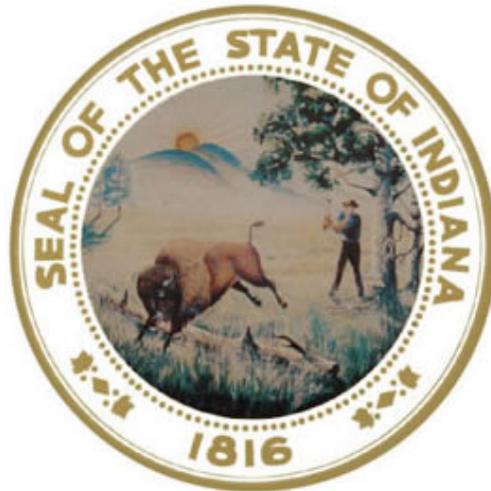


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF  
SHELBY EASTERN SCHOOLS  
SHELBY COUNTY, INDIANA  
July 1, 2008 to June 30, 2010



**FILED**  
03/10/2011



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathy Berger Mary C. Scott	07-01-08 to 09-12-08 09-13-08 to 06-30-11
Superintendent of Schools	Brad Valentine (Interim) Donald Swisher	07-01-08 to 07-31-08 08-01-08 to 06-30-12
President of the School Board	Doug Stocklin Kevin Schofner	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shelby Eastern Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, 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 February 8, 2011, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, 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

February 8, 2011



**STATE OF INDIANA**  
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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 SHELBY EASTERN SCHOOLS, SHELBY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shelby Eastern Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 8, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, we believe that none of the significant deficiencies described above is a material weakness.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the school board, 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

February 8, 2011

SHELBY EASTERN SCHOOLS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<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>
<b>Governmental activities:</b>				
Instruction	\$ 5,513,859	\$ -	\$ 120,631	\$ (5,393,228)
Support services	4,158,127	404,403	199,650	(3,554,074)
Noninstructional services	728,552	-	-	(728,552)
Facilities acquisition and construction	467,719	-	-	(467,719)
Debt service	9,634,315	-	-	(9,634,315)
Nonprogrammed charges	960,409	-	-	(960,409)
<b>Total governmental activities</b>	<b><u>\$ 21,462,981</u></b>	<b><u>\$ 404,403</u></b>	<b><u>\$ 320,281</u></b>	<b><u>(20,738,297)</u></b>
General receipts:				
Property taxes				10,023,911
Other local sources				1,621,917
State aid				6,290,365
Bonds and loans				3,278,044
Grants and contributions not restricted to specific programs				1,018,585
Investment earnings				14,726
Other				12,520
<b>Total general receipts, interfund loans, transfers, and special items</b>				<b><u>22,260,068</u></b>
Change in net assets				1,521,771
Net assets - beginning				<u>1,696,294</u>
Net assets - ending				<b><u>\$ 3,218,065</u></b>
<u>Assets</u>				
Cash and investments				\$ 2,591,327
Restricted assets:				
Cash and investments				<u>626,738</u>
<b>Total assets</b>				<b><u>\$ 3,218,065</u></b>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 626,738
Unrestricted				<u>2,591,327</u>
<b>Total net assets</b>				<b><u>\$ 3,218,065</u></b>

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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 5,636,541	\$ -	\$ 124,505	\$ (5,512,036)
Support services	4,124,858	365,406	256,149	(3,503,303)
Noninstructional services	699,549	-	-	(699,549)
Facilities acquisition and construction	648,679	-	-	(648,679)
Debt service	5,898,815	-	-	(5,898,815)
Nonprogrammed charges	1,105,293	-	-	(1,105,293)
Total governmental activities	\$ 18,113,735	\$ 365,406	\$ 380,654	(17,367,675)
General receipts:				
Property taxes				7,953,349
Other local sources				1,314,613
State aid				8,635,090
Bonds and loans				2,584,488
Grants and contributions not restricted to specific programs				913,858
Investment earnings				7,370
Other				10,765
Total general receipts, interfund loans, transfers, and special items				21,419,533
Change in net assets				4,051,858
Net assets - beginning				3,218,065
Net assets - ending				\$ 7,269,923
<u>Assets</u>				
Cash and investments				\$ 4,732,910
Restricted assets:				
Cash and investments				2,537,015
Total assets				\$ 7,269,925
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,537,015
Unrestricted				4,732,910
Total net assets				\$ 7,269,925

