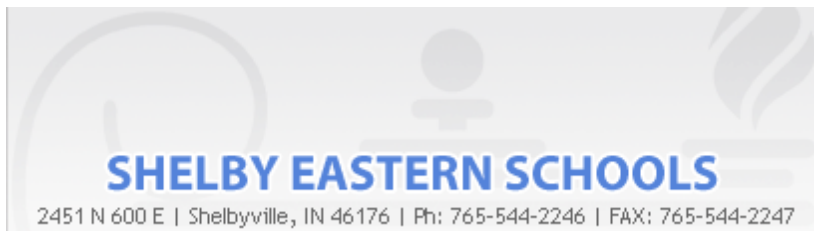


FINANCIAL HEALTH ANALYSIS

For



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SHELBY EASTERN SCHOOLS

The Board of Education and Superintendent John Jameson have requested a Financial Health Analysis be prepared for the Shelby Eastern Schools, Shelby County, Indiana.

Educational Services Company has developed this package to be used by the Board of Education, the superintendent, administrators, other school employees, patrons, and other interested parties. The report deals with the benchmarks of financial stability of the school corporation and provides an overall view of financial conditions. Educational Services Company has used a variety of sources, including data compiled by the Indiana Association of School Business Officials, the Indiana Department of Education, the Department of Local Government Finance (DLGF), and the reports of the Shelby Eastern Schools. The consultant has made every effort to provide accurate information throughout the report.

Superintendent Jameson and Treasurer Kathy Berger have been very helpful in providing records and insights into many of the details of Shelby Eastern Schools.

REPORT ORGANIZATION

This report contains an analysis of each of the seven property tax-rated funds maintained by the Shelby Eastern Schools. While the district has also opened a Rainy Day Fund, it has not been used since 2005. Each fund analysis contains five years of history, where possible, plus the current budget year. All of the numbers connect to Form 9 data reported to the Indiana Department of Education.

Financial data for each fund, including revenue, expenditures, and cash balance are located in the appendices attached to this report. Appendices 10-14 include a 12-year history of ADM and certified staff, a tax rate/assessed valuation summary, general fund revenue per ADM, a detail of general fund expenditures for the last 5 years, and a variety of comparisons to other school districts in the state with comparable enrollment.

In addition to the information on each fund, a separate section addressing the district's health insurance program and retirement/severance program is included.

The report concludes with a summary of overall observations and recommendations.

GENERAL FUND

The General Fund is used for all revenue and expenditures of a current nature except for student transportation; however, due to withdrawal of state support to the Transportation Operating Fund, many school corporations are now paying some transportation expenditures from the General Fund. This has been the case recently at Shelby Eastern Schools. Expenditures include salaries and benefits, supplies, purchased services, utilities, and those expenses normal to the daily operation of a school corporation (See Appendix 1).

Revenue

In Indiana, the three major sources of revenue for the General Fund are still tied together and controlled in the school funding formula. The formula is a statutory formula approved every two years by the General Assembly. It combines state support with a local property tax levy to arrive at a total General Fund revenue figure. The major driving force of the formula continues to be pupil enrollment or average daily membership (ADM), which is the total pupil enrollment with kindergarten pupils counted as one-half. Thus the change in ADM from one year to the next is a key factor in a school corporation's revenue increase or decrease. Appendix 10 shows that with one exception, 2004-05, the Shelby Eastern Schools have experienced a steady decline in enrollment over the past 11 years. Enrollment dropped by a total of 287 students between 1996-97 and 2006-07. While declining enrollment drives down the amount of General Fund revenue generated in the school funding formula, prior to 2005 a certain "guarantee" was included to help offset the normal inflationary costs of operating a school corporation. This guarantee was usually around two percent. However, the legislature eliminated this guarantee beginning in 2005. After that change, the total revenue generated by the school funding formula for the Shelby Eastern Schools was increased by only 0.78% in 2005 and **decreased** by 2.54% in 2006 and again by 2.83% in 2006. Despite a steady reduction in staffing (Appendix 10), this decrease was simply too large to overcome. Through the lobbying efforts of the Indiana Association of School Business Officials, the Indiana Association of School Superintendents, and the Indiana Association of School Boards, changes to the funding formula were enacted effective with the 2008 calendar year that will hopefully help the declining enrollment districts. A projected increase of 2.8% is currently being shown for the Shelby Eastern Schools next year.

