641)
Unrestricted	-	22,030	-	-	18,343	74,839
Total cash and investment fund balance - ending	\$ -	\$ 22,030	\$ -	\$ (174,641)	\$ 18,343	\$ (99,802)

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, 2009

	Transportation Operating	Special Education Preschool	Education License Plates	School Safe Haven	Cinergy Foundation Grant	Gifted and Talented 07-08
Receipts:						
Local sources	\$ 700,107	\$ 5,242	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	450	-	-	-
State sources	-	43,024	-	-	-	31,877
Federal sources	-	-	-	-	-	-
Other	1,117	-	-	-	-	-
Total receipts	701,224	48,266	450	-	-	31,877
Disbursements:						
Current:						
Instruction	-	-	-	-	-	34,364
Support services	736,222	-	-	251	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	47,711	-	-	-	-
Total disbursements	736,222	47,711	-	251	-	34,364
Excess (deficiency) of receipts over disbursements	(34,998)	555	450	(251)	-	(2,487)
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	(34,998)	555	450	(251)	-	(2,487)
Cash and investments - beginning	(25,846)	26,150	929	251	1,684	11,208
Cash and investments - ending	(60,844)	26,705	1,379	-	1,684	8,721
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (60,844)	\$ 26,705	\$ 1,379	\$ -	\$ 1,684	\$ 8,721
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	(60,844)	26,705	1,379	-	1,684	8,721
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(60,844)	26,705	1,379	-	1,684	8,721
Total cash and investment fund balance - ending	(60,844)	26,705	1,379	-	1,684	8,721

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, 2009
 (Continued)

	Title I 07-08	Title V Part A 07-08	Drug Free Schools 07-08	Hurricane Katrina/ Rita Relief	Snow Emergency
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	146,172	835	2,932	-	-
Other	-	-	-	-	-
Total receipts	<u>146,172</u>	<u>835</u>	<u>2,932</u>	<u>-</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	126,244	-	-	-	-
Support services	2,801	-	1,787	-	1,125
Noninstructional services	200	-	-	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>129,245</u>	<u>-</u>	<u>1,787</u>	<u>-</u>	<u>1,125</u>
Excess (deficiency) of receipts over disbursements	<u>16,927</u>	<u>835</u>	<u>1,145</u>	<u>-</u>	<u>(1,125)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	2,103
Transfers out	-	-	-	(2,103)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,103)</u>	<u>2,103</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>16,927</u>	<u>835</u>	<u>1,145</u>	<u>(2,103)</u>	<u>978</u>
Cash and investments - beginning	<u>11,077</u>	<u>2,716</u>	<u>1,314</u>	<u>4,983</u>	<u>-</u>
Cash and investments - ending	<u>\$ 28,004</u>	<u>\$ 3,551</u>	<u>\$ 2,459</u>	<u>\$ 2,880</u>	<u>\$ 978</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 28,004	\$ 3,551	\$ 2,459	\$ 2,880	\$ 978
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 28,004</u>	<u>\$ 3,551</u>	<u>\$ 2,459</u>	<u>\$ 2,880</u>	<u>\$ 978</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>28,004</u>	<u>3,551</u>	<u>2,459</u>	<u>2,880</u>	<u>978</u>
Total cash and investment fund balance - ending	<u>\$ 28,004</u>	<u>\$ 3,551</u>	<u>\$ 2,459</u>	<u>\$ 2,880</u>	<u>\$ 978</u>

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, 2009
 (Continued)

	Title II Part A	ARRA Fiscal Stabilization- Education	Retirement/ Severance Bond	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 352,329	\$ 247,866	\$ 1,305,544
Intermediate sources	-	-	-	-	450
State sources	-	-	-	-	74,901
Federal sources	38,657	689,514	-	-	878,110
Other	-	-	-	-	1,117
Total receipts	38,657	689,514	352,329	247,866	2,260,122
Disbursements:					
Current:					
Instruction	-	207,251	-	-	367,859
Support services	20,600	245,239	-	179,751	1,187,776
Noninstructional services	-	7,285	-	-	7,485
Debt services	-	1,488	351,894	-	353,382
Nonprogrammed charges	-	228,249	-	-	275,960
Total disbursements	20,600	689,512	351,894	179,751	2,192,462
Excess (deficiency) of receipts over disbursements	18,057	2	435	68,115	67,660
Other financing sources (uses):					
Transfers in	-	-	-	-	2,103
Transfers out	-	-	-	-	(2,103)
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,057	2	435	68,115	67,660
Cash and investments - beginning	22,030	-	(174,641)	18,343	(99,802)
Cash and investments - ending	<u>\$ 40,087</u>	<u>\$ 2</u>	<u>\$ (174,206)</u>	<u>\$ 86,458</u>	<u>\$ (32,142)</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 40,087	\$ 2	\$ -	\$ 86,458	\$ 142,064
Restricted assets:					
Cash and investments	-	-	(174,206)	-	(174,206)
Total cash and investment assets - ending	<u>\$ 40,087</u>	<u>\$ 2</u>	<u>\$ (174,206)</u>	<u>\$ 86,458</u>	<u>\$ (32,142)</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ (174,206)	\$ -	\$ (174,206)
Unrestricted	40,087	2	-	86,458	142,064
Total cash and investment fund balance - ending	<u>\$ 40,087</u>	<u>\$ 2</u>	<u>\$ (174,206)</u>	<u>\$ 86,458</u>	<u>\$ (32,142)</u>

SHENANDOAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	Payroll Withholdings
Additions:	
Agency fund additions	\$ 1,576,123
Deductions:	
Agency fund deductions	1,607,792
Deficiency of total additions over total deductions	(31,669)
Cash and investment fund balance - beginning	32,272
Cash and investment fund balance - ending	\$ 603

SHENANDOAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Payroll Withholdings
Additions:	
Agency fund additions	\$ 1,601,887
Deductions:	
Agency fund deductions	1,593,653
Excess of total additions over total deductions	8,234
Cash and investment fund balance - beginning	603
Cash and investment fund balance - ending	\$ 8,837

SHENANDOAH SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For the Year Ended June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Middle and Elementary Schools	\$ 2,780,000	\$ 1,079,000
Notes and loans payable:		
Common School Loan	193,750	90,625
Guaranteed Energy Savings Loan	2,965,086	250,000
Bonds payable:		
General obligation bonds:		
Pension Bond Series 8 A	<u>3,170,000</u>	<u>354,135</u>
Total governmental activities debt	<u>\$ 9,108,836</u>	<u>\$ 1,773,760</u>

SHENANDOAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OFFICIAL BONDS

Bond continuation certificates were obtained and recorded in the office of the county recorder for the positions of corporation treasurer, deputy treasurer, extra-curricular account treasurers, and other employees required to be bonded during the audit period. The continuation certificates related to previously issued bonds for these positions. Additionally, all the official bonds were made payable to Shenandoah School Corporation instead of the State of Indiana.

IC 5-4-1-10 states: "All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CAPITAL ASSET RECORDS

Capital asset records presented did not reflect a complete inventory of all capital assets and their acquisition values for the periods July 1, 2003 to June 30, 2005, July 1, 2005 to June 30, 2007, and July 1, 2007 to June 30, 2009. The School Corporation's "property inventory and accounting cost record" included capital asset listings only through June 30, 2004. However, not all capital assets included in that record reflected an acquisition value. As a result, the total capital asset value reported at that date was understated.

A similar comment appeared in prior Reports B27326 and B31964.

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)

ACADEMIC HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE

The number of academic honors diplomas reported to the Indiana Department of Education on the "Report of Graduates" (dated November 12, 2007) was incorrect for the school year ending June 30, 2007.

The differences determined are as follows:

<u>School Year</u>	<u>Count as Reported on Report of Graduates</u>	<u>Actual Academic Diplomas</u>	<u>Difference</u>
2006 – 2007	24	23	1

SHENANDOAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

GENERAL FUND REIMBURSEMENT FOR THE REPAYMENT
OF COMMON SCHOOL ADVANCEMENT

\$7,656.25 in principal and interest was not transferred from the Debt Service Fund to the General Fund to meet the required repayment of a common school loan advancement for the period July 1, 2007 to December 31, 2007.

IC 20-49-4-19 states:

"A school corporation receiving an advance shall agree to have the money advanced, together with interest on the advance, deducted from the distribution of the state tuition support until all the money advanced, together with the interest on the advance, has been paid. The state board and the state board of finance shall reduce each distribution of state tuition support to each school corporation to which an advance is made in amount to be agreed upon by the state and the school corporation."

IC 20-49-4-21 states:

"A school corporation to which an advance is made for a school building construction program may annually levy a property tax in the debt service fund to replace the amount deducted under this chapter in the current year from the distribution of state tuition support. The amount received from the tax must be transferred from the debt service fund to the general fund."

OVERDRAWN FUND BALANCES

The Capital Projects Fund, the Transportation Operating Fund, and the Retirement/Severance Bond Fund were overdrawn \$23,145, \$25, 846, and \$174,641, respectively, at June 30, 2008. The Transportation Operating Fund and the Retirement/Severance Bond Fund were overdrawn \$60,844 and \$174,206, respectively, at June 30, 2009.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Shenandoah School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, the School Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 15, 2010

SHENANDOAH SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
FY 2007-2008			\$ 13,831	\$ -
FY 2008-2009			-	16,667
Total for program			13,831	16,667
National School Lunch Program	10.555			
FY 2007-2008			155,845	-
FY 2008-2009			-	192,267
Total for program			155,845	192,267
Total for cluster			169,676	208,934
Total for federal grantor agency			169,676	208,934
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	07-3435	5,542	-
		08-3435	104,911	229
		09-3435	-	129,016
Total for program			110,453	129,245
Safe and Drug Free Schools and Communities - State Grants	84.186	06-3435	100	-
		07-3435	2,481	-
		08-3435	1,836	1,314
		09-3435	-	473
Total for program			4,417	1,787
State Grants for Innovative Programs	84.298	05-06	31	-
		06-07	2,291	-
		07-08	7,137	-
Total for program			9,459	-
Education Technology State Grants	84.318	05-06	1,263	-
Total for Program			1,263	-
Improving Teacher Quality - State Grants	84.367	2006	4,505	-
		2007	22,849	-
		2008	6,969	20,359
		2009	-	241
Total for Program			34,323	20,600
State Fiscal Stabilization Fund Cluster				
ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394		-	689,511
Total for Program			-	689,511
Total for federal grantor agency			159,915	841,143
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants-Public Assistance	97.036		-	1,125
Total federal awards expended			\$ 329,591	\$ 1,051,202

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

SHENANDOAH SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Shenandoah School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
Child Nutrition Cluster	10.555	\$ 37,766	\$ 42,807

SHENANDOAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.394	ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SHENANDOAH SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SHENANDOAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2010, with Scott Trennepohl, President of the School Board; Ronald L. Green, Superintendent of Schools; and Julia D. Miller, Treasurer. The officials concurred with our audit findings.