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, 2009

	General	Transportation Operating	Fiscal Stabilization Education Stimulus	Debt Service	Capital Projects	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 6,313,318	\$ 1,052,332	\$ -	\$ 2,796,655	\$ 1,088,308	\$ 814,005	\$ 12,064,618
Intermediate sources	263	-	-	-	-	75	338
State sources	6,378,949	-	-	-	-	149,321	6,528,270
Federal sources	-	-	766,258	-	-	334,703	1,100,961
Temporary loans	970,636	-	-	1,268,985	726,519	311,904	3,278,044
Other	1,650	-	-	-	10,133	737	12,520
<b>Total receipts</b>	<b>13,664,816</b>	<b>1,052,332</b>	<b>766,258</b>	<b>4,065,640</b>	<b>1,824,960</b>	<b>1,610,745</b>	<b>22,984,751</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	5,117,260	-	154,270	-	-	242,328	5,513,858
Support services	2,164,080	832,444	32,394	-	715,387	413,822	4,158,127
Noninstructional services	176,600	-	-	-	-	551,953	728,553
Facilities acquisition and construction	-	-	-	-	428,985	38,734	467,719
Debt services	5,090,973	-	-	3,347,005	485,951	710,386	9,634,315
Nonprogrammed charges	914,110	-	-	-	-	46,299	960,409
<b>Total disbursements</b>	<b>13,463,023</b>	<b>832,444</b>	<b>186,664</b>	<b>3,347,005</b>	<b>1,630,323</b>	<b>2,003,522</b>	<b>21,462,981</b>
Excess (deficiency) of receipts over disbursements	201,793	219,888	579,594	718,635	194,637	(392,777)	1,521,770
<b>Other financing sources (uses):</b>							
Transfers in	103,399	-	-	-	-	3,881	107,280
Transfers out	-	(22,365)	-	(53,711)	(16,595)	(14,609)	(107,280)
<b>Total other financing sources (uses)</b>	<b>103,399</b>	<b>(22,365)</b>	<b>-</b>	<b>(53,711)</b>	<b>(16,595)</b>	<b>(10,728)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	305,192	197,523	579,594	664,924	178,042	(403,505)	1,521,770
Cash and investments - beginning	1,547,524	(990,426)	-	11,312	253,560	874,325	1,696,295
Cash and investments - ending	\$ 1,852,716	\$ (792,903)	\$ 579,594	\$ 676,236	\$ 431,602	\$ 470,820	\$ 3,218,065
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 1,852,716	\$ (792,903)	\$ 579,594	\$ -	\$ 431,602	\$ 520,318	\$ 2,591,327
Cash and investments	-	-	-	676,236	-	(49,498)	626,738
<b>Total cash and investment assets - ending</b>	<b>\$ 1,852,716</b>	<b>\$ (792,903)</b>	<b>\$ 579,594</b>	<b>\$ 676,236</b>	<b>\$ 431,602</b>	<b>\$ 470,820</b>	<b>\$ 3,218,065</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Debt service	\$ -	\$ -	\$ -	\$ 676,236	\$ -	\$ (49,498)	\$ 626,738
Unrestricted	1,852,716	(792,903)	579,594	-	431,602	520,318	2,591,327
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,852,716</b>	<b>\$ (792,903)</b>	<b>\$ 579,594</b>	<b>\$ 676,236</b>	<b>\$ 431,602</b>	<b>\$ 470,820</b>	<b>\$ 3,218,065</b>

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, 2010

	General	Transportation Operating	Fiscal Stabilization Education Stimulus	Debt Service	Capital Projects	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 93,812	\$ 1,534,615	\$ -	\$ 4,055,235	\$ 2,070,564	\$ 1,787,396	\$ 9,541,622
Intermediate sources	94	-	-	-	-	99,019	99,113
State sources	8,728,050	-	-	-	-	96,189	8,824,239
Federal sources	-	-	288,974	-	-	816,389	1,105,363
Temporary loans	-	690,094	-	481,043	920,680	492,671	2,584,488
Other	3,800	-	-	-	-	6,970	10,770
<b>Total receipts</b>	<b>8,825,756</b>	<b>2,224,709</b>	<b>288,974</b>	<b>4,536,278</b>	<b>2,991,244</b>	<b>3,298,634</b>	<b>22,165,595</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	4,283,772	-	764,396	-	-	588,373	5,636,541
Support services	2,363,469	634,897	104,172	-	463,259	559,061	4,124,858
Noninstructional services	169,171	-	-	-	-	530,378	699,549
Facilities acquisition and construction	-	-	-	-	632,365	16,314	648,679
Debt services	723,954	345,047	-	2,986,129	1,180,559	663,126	5,898,815
Nonprogrammed charges	1,056,976	-	-	-	-	48,317	1,105,293
<b>Total disbursements</b>	<b>8,597,342</b>	<b>979,944</b>	<b>868,568</b>	<b>2,986,129</b>	<b>2,276,183</b>	<b>2,405,569</b>	<b>18,113,735</b>
Excess (deficiency) of receipts over disbursements	228,414	1,244,765	(579,594)	1,550,149	715,061	893,065	4,051,860
<b>Other financing sources (uses):</b>							
Transfers in	95,268	-	-	-	-	2,369	97,637
Transfers out	-	-	-	-	-	(97,637)	(97,637)
<b>Total other financing sources (uses)</b>	<b>95,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,268)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	323,682	1,244,765	(579,594)	1,550,149	715,061	797,797	4,051,860
Cash and investments - beginning	1,852,716	(792,903)	579,594	676,236	431,602	470,820	3,218,065
Cash and investments - ending	<u>\$ 2,176,398</u>	<u>\$ 451,862</u>	<u>\$ -</u>	<u>\$ 2,226,385</u>	<u>\$ 1,146,663</u>	<u>\$ 1,268,617</u>	<u>\$ 7,269,925</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 2,176,398	\$ 451,862	\$ -	\$ -	\$ 1,146,663	\$ 957,987	\$ 4,732,910
Restricted assets:							
Cash and investments	-	-	-	2,226,385	-	310,630	2,537,015
<b>Total cash and investment assets - ending</b>	<b>\$ 2,176,398</b>	<b>\$ 451,862</b>	<b>\$ -</b>	<b>\$ 2,226,385</b>	<b>\$ 1,146,663</b>	<b>\$ 1,268,617</b>	<b>\$ 7,269,925</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 2,226,385	\$ -	\$ 310,630	\$ 2,537,015
Unrestricted	2,176,398	451,862	-	-	1,146,663	957,987	4,732,910
<b>Total cash and investment fund balance - ending</b>	<b>\$ 2,176,398</b>	<b>\$ 451,862</b>	<b>\$ -</b>	<b>\$ 2,226,385</b>	<b>\$ 1,146,663</b>	<b>\$ 1,268,617</b>	<b>\$ 7,269,925</b>

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, 2009

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	-	\$ 83,583	
Total contributions	-	83,583	
Deductions:			
Benefits	16,530	-	
Administrative and general	-	74,407	
Total deductions	16,530	74,407	
Excess (deficiency) of total additions over total deductions	(16,530)	9,176	
Cash and investment fund balance - beginning	224,659	81,733	
Cash and investment fund balance - ending	\$ 208,129	\$ 90,909	\$ 48,021
Net assets:			
Cash and investments	\$ 208,129	\$ 90,909	
Total net assets - cash and investment basis held in trust	\$ 208,129	\$ 90,909	

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, 2010

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	-	\$ 48,845	
Total contributions	-	48,845	
Deductions:			
Benefits	6,570	-	
Administrative and general	-	119,221	
Total deductions	6,570	119,221	
Deficiency of total additions over total deductions	(6,570)	(70,376)	
Cash and investment fund balance - beginning	208,129	90,909	
Cash and investment fund balance - ending	\$ 201,559	\$ 20,533	\$ 38,362
Net assets:			
Cash and investments	\$ 201,559	\$ 20,533	
Total net assets - cash and investment basis held in trust	\$ 201,559	\$ 20,533	

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.