For the five-year period in Appendix 1, total revenue increased by an average of 1.27% for the Shelby Eastern General Fund. This would include all revenue for the fund, not just that generated by the school funding formula. Even though there was a slight overall increase over the period, it fell well short of what would be needed for normal increases in non-staffing costs, let alone any salary and benefit increases. It is certainly not surprising that General Fund budget reductions have been standard operating procedure in the school corporation for several years.

Expenditures

The General Fund expenditures of the school corporation include the largest ongoing expense related to educating the students of their community—the cost of personnel. The state-wide average for personnel related expenses usually hovers near 90% of total expenditures. For the Shelby Eastern Schools in 2006, this percentage was 82.2%, well below state average. Additionally, when compared to all school districts of comparable size, they showed the lowest percentage for 2006 (Appendix 14). It appears very clear that the Shelby Eastern Schools are operating their district with a very lean number of personnel. While this certainly shows fiscal responsibility on the part of the Board, it also may indicate that the revenue reductions have led to a position of under-staffed when looking at what would be best for the students of the district. As shown in Appendix 10, certified staff has decreased by a total of 22.1 FTE in the past six years. While it can be argued that total enrollment has decreased by 145 over the same period, enrollment decreases are always spread over the entire K-12 population, making reductions in staff very difficult. This consultant would commend the Superintendent and Board of Education for making very difficult but necessary reductions and for the overall control of their salary and benefit expenses. Unlike some other cases, there certainly appears to be no “fat” in the certified staffing of this district.

General Fund expenditures for non-certified staffing have remained at a steady level in relation to total expenditures for the five-year period examined. However, in the category of “Other Salaries”, the district seems to spend more than the other same-size locations. Usually the cost of substitute teachers and staff development stipends, this may just be a difference in accounting procedures.

As is the case with most Indiana school corporations and any organization, public or private, the cost of employee benefits have continued to be a major financial issue. Shelby Eastern Schools are no exception. Employee benefits represent over 20% of total General Fund expenditures for the district and have increased an average of 4% over the 5-year period studied. While this increase is costly, it is well below the average increase experienced by most districts over the same time period. Again, I would conclude that the district has done a good job of controlling these expenses when all factors are considered.

A major issue for the Shelby Eastern General Fund is the approved appropriations for 2007. Expenditures for 2006 were \$9.1 million and the DLGF has only approved expenditures of \$8.27 million for 2007. With the delay in property tax distributions for Shelby County, it is almost impossible to determine whether or not an additional appropriation would even be possible. The consultant has examined the 1782 notice for 2007 and talked with the Field Representative for the DLGF. The total amount of funding approved for the 2007 formula is being reached through the combination of state support and property tax levy, it is simply not enough to support the budget needs. As the end of the year approaches (and hopefully all revenues are received), it will be important to monitor this situation very carefully.

Cash Balance

While most school finance officials, including Educational Services Company, would recommend that a school corporation make every effort to maintain a General Fund cash balance of 6-10% of budget, this is a very difficult task in a school corporation that has experienced little revenue increases over the past five years. As it has for the past two years, the General Fund of the Shelby Eastern Schools will likely end 2007 in a negative position. District officials, board members, and their attorney have been working with the DLGF to seek both temporary and long-term solutions to this problem. They are to be commended for their efforts.

DEBT SERVICE FUND

The Debt Service Fund is used to account for all revenue and expenses necessary to meet the annual long-and short-term debt obligations of the school corporation with the exception of pension bonds (separate fund). Expenditures from this fund may be used for the principal and interest payments for general obligation bonds, lease rentals, school bus purchase loans, state construction loans, and Common School technology loans. Interest on cash flow loans (Tax Anticipation Warrants) taken against any tax-based fund can be paid from this fund. Statute allows for school districts to annually levy for 18 months of debt service obligation. Up until 2007, this was not being done at Shelby Eastern Schools. While this practice does add to the tax rate, the additional cash generated over a period of years would lessen the need for temporary loans and the large interest payments on those loans paid from this fund. (See Appendix 2)

Revenue and Expenditures

This fund does not have statutory limits on either property tax rate or property tax levy. In other words, whatever is necessary for all debt obligations to be met will be raised. Shelby Eastern Schools have been raising an average of \$2 million over the last four years in the Debt Service Fund. That will increase to just over \$4 million for 2007 due to increasing debt service payments and the extra six-month levy. While this has increased the overall school tax rate for 2007, the long-term results should benefit the local taxpayers with a decreased need for short-term borrowing.