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

Primary Government: Shelby Eastern Schools

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 in a joint venture to operate Blue River Career Programs which 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 billed amounts annually to supplement the Blue River Career Programs. Complete financial statements for the Blue River Career Programs can be obtained from 1111 West McKay Road, Shelbyville, IN 46176.

The School Corporation is a participant in a joint venture to operate East Central Indiana Educational Service Center which was created to take advantage of bulk purchasing power, centralized repairs of equipment, and joint in-service training programs. The School Corporation is obligated by contract to remit billed amounts annually to supplement the East Central Indiana Educational Service Center. Complete financial statements for the East Central Indiana Educational Service Center can be obtained from 1601 Indiana Avenue, Connersville, IN 47331.

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. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

The fiscal stabilization education stimulus fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

The debt service fund accounts for the receipts and disbursements of cash for the purpose of financing debt payments.

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

Additionally, the School Corporation reports the following fund types:

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

The private-purpose trust funds account for trust arrangements under which principal and income benefit the school corporation and students.

The agency fund accounts for assets held by the School Corporation as an agent for payroll withholdings.

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.

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.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. 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.

SHELBY EASTERN SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. Long-Term Debt

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

6. 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."

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

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 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. 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.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
3. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

SHELBY EASTERN SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Government-Wide Financial Statements

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

1. 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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.

SHELBY EASTERN SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Disbursements in Excess of Appropriations

For the year ended December 30, 2009, disbursements exceeded budgeted appropriations in the following fund by the amount below:

Fund	2008
Transportation Operating	<u>\$ 234,949</u>

These disbursements were funded by available cash balances in the transportation operating fund.

C. Cash Balance Deficits

At June 30, 2009, the following funds reported a deficit in cash, which is a violation of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009
Transportation Operating	\$ 792,903
Severance Bond	49,498
Cape Grant	3,133

Cash and investment balances 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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 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, 2010, the School Corporation had deposit balances in the amount of \$7,530,377.

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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

SHELBY EASTERN SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
Transportation Operating Fund	General Fund	\$ 22,365	\$ -
Debt Service Fund	General Fund	53,711	-
Capital Projects Fund	General Fund	16,595	-
Other Governmental Funds	General Fund	10,728	95,268
Other Governmental Funds	Other Governmental Funds	<u>3,881</u>	<u>2,369</u>
Totals		<u>\$ 107,280</u>	<u>\$ 97,637</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; 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 risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 1989, the School Corporation joined 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 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 School Corporation pays an annual premium to the risk pool for its medical benefits to employees, retirees, and dependents coverage. 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 \$1,000,000 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 School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$2,146,000 and \$2,206,000, respectively.

SHELBY EASTERN SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$43,978.

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

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's contributions to the plan during the period were \$274,550.

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, 2009

	Special Ed Preschool	School Lunch	Textbook Rental	Education License Plates	Gifted/Talented 2008-2009	Gifted/Talented 2007-2008
<b>Receipts:</b>						
Local sources	\$ 10,405	\$ 386,476	\$ 121,819	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	75	-	-
State sources	61,970	7,369	29,125	-	32,047	-
Federal sources	-	163,156	-	-	-	-
Temporary loans	-	-	-	-	-	-
Other	-	237	500	-	-	-
<b>Total receipts</b>	<b>72,375</b>	<b>557,238</b>	<b>151,444</b>	<b>75</b>	<b>32,047</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	33,624	-	-	-	29,692	17,118
Support services	-	18	215,231	-	-	4,753
Noninstructional services	-	550,751	-	-	-	-
Facilities acquisition and construction	-	6,970	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	46,299	-	-	-	-	-
<b>Total disbursements</b>	<b>79,923</b>	<b>557,739</b>	<b>215,231</b>	<b>-</b>	<b>29,692</b>	<b>21,871</b>
Excess (deficiency) of receipts over disbursements	(7,548)	(501)	(63,787)	75	2,355	(21,871)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(279)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(279)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,827)	(501)	(63,787)	75	2,355	(21,871)
Cash and investments - beginning	124,737	153,409	153,892	1,628	-	21,871
Cash and investments - ending	\$ 116,910	\$ 152,908	\$ 90,105	\$ 1,703	\$ 2,355	\$ -
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 116,910	\$ 152,908	\$ 90,105	\$ 1,703	\$ 2,355	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 116,910</b>	<b>\$ 152,908</b>	<b>\$ 90,105</b>	<b>\$ 1,703</b>	<b>\$ 2,355</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	116,910	152,908	90,105	1,703	2,355	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 116,910</b>	<b>\$ 152,908</b>	<b>\$ 90,105</b>	<b>\$ 1,703</b>	<b>\$ 2,355</b>	<b>\$ -</b>

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, 2009  
 (Continued)