Cash Balance

The cash balance in the Debt Service Fund should begin to steadily increase as the district repeats the practice of collecting 18 months of debt payments. Even with the payment of last years temporary loan in 2007 (\$1.9 million), the Debt Service Fund should end with a balance of approximately \$1.1 million this year. This balance will lessen the need for tax anticipation loans for next year.

RETIREMENT SEVERANCE DEBT SERVICE FUND

In 2001, the State of Indiana began to require school corporations to identify the financial liability related to their local retirement/severance programs, as well as begin to fund for any increases in that liability on a “current or accrual basis”. Additionally, the state provided a one-time option for each school corporation to borrow money, via taxable bonds, to help reduce or eliminate the pre-2001 liability.

In 2003, Shelby Eastern Schools sold bonds in the amount of \$3,300,000 for the purpose of buying out all “promises” of retirement benefits to its three classes of employees: certified, non-certified, and administrative. By the end of 2006, all but \$312,745 of the proceeds had been distributed to the employees’ individual accounts. This balance is now located in Fund 62, Retirement Severance Bond Fund. (See Appendices 3 & 8)

The legislation that authorized the sale of pension bonds required that a school district complete this process “levy neutral.” In other words, there could be no increase in local taxes. This requires that the tax rate in another fund be reduced by the amount necessary to make the annual pension bond payments. Shelby Eastern schools have been neutralizing from the Capital Projects Funds, but have switched to Bus Replacement beginning in 2008. This is the right move for them as will be addressed in the narrative on the Capital Projects Fund.

There are, however, some employees who continue to receive retirement benefits under the “old” plan. These employees were eligible for these benefits due to the agreed arrangement with the teachers association and/or the fact that they retired prior to the bonds being sold. The cost of benefits for these employees (paid from the General Fund) has been nearly \$750,000 over the past five years. This is a significant cost to the General Fund which increases as the cost of health insurance increases; however, as the number of employees being paid lessens due to reaching Medicare eligibility, this expenditure should decline and eventually be eliminated. It might be worthwhile to complete a long-term projection of these costs for budgeting purposes.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for revenues and expenditures relating to capital expenditures. These would include school site improvement, new construction, remodeling, and land acquisition. Additionally, equipment purchase and repair, technology costs, some salary and benefit expenses, and some spectator sport expenditures can also be paid from this fund. Recently, flexibility was provided so that some property and casualty insurance premiums and utility costs are allowed as expenditures from this fund. Due to the stress on this fund because of Pension Bond neutralization, this has not been done in Shelby Eastern Schools; however, some of these costs are scheduled to be paid from the Capital Projects Funds beginning in 2008. (See Appendix 4)

This fund has a tax rate limit and there is no state support of this fund. Prior to the year 2002, this fund had a maximum tax rate ceiling of \$1.25 adjusted by the growth in assessed valuation because of reassessment in 1996 and ensuing reassessment years. For 2002, the adjusted maximum tax rate was divided by three as a result of moving to true tax value to set rates. The 2007 tax rate cap for Shelby Eastern Schools is \$0.2451 before pension bond neutralization. A rate of \$0.0972 is moved from Capital Projects to Retirement/Severance Debt Service Fund. Since the Capital Projects Fund will no longer be used for bond neutralization beginning in 2008, more revenue will be generated in this fund for its intended use.

Revenues and Expenditures, Cash Balance

The average annual revenue in this fund averaged \$1 million for the first three years examined and then dropped to \$800,000 following the sale of pension bonds. As the revenue increases for 2008, the district will be able to pay a portion of property and casualty insurance premiums and utilities from this fund, allowing some much needed relief to the General Fund.