	Medicaid Reimbursement	Non-English Speaking	School Technology	English Pilot Project	Regional Tech Grant	Biology Pilot Program
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ 6,190	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	18,810
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>6,190</b>	<b>-</b>	<b>-</b>	<b>18,810</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	41	-	-	-	-
Support services	-	-	-	1,300	2,100	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	150	4,627	-	26,987
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>41</b>	<b>150</b>	<b>5,927</b>	<b>2,100</b>	<b>26,987</b>
Excess (deficiency) of receipts over disbursements	-	(41)	6,040	(5,927)	(2,100)	(8,177)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(41)	6,040	(5,927)	(2,100)	(8,177)
Cash and investments - beginning	14,452	41	6,676	5,927	2,100	8,177
Cash and investments - ending	<u>\$ 14,452</u>	<u>\$ -</u>	<u>\$ 12,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 14,452	\$ -	\$ 12,716	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 14,452</u>	<u>\$ -</u>	<u>\$ 12,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	14,452	-	12,716	-	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 14,452</u>	<u>\$ -</u>	<u>\$ 12,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2009  
 (Continued)

	Student Achievement	Title I 2008-2009	Title I 2007-2008	Title V, Part A 2007-2008	Title IV, Part A Safe/Drug Free 2008-2009	Title II, Part A 2008-2009
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	114,894	-	1,144	3,665	42,000
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>114,894</b>	<b>-</b>	<b>1,144</b>	<b>3,665</b>	<b>42,000</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	639	94,606	15,061	-	-	43,628
Support services	-	10,745	161	3,537	50	1,839
Noninstructional services	-	522	680	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>639</b>	<b>105,873</b>	<b>15,902</b>	<b>3,537</b>	<b>50</b>	<b>45,467</b>
Excess (deficiency) of receipts over disbursements	(639)	9,021	(15,902)	(2,393)	3,615	(3,467)
<b>Other financing sources (uses):</b>						
Transfers in	-	3,881	-	-	-	-
Transfers out	-	-	(3,881)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>3,881</b>	<b>(3,881)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(639)	12,902	(19,783)	(2,393)	3,615	(3,467)
Cash and investments - beginning	639	-	19,783	3,837	-	11,672
Cash and investments - ending	\$ -	\$ 12,902	\$ -	\$ 1,444	\$ 3,615	\$ 8,205
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 12,902	\$ -	\$ 1,444	\$ 3,615	\$ 8,205
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 12,902</b>	<b>\$ -</b>	<b>\$ 1,444</b>	<b>\$ 3,615</b>	<b>\$ 8,205</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	12,902	-	1,444	3,615	8,205
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 12,902</b>	<b>\$ -</b>	<b>\$ 1,444</b>	<b>\$ 3,615</b>	<b>\$ 8,205</b>

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, 2009  
 (Continued)

	Title II, Part A 2009-2010	Title II, Part D	Severance Bond	School Bus Replacement	Construction	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ 226,714	\$ 62,401	\$ -	\$ 814,005
Intermediate sources	-	-	-	-	-	75
State sources	-	-	-	-	-	149,321
Federal sources	5,344	4,500	-	-	-	334,703
Temporary loans	-	-	188,229	123,675	-	311,904
Other	-	-	-	-	-	737
<b>Total receipts</b>	<b>5,344</b>	<b>4,500</b>	<b>414,943</b>	<b>186,076</b>	<b>-</b>	<b>1,610,745</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	7,714	205	-	-	-	242,328
Support services	1,370	12,542	-	160,176	-	413,822
Noninstructional services	-	-	-	-	-	551,953
Facilities acquisition and construction	-	-	-	-	-	38,734
Debt services	-	-	616,151	94,235	-	710,386
Nonprogrammed charges	-	-	-	-	-	46,299
<b>Total disbursements</b>	<b>9,084</b>	<b>12,747</b>	<b>616,151</b>	<b>254,411</b>	<b>-</b>	<b>2,003,522</b>
Excess (deficiency) of receipts over disbursements	(3,740)	(8,247)	(201,208)	(68,335)	-	(392,777)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	3,881
Transfers out	-	-	(9,331)	(1,118)	-	(14,609)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(9,331)</b>	<b>(1,118)</b>	<b>-</b>	<b>(10,728)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,740)	(8,247)	(210,539)	(69,453)	-	(403,505)
Cash and investments - beginning	9,084	8,247	161,041	162,986	4,126	874,325
Cash and investments - ending	\$ 5,344	\$ -	\$ (49,498)	\$ 93,533	\$ 4,126	\$ 470,820
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 5,344	\$ -	\$ -	\$ 93,533	\$ 4,126	\$ 520,318
Restricted assets:						
Cash and investments	-	-	(49,498)	-	-	(49,498)
<b>Total cash and investment assets - ending</b>	<b>\$ 5,344</b>	<b>\$ -</b>	<b>\$ (49,498)</b>	<b>\$ 93,533</b>	<b>\$ 4,126</b>	<b>\$ 470,820</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ (49,498)	\$ -	\$ -	\$ (49,498)
Unrestricted	5,344	-	-	93,533	4,126	520,318
<b>Total cash and investment fund balance - ending</b>	<b>\$ 5,344</b>	<b>\$ -</b>	<b>\$ (49,498)</b>	<b>\$ 93,533</b>	<b>\$ 4,126</b>	<b>\$ 470,820</b>

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, 2010

	Special Ed Preschool	School Lunch	Texbook Rental	Excess Levy	Education License Plates	Gifted/Talented 2008-2009	Gifted/Talented 2009-2010
<b>Receipts:</b>							
Local sources	\$ -	\$ 342,844	\$ 105,878	\$ 27,891	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	19	-	-
State sources	33,000	7,285	24,359	-	-	-	31,545
Federal sources	-	224,505	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	400	-	-	-	-
<b>Total receipts</b>	<b>33,000</b>	<b>574,634</b>	<b>130,637</b>	<b>27,891</b>	<b>19</b>	<b>-</b>	<b>31,545</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	6,325	-	-	-	-	2,355	26,239
Support services	-	200	120,557	-	-	-	-
Noninstructional services	-	529,553	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	48,317	-	-	-	-	-	-
<b>Total disbursements</b>	<b>54,642</b>	<b>529,753</b>	<b>120,557</b>	<b>-</b>	<b>-</b>	<b>2,355</b>	<b>26,239</b>
Excess (deficiency) of receipts over disbursements	(21,642)	44,881	10,080	27,891	19	(2,355)	5,306
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(95,268)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(95,268)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(116,910)	44,881	10,080	27,891	19	(2,355)	5,306
Cash and investments - beginning	116,910	152,908	90,105	-	1,703	2,355	-
Cash and investments - ending	\$ -	\$ 197,789	\$ 100,185	\$ 27,891	\$ 1,722	\$ -	\$ 5,306
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ 197,789	\$ 100,185	\$ 27,891	\$ 1,722	\$ -	\$ 5,306
<b>Restricted assets:</b>							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 197,789</b>	<b>\$ 100,185</b>	<b>\$ 27,891</b>	<b>\$ 1,722</b>	<b>\$ -</b>	<b>\$ 5,306</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	197,789	100,185	27,891	1,722	-	5,306
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 197,789</b>	<b>\$ 100,185</b>	<b>\$ 27,891</b>	<b>\$ 1,722</b>	<b>\$ -</b>	<b>\$ 5,306</b>

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, 2010  
 (Continued)

	Medicaid Reimbursement	School Technology	Title I 2008-2009	Title I 2009-2010	Title V, Part A 2007-2008	Title IV, Part A Safe/Drug Free 2008-2009	Title IV, Part A Safe/Drug Free 2009-2010
<b>Receipts:</b>							
Local sources	\$ -	\$ 5,883	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	125,628	-	-	3,125
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>5,883</b>	<b>-</b>	<b>125,628</b>	<b>-</b>	<b>-</b>	<b>3,125</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	9,385	112,893	-	-	-
Support services	-	-	545	727	1,444	1,231	1,592
Noninstructional services	-	-	603	222	-	-	-
Facilities acquisition and construction	-	12,188	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>12,188</b>	<b>10,533</b>	<b>113,842</b>	<b>1,444</b>	<b>1,231</b>	<b>1,592</b>
Excess (deficiency) of receipts over disbursements	-	(6,305)	(10,533)	11,786	(1,444)	(1,231)	1,533
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	2,369	-	-	-
Transfers out	-	-	(2,369)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(2,369)</b>	<b>2,369</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(6,305)	(12,902)	14,155	(1,444)	(1,231)	1,533
Cash and investments - beginning	14,452	12,716	12,902	-	1,444	3,615	-
Cash and investments - ending	<u>\$ 14,452</u>	<u>\$ 6,411</u>	<u>\$ -</u>	<u>\$ 14,155</u>	<u>\$ -</u>	<u>\$ 2,384</u>	<u>\$ 1,533</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 14,452	\$ 6,411	\$ -	\$ 14,155	\$ -	\$ 2,384	\$ 1,533
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 14,452</u>	<u>\$ 6,411</u>	<u>\$ -</u>	<u>\$ 14,155</u>	<u>\$ -</u>	<u>\$ 2,384</u>	<u>\$ 1,533</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	14,452	6,411	-	14,155	-	2,384	1,533
<b>Total cash and investment fund balance - ending</b>	<u>\$ 14,452</u>	<u>\$ 6,411</u>	<u>\$ -</u>	<u>\$ 14,155</u>	<u>\$ -</u>	<u>\$ 2,384</u>	<u>\$ 1,533</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, 2010  
 (Continued)

	Title II, Part A 2008-2009	Title II, Part A 2009-2010	Title II, Part A 2010-2011	LEP Consortium	Title I Stimulus	Special Ed Part B Stimulus
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ 952	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	49,500	33,524	-	49,277	319,020
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	6,570	-
<b>Total receipts</b>	<b>-</b>	<b>49,500</b>	<b>33,524</b>	<b>952</b>	<b>55,847</b>	<b>319,020</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	44,499	-	-	55,847	319,020
Support services	8,205	4,463	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>8,205</b>	<b>48,962</b>	<b>-</b>	<b>-</b>	<b>55,847</b>	<b>319,020</b>
Excess (deficiency) of receipts over disbursements	(8,205)	538	33,524	952	-	-
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,205)	538	33,524	952	-	-
Cash and investments - beginning	8,205	5,344	-	-	-	-
Cash and investments - ending	\$ -	\$ 5,882	\$ 33,524	\$ 952	\$ -	\$ -
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 5,882	\$ 33,524	\$ 952	\$ -	\$ -
<b>Restricted assets:</b>						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 5,882</b>	<b>\$ 33,524</b>	<b>\$ 952</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	5,882	33,524	952	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 5,882</b>	<b>\$ 33,524</b>	<b>\$ 952</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2010  
 (Continued)

	Special Ed Preschool Stimulus	Severence Bond	School Bus Replacement	Construction	Racino Technology Grant	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ 673,767	\$ 630,181	\$ -	\$ -	\$ 1,787,396
Intermediate sources	-	-	-	-	99,000	99,019
State sources	-	-	-	-	-	96,189
Federal sources	11,810	-	-	-	-	816,389
Temporary loans	-	147,291	345,380	-	-	492,671
Other	-	-	-	-	-	6,970
<b>Total receipts</b>	<u>11,810</u>	<u>821,058</u>	<u>975,561</u>	<u>-</u>	<u>99,000</u>	<u>3,298,634</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	11,810	-	-	-	-	588,373
Support services	-	-	326,409	-	93,688	559,061
Noninstructional services	-	-	-	-	-	530,378
Facilities acquisition and construction	-	-	-	4,126	-	16,314
Debt services	-	460,930	202,196	-	-	663,126
Nonprogrammed charges	-	-	-	-	-	48,317
<b>Total disbursements</b>	<u>11,810</u>	<u>460,930</u>	<u>528,605</u>	<u>4,126</u>	<u>93,688</u>	<u>2,405,569</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>360,128</u>	<u>446,956</u>	<u>(4,126)</u>	<u>5,312</u>	<u>893,065</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	2,369
Transfers out	-	-	-	-	-	(97,637)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,268)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>360,128</u>	<u>446,956</u>	<u>(4,126)</u>	<u>5,312</u>	<u>797,797</u>
Cash and investments - beginning	<u>-</u>	<u>(49,498)</u>	<u>93,533</u>	<u>4,126</u>	<u>-</u>	<u>470,820</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 310,630</u>	<u>\$ 540,489</u>	<u>\$ -</u>	<u>\$ 5,312</u>	<u>\$ 1,268,617</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ 540,489	\$ -	\$ 5,312	\$ 957,987
Restricted assets:						
Cash and investments	-	310,630	-	-	-	310,630
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 310,630</u>	<u>\$ 540,489</u>	<u>\$ -</u>	<u>\$ 5,312</u>	<u>\$ 1,268,617</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ 310,630	\$ -	\$ -	\$ -	\$ 310,630
Unrestricted	-	-	540,489	-	5,312	957,987
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 310,630</u>	<u>\$ 540,489</u>	<u>\$ -</u>	<u>\$ 5,312</u>	<u>\$ 1,268,617</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, 2009