The budget for this fund is based on a three-year plan approved each year during the budget approval process. While this fund is built on a three-year plan, only the first year is funded, while the two projected years may be changed during the following year's plan development. Additionally, it is the only fund where appropriations not expended in one year may be carried forward to the next. For Shelby Eastern Schools, the DLGF has approved a budget of \$706,703 for 2007. This would include no carryover appropriations from 2006. If met, a small cash balance would be projected for the end of 2007.

All school districts across Indiana find stress on the Capital Projects Fund and Shelby Eastern is no exception. In addition to the normal costs of building maintenance and equipment purchase and repairs, demands for new technology and the need to pay some insurance and utility costs from this fund add to the problem. Shelby Eastern Schools must be sure to maximize the tax rate in this fund for 2008 (a practice they have not done in the past) and use the extra revenue, as much as possible, to relieve stress on the General Fund.

TRANSPORTATION OPERATING FUND

The Transportation Operating Fund receives revenue for the cost of pupil transportation to and from school and other related activities. Operational expenses are paid from the Transportation Operating Fund and buses are purchased from the Bus Replacement Fund. The year 2001 was the first year for the Transportation Operating Fund and the Bus Replacement Fund to be treated as separate funds. In previous years, the two funds had been treated collectively under one fund—Transportation Fund. However, the two funds are now shown separately for financial analysis. (See Appendix 5)

The Transportation Operating Fund has a controlled property tax levy and was enhanced with state support until that was discontinued at the end of calendar year 2003. The Shelby Eastern Schools contract with individual drivers for the majority of their transportation needs. These individual contractors own their own buses. The

school district does own some special education buses and does employ a few drivers. However, the contracted services represent almost 97% of total expenditures each year.

Revenue, Expenditures, and Cash Balance

Many school districts across the state, including Shelby Eastern, are experiencing great difficulty in absorbing increased costs in the Transportation Operating Fund with the revenue available. With an annual revenue average of just over \$800,000 since 2002, the amount of their contracted services is exceeding \$900,000 for each of the past two years. New driver contracts coupled with the huge increase in fuel cost (there are fuel escalator clauses in the contracts) have led to this situation.

With the elimination of state support in 2003, school corporations in Indiana were permitted to transfer the amount of lost revenue from another tax-rated fund (usually debt service if a cash balance existed) to the Transportation Fund to pay certain transportation costs. This transfer was allowed to be made each year through 2006. Included in this transfer was the amount of direct state support that was lost plus the amount of the former ADA revenue (\$40 per student). It does not appear that the Shelby Eastern Schools chose to do these transfers, possibly because of the lack of cash balance in any other fund. The state allowed the Transportation Operating Fund levy to be increased to recover 50% of the lost state support, but the remaining 50% plus the ADA could have been transferred from other fund, if possible.

Additionally, the district may file an appeal for an excessive levy in the Transportation Operating Fund when fuel costs cause an expenditure increase of 10% or more. It appears that this might have been the case in several recent years and no appeals were filed. The consultant is not sure, however, how the 10% fuel increase is substantiated when the drivers are purchasing the fuel, not the district. This would be well worth investigating with state officials.

The district has been paying some transportation costs from the General Fund. The recommendation would be for this to end. The Transportation Fund, even though it is under-funded, should reflect the true costs of the program. The state and the public needs to see the true amount of revenue necessary to operate the program.

In that the district has very little control over the costs of transportation due to the contracted arrangement, there is literally no room for cost reduction that they control. Given this fact, a future of transportation fees may be experienced by the parents and guardians of their students. Short of the drivers taking less for their contracts or some sort of revenue increase, there appear to be no solutions to the transportation fund shortfalls.

BUS REPLACEMENT FUND

The Bus Replacement Fund has a property tax levy that is determined by the needs outlined in a ten-year bus replacement plan for exactly what the title describes—bus replacement. It is very similar to the Capital Projects Fund and requires only enough revenue to fund the plan; however, unlike the Capital Projects Fund, this fund has no limits in terms of property tax rate or levy (this fund and the debt service fund are the only ones without such a limit). Normally, a school district will schedule about one-tenth of their fleet to be replaced each year; however, since Shelby Eastern Schools actually own very few buses, their plan is probably not based on this formula. (See Appendix 6)

Many school districts have chosen to use the Bus Replacement Fund to neutralize the levy required for the repayment of pension bond debt. This decision is usually made because of the “no rate or levy limit” on this fund. Shelby Eastern Schools have been using the Capital Projects Fund, but plan to make the switch in 2008. This is done by increasing the levy in Bus Replacement (shown as allocation for future purchases on Line 11 of budget form 3), and then having that same levy reduced by DLGF to fund the pension bonds. Since this move will allow for a larger levy in Capital Projects in 2008, it will cause the overall property tax rate to increase slightly.

SPECIAL EDUCATION PRE-SCHOOL FUND

This fund enables a school corporation to receive revenue and incur expenses for the educational needs of its preschool handicapped children. These expenses can be incurred either internally or contracted outside the school corporation. While each school corporation is required to levy a property tax rate on local property owners, the majority of the funds for this program come from state funding. The state funding is \$2,750 per student minus the dollars generated from the property tax levy. The amount of the tax rate has declined from the previously mandated \$0.01 to as low as \$.0018 in some districts. In 2002 the mandated tax rate was reduced from \$.01 to \$.0033 because the state began using true tax value, which is the old assessed value multiplied by three. The state mandated tax rate was reduced further in 2004 and 2005 due to reassessment. The current rate for the Shelby Eastern Schools is \$.0020. (See Appendix 7)

The only expense in this fund is that paid annually to the Joint Service Cooperative to supply the necessary program. There actually exists a small cash balance in this fund that has grown since 2002.

HEALTH INSURANCE AND RETIREMENT/SEVERANCE PROGRAM

Health Insurance Program

The corporation provides health insurance through the South Central Indiana School Trust ("Trust"), a regional medical insurance trust comprised of multiple school corporations. The provider networks available include the Sagamore Health Network as well as the Encore network for services in the state of Indiana. The Beechstreet Provider network is utilized for out of state members. All of the Shelby Eastern claim experience is pooled with the other participating school districts' experience for evaluation and rating purposes. Information provided indicates that Shelby Eastern contributes 85% toward each employee's cost of insurance as long as the employee was hired prior to January 1, 2007. For employees hired on or after January 1, 2007, the employer contribution level varies from one deductible option to the next. There was also information provided that indicates certain individuals only pay \$1.00 per year for his or her coverage. It appears that the group has enjoyed modest rate increases over the past few years, but now is a good time to make cost saving benefit plan adjustments before a crisis situation occurs. It looks like the fixed costs remain about the same percentage by year, but obviously will continue to go up in dollar amount since they are based on a percentage of paid claims. There is a \$1,500 Deductible Preferred Provider Organization Plan listed on the 2nd page of insurance options as well as the High Deductible Health Plan (HDHP) option.

As a note, the plan option for Early Retirees that are out of state residents contains higher rates than an identical benefit plan offered in the state of Indiana. Per Indiana Code 5-10-8-2.6, retired employees that meet the requirements explained in the code are allowed to stay on any insurance program at the same rate as the corporation pays. Based on the information received, it looks like the out-of-state retiree arrangements may not comply with the state statute. In regard to the life and

LTD premiums due, the submitted November '07 enrollment sheets indicate that certain individuals possibly pay a different amount than the rest of the people on such sheet and that could be cause for a discrimination concern.

Retirement/Severance Program

Shelby Eastern Schools entered into an agreement with the teachers to do a buy-out for severance and retirement funding via SEA 199 bonding. The district should be holding funds to complete the buyout activity in Fund 62. Every teacher has a pre-retirement account set up by the school in accordance with the IRS for the purpose of providing qualified retirement benefits and tax free welfare benefits to the teachers. There is a minimum vesting period that is to be met prior to retirement. If that vesting period is not satisfied, then all available funds, including interest, will be forfeited and distributed equally among the remaining teachers' accounts. At no time may the accounts be used to make loans. Educational Services Company was involved in much of the buyout proceedings.

An additional note about the requirements under SEA 199: The State Board of Accounts (SBOA) has requested and now does require that school districts must continue to have a bi-annual certification statement that confirms the value of their unfunded liability as compared to the benchmark date of June 30, 2001. We did not see this document among the documents provided and would suggest that Shelby Eastern pursue such a certification document approximately 4-6 months prior to their next SBOA audit, as prescribed by the SBOA.