	Wal-Mart MES Award	Wal-Mart Grant - Roth	Wal-Mart L Stout	WES Summer Library	WES Donation	Blue River Foundation	MES Target Field Trip Grant
Additions:							
Contributions:							
Other	\$ 1,000	\$ -	\$ 1,500	\$ 1,171	\$ 2,390	\$ -	\$ 700
Deductions:							
Administrative and general	1,834	350	-	671	1,390	64	700
Excess (deficiency) of total additions over total deductions	(834)	(350)	1,500	500	1,000	(64)	-
Cash and investment fund balance - beginning	1,000	726	-	-	-	64	-
Cash and investments - June 30	<u>\$ 166</u>	<u>\$ 376</u>	<u>\$ 1,500</u>	<u>\$ 500</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets:							
Cash and investments	\$ 166	\$ 376	\$ 1,500	\$ 500	\$ 1,000	\$ -	\$ -
Total net assets - cash and investment basis held in trust	<u>\$ 166</u>	<u>\$ 376</u>	<u>\$ 1,500</u>	<u>\$ 500</u>	<u>\$ 1,000</u>	<u>\$ -</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, 2009  
 (Continued)

	Wal-Mart WHS Girls Basketball	Waldron Elementary Outdoor Lab	MHS Robotic Program Donation	WES Wal-Mart Foundation	MHS Tobacco Prevention	Shelby County Health Dept.	Wal-Mart Donation All Buildings
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ 13,899	\$ -	\$ -	\$ -	\$ -
Deductions:							
Administrative and general	24	-	18,106	-	71	84	90
Excess (deficiency) of total additions over total deductions	(24)	-	(4,207)	-	(71)	(84)	(90)
Cash and investment fund balance - beginning	24	1,149	6,292	126	71	84	1,500
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 1,149</u>	<u>\$ 2,085</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,410</u>
Net assets:							
Cash and investments	\$ -	\$ 1,149	\$ 2,085	\$ 126	\$ -	\$ -	\$ 1,410
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 1,149</u>	<u>\$ 2,085</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,410</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, 2009  
 (Continued)

	Coca-Cola Grant	Wal-Mart Grant MHS	K-Club	BRF-MHS Life Skills Grant	Rush/Shelby Energy Grant 2006	Beta Phi Psi Iota XI - WHS	Paul O. Goble Memorial Donation
Additions:							
Contributions:							
Other	\$ 10,562	\$ -	\$ 12,133	\$ -	\$ -	\$ -	\$ -
Deductions:							
Administrative and general	-	-	453	-	2,199	850	-
Excess (deficiency) of total additions over total deductions	10,562	-	11,680	-	(2,199)	(850)	-
Cash and investment fund balance - beginning	29,806	309	31,184	180	2,199	850	1,720
Cash and investments - June 30	<u>\$ 40,368</u>	<u>\$ 309</u>	<u>\$ 42,864</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,720</u>
Net assets:							
Cash and investments	\$ 40,368	\$ 309	\$ 42,864	\$ 180	\$ -	\$ -	\$ 1,720
Total net assets - cash and investment basis held in trust	<u>\$ 40,368</u>	<u>\$ 309</u>	<u>\$ 42,864</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,720</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, 2009  
 (Continued)

	Eli Lilly Grant MHS	Morristown High School Soccer	Indiana Next 03/04	Cape Grant 2008-2009	SCDFC Susie Swaney MES/MHS	Totals
Additions:						
Contributions:						
Other	\$ -	\$ -	\$ -	\$ 40,228	\$ -	\$ 83,583
Deductions:						
Administrative and general	1	80	1,068	43,361	3,011	74,407
Excess (deficiency) of total additions over total deductions	(1)	(80)	(1,068)	(3,133)	(3,011)	9,176
Cash and investment fund balance - beginning	1	80	1,068	-	3,300	81,733
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,133)</u>	<u>\$ 289</u>	<u>\$ 90,909</u>
Net assets:						
Cash and investments	\$ -	\$ -	\$ -	\$ (3,133)	\$ 289	\$ 90,909
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,133)</u>	<u>\$ 289</u>	<u>\$ 90,909</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, 2010

	<u>Wal-Mart MES Award</u>	<u>Wal-Mart Grant - Roth</u>	<u>Wal-Mart L Stout</u>	<u>WES Summer Library</u>	<u>WES Donation</u>	<u>Blue River Grant Karen Ledford</u>
Additions:						
Contributions:						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245
Deductions:						
Administrative and general	-	322	1,458	500	616	245
Excess (deficiency) of total additions over total deductions	-	(322)	(1,458)	(500)	(616)	-
Cash and investment fund balance - beginning	166	376	1,500	500	1,000	-
Cash and investments - June 30	<u>\$ 166</u>	<u>\$ 54</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 384</u>	<u>\$ -</u>
Net assets:						
Cash and investments	\$ 166	\$ 54	\$ 42	\$ -	\$ 384	\$ -
Total net assets - cash and investment basis held in trust	<u>\$ 166</u>	<u>\$ 54</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 384</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, 2010  
 (Continued)

	Waldron Elementary Outdoor Lab	MHS Robotic Program Donation	WES Wal-Mart Foundation	Wal-Mart Donation All Buildings	Coca-Cola Grant	Wal-Mart Grant MHS
Additions:						
Contributions:						
Other	\$ -	\$ 22,250	\$ -	\$ -	\$ 9,137	\$ -
Deductions:						
Administrative and general	367	17,964	126	496	46,225	309
Excess (deficiency) of total additions over total deductions	(367)	4,286	(126)	(496)	(37,088)	(309)
Cash and investment fund balance - beginning	1,149	2,085	126	1,410	40,368	309
Cash and investments - June 30	<u>\$ 782</u>	<u>\$ 6,371</u>	<u>\$ -</u>	<u>\$ 914</u>	<u>\$ 3,280</u>	<u>\$ -</u>
Net assets:						
Cash and investments	\$ 782	\$ 6,371	\$ -	\$ 914	\$ 3,280	\$ -
Total net assets - cash and investment basis held in trust	<u>\$ 782</u>	<u>\$ 6,371</u>	<u>\$ -</u>	<u>\$ 914</u>	<u>\$ 3,280</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, 2010  
 (Continued)

	K-Club	BRF-MHS Life Skills Grant	Paul O. Goble Memorial Donation	Cape Grant 2008-2009	SCDFC Susie Swaney MES/MHS	Totals
Additions:						
Contributions:						
Other	\$ 7,138	\$ -	\$ -	\$ 10,075	\$ -	\$ 48,845
Deductions:						
Administrative and general	43,424	-	-	6,942	227	119,221
Excess (deficiency) of total additions over total deductions	(36,286)	-	-	3,133	(227)	(70,376)
Cash and investment fund balance - beginning	42,864	180	1,720	(3,133)	289	90,909
Cash and investments - June 30	<u>\$ 6,578</u>	<u>\$ 180</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ 20,533</u>
Net assets:						
Cash and investments	\$ 6,578	\$ 180	\$ 1,720	\$ -	\$ 62	\$ 20,533
Total net assets - cash and investment basis held in trust	<u>\$ 6,578</u>	<u>\$ 180</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ 20,533</u>

SHELBY EASTERN SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2010

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:		
High school facilities	\$ 25,000,000	\$ 2,247,000
Notes and loans payable	49,973	49,973
Bonds payable:		
General obligation bonds:		
Severance	<u>2,460,000</u>	<u>479,654</u>
Total governmental activities debt	<u>\$ 27,509,973</u>	<u>\$ 2,776,627</u>

SHELBY EASTERN SCHOOLS  
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies are significant.

1. Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.
  
2. Monitoring of Controls: The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

OFFICIAL BOND

A continuation certificate of a previous bond for the Corporation Treasurer was obtained for the period July 1, 2009 to July 1, 2010, rather than obtaining a new bond.

Official bonds for the Extra-Curricular Treasurers for the period August 9, 2009, until present were not on file in the Office of the County Recorder.

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. 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.

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder

SHELBY EASTERN SCHOOLS  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

and a new bond shall be issued and filed each year. If either school lunch funds or textbook rental funds are handled through an extra-curricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer, IC 20-41-2-6. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Transportation Operating	2008	\$ 234,949

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."

CAPITAL ASSET RECORDS

Information presented for audit did not indicate a current inventory or record of capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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 recorded in the accounting records. ( Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The cash balances of the Transportation Operating, Severance Bond, and Cape Grant 2008-2009 Funds were overdrawn in 2009.

The cash 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)

SHELBY EASTERN SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Morristown High School)

The following items were noted from the information presented for audit:

- 1 Some disbursements lacked proper documentation.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

2. Some faculty and staff, working as basketball officials were paid directly from the extra-curricular funds, without going through the payroll process.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

3. Cash was distributed by the sponsor to the students without documentation.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

4. Disbursements were not always made by check from the Girls Basketball Fund.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OUTSIDE BANK ACCOUNT (Applies to Morristown High School)

An account that was opened by Traci Mills, assistant girls basketball coach, was not included in the records maintained by the Morristown Jr/Sr High School Extra-Curricular Treasurer. Deposits to the account were from fundraisers organized by the girls basketball coaches. The purpose of the fundraisers was to help defray the expenses of the team members for camp costs.

IC 20-5-7-2 states in part: "The treasurer shall have charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers)."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 SHELBY EASTERN SCHOOLS, SHELBY COUNTY, INDIANA

Compliance

We have audited the compliance of the Shelby Eastern Schools (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, 2009 and 2010. 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, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-2 and 2010-3.

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

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)

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies

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. We considered the deficiencies in internal control or compliance described in items 2010-2 and 2010-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, the school board, 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

February 8, 2011

SHELBY EASTERN SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2009 and 2010

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 6/30/2009	Total Federal Awards Expended 6/30/2010
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2008 FY 2009	\$ 18,209 -	\$ - 23,126
National School Lunch Program	10.555	FY 2008 FY 2009	175,622 -	- 235,053
Total for cluster			<u>193,831</u>	<u>258,179</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY 08-09 FY 09-10	114,894 -	- 125,628
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY09-10	-	<u>49,277</u>
Total for cluster			<u>114,894</u>	<u>174,905</u>
Special Education Cluster				
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	33310-005-SN01	-	319,020
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act	84.392	44410-005-SN01	-	<u>11,810</u>
Total for cluster			-	<u>330,830</u>
Education Technology State Grants Cluster				
Education Technology Grants to States	84.318	07-7285	<u>42,000</u>	-
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 2008-09 FY 2009-10	766,258 -	- <u>288,974</u>
Total for cluster			<u>766,258</u>	<u>288,974</u>
Safe and Drug Free Schools and Communities	84.186	08-7285 09-7285	3,665 -	- <u>3,125</u>
Total for program			<u>3,665</u>	<u>3,125</u>
Innovative Education Program Strategies	84.298	07-7285	<u>1,144</u>	-
Improving Teacher Quality	84.367	08-7285 09-7285	9,844 -	- <u>116,024</u>
Total for program			<u>9,844</u>	<u>116,024</u>
Total for federal grantor agency			<u>937,805</u>	<u>913,858</u>
Total federal awards expended			<u>\$ 1,131,636</u>	<u>\$ 1,172,037</u>

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

SHELBY EASTERN SCHOOLS  
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 Shelby Eastern Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 schools 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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008-2009	2009-2010
Child Nutrition Cluster	10.555	\$ 30,675	\$ 33,675

SHELBY EASTERN SCHOOLS  
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?	yes

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?	yes

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? yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster  
State Fiscal Stabilization Cluster  
Special Education Cluster

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

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies are significant.

1. Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

SHELBY EASTERN SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Monitoring of Controls: The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Federal Program: ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act  
CFDA Number: 84.391, 84.392  
Federal Award Number: 33310-005-SN01  
Pass-Through Entity: Indiana Department of Education

Amounts received by the School Corporation for the Special Education Grants to States, Recovery Act, were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant funds. The cash balance of the grant exceeded the allowable cash balance based on estimated future requirements for eight of the twelve months during the audit period.

EDGAR 80.20 (b)(7) states:

*"Cash management.* Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

SHELBY EASTERN SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements

FINDING 2010-3, CAPITAL ASSETS PURCHASED WITH SPECIAL EDUCATION FUNDS

Federal Agency: U.S. Department of Education  
Federal Program: ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act  
CFDA Number: 84.391, 84.392  
Federal Award Number: 33310-005-SN01  
Pass-Through Entity: Indiana Department of Education

The School Corporation purchased \$141,506 in computer equipment using ARRA - Special Education – Grants to States (IDEA, Part B), Recovery Act funds during the audit period. An inventory listing of the equipment purchased including identification number and location of the assets was not presented for audit which was the result of the School Corporation's failure to implement controls over the recording of capital asset purchases in the capital asset records. Failure to properly identify assets owned by the School Corporation could result in assets not being properly insured in the event of a loss. Additionally, failure to properly identify assets owned by the School Corporation could result in theft or loss of such assets.

EDGAR 80.32 (d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated . . ."

We recommended the School Corporation implement a system to properly record asset purchases and disposals and maintain subsidiary capital asset records which captures the expenditures for each program and provide this information for inclusion the School Corporation's capital asset records. A physical inventory of capital assets should be performed and compared with the School Corporation's capital asset record with any differences resolved.

SHELBY EASTERN SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

# **SHELBY EASTERN SCHOOLS**

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## **CORRECTIVE ACTION PLAN**

**July 1, 2008 to June 30, 2010**

### **FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

The management of the Shelby Eastern School Corporation has reviewed the financial statement finding 2010-1 Internal Controls over Financial Transactions and Reporting, related to their audit for the period July 1, 2008 to June 30, 2010. We offer the following corrective actions.

**Lack of Segregation of Duties:** Shelby Eastern School Corporation will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, a review of the work being performed by the Treasurer. However, the School Corporation is a relatively small school and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the administration office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risk inherent with the current design of their administration office.

**Monitoring of Controls:** The Corporation has compensation controls including oversight of the Board of Finance committee provided on a monthly basis through reviewing monthly fund and balance reports.

The Treasurer provides each Board Member at the monthly Board of finance meeting and the Board Meeting a balance sheet showing the month's beginning balance, the approved budget amount for each fund the disbursements of each fund and the balance of each fund.

### **FINDING 2010-2, CASH MANAGEMENT**

Federal Program: ARRA Special Education Grants to States (IDEA, Part B), Recovery Act  
CFDA Number: 84.391

Contact Person: Mary C Scott  
Title: Treasurer  
Phone Number: 765-544-2246

The management of the Shelby Eastern School Corporation has reviewed the financial statement finding 2010-2 Cash Management, related to their audit for the period July 1, 2008 to June 30, 2010. We offer the following corrective actions.

We reviewed your findings and because we worked with a Special Ed Coop that dissolved in 2010 we had to request all the money and have it all accounted for by June 30<sup>th</sup> 2010. We will develop and implement procedures and controls to ensure that disbursements and receipts are minimized by using a reimbursement form for federal fund costs in advance

**FINDING 2010-3, INTERNAL CONTROL OF CAPITAL ASSETS PURCHASED WITH SPECIAL EDUCATION FUNDS**

Federal Program: ARRA Special Education Grants to States (IDEA, Part B), Recovery Act  
CFDA Number: 84.391

Contact Person: Mary C Scott  
Title: Treasurer  
Phone Number: 765-544-2246

The management of the Shelby Eastern School Corporation has reviewed the financial statement finding 2010-3 Internal Control of Capital Assets purchased with Special Education Funds, related to their audit for the period July 1, 2008 to June 30, 2010. We offer the following corrective actions.

Procedures are being put into place and Shelby Eastern employees will be trained to identify capital assets at the time of purchase for inclusion on the Corporation capital asset record. In addition an outside firm has been contacted and a physical inventory will be performed and compared with the existing capital asset records.

  
\_\_\_\_\_  
Superintendent, Donald Swisher

  
\_\_\_\_\_  
Treasurer, Mary C Scott

SHELBY EASTERN SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2011, with Mary C. Scott, Treasurer; Donald Swisher, Superintendent of Schools; Kevin Schofner, President of the School Board; John Haymond, Vice President of the School Board; and Donna Tracy, School Board member. The officials concurred with our audit findings.