Recommendations

- ***Health Plan***

Shelby Eastern Schools need to review their overall contribution mechanism. There are variable amounts contributed depending on when the employee was hired. Then, it looks like another variable amount is contributed according to which option is chosen. Plus, as noted above, there are certain individuals that contribute an amount not consistent with the rest of his or her classification. The contribution pattern is confusing and needs to be carefully reviewed to ensure that all legal requirements are being met.

It is possible that it would be a good idea to continue to pay for perhaps 85% of the middle deductible option (i.e., \$700) for all employees, and then contribute the same dollar amount to each of the other options. In doing this, it is possible that the difference in premium amounts could be deposited into an HSA.

The rates for out-of-state early retirees need to be fully reviewed for legal compliance with Indiana Code.

- **Retirement/Severance Plans**

We recommend that Shelby Eastern recover the funds needed for the completion of the buyout requirements and return the necessary amount back to Fund 62. We suggest that Shelby Eastern pursue a SEA 199 certification document approximately 4-6 months prior to their next SBOA audit, as prescribed by the SBOA that verifies the current values of unfunded liability is not greater than the amount shown as of June 30, 2001.

Note: Educational Services Company has reviewed the information received regarding Shelby Eastern Schools so we may assist in determining cost saving measures in regard to the benefits and costs related to the health insurance. No specific census information or details about historical arrangements were reviewed for this study.

PROPERTY TAX RATES AND ASSESSED VALUATION

A tabulation of assessed values and property tax rates is found in Appendix 11. With the exception of a small increase in 2005, the assessed value for the Shelby Eastern Schools has dropped steadily since 2003, with the largest coming in 2006 (2.5%). This fact, coupled with necessary budgeting changes in 2007 and 2008, has increased the tax rate for Shelby Eastern Schools from 1.5299 in 2006 to 2.1367 in 2007. This would represent an increase of approximately \$600 for a home with a net value of \$100,000. The following is a summary of the budget changes which contributed to this increase:

- For 2007, the debt service fund included a levy for 18-months of debt payments as opposed to the former levy of 12 months. This will cause a one-time jump in the tax rate, but is necessary to generate enough cash for the district to operate. The vast majority of school districts in Indiana levy for Debt Service in this fashion.
- The General Fund Tax rate increased from .7152 in 2006 to .7428 in 2007. The school district has no control over this rate. The school funding formula sets the tax rate and as state support decreases (there was a **5.64% decrease in state support for 2007**), the property tax rate increases.
- For 2008, the Bus Replacement Fund will be used as the neutralization fund for pension bond payments. This will increase the Capital Projects rate by approximately .0972 for 2008. However, the proposed school funding formula for Shelby Eastern Schools in 2008 shows an increase in state support which will lower the General Fund tax rate.

It should be noted that if the assessed value for the Shelby Eastern Schools had simply remained stable at its 2003 level, the above rate increase would have been much less.

When compared to all school districts in Shelby County, the Shelby Eastern schools had the second highest tax rate in 2006 of \$1.5299. Shelbyville Central had a rate of \$1.6626. Tax rates for the other districts in 2007 were not available.

A final comment about school property taxes - The Governor has proposed dramatic overall changes to the property tax system in Indiana to be considered in the upcoming legislative session. If passed as proposed, the total cost of school General Fund taxes and school Transportation Operating Fund taxes would become a responsibility of the state and be removed from the local taxpayer rolls. This would obviously cause a dramatic decrease in property taxes (the Governor's proposal calls for a maximum of 1% of true tax value for a home) and would be offset by increased sales tax and/or income taxes.

OBSERVATIONS AND RECOMMENDATIONS

- It is no secret that the financial condition of the Shelby Eastern Schools is dire. This consultant has found that the district has taken the necessary steps to control expenditures to a more than reasonable level, but the revenue necessary to operate the district at its current "lean" level is simply not there. The district was holding their heads above water with the former small annual revenue guarantees in the funding formula, but has been unable to overcome the recent reductions of support generated by the school funding formula. Adding to the problem has been a steady decrease in assessed value for the property in the Shelby Eastern Schools taxing district.
- Delayed payment of property tax revenue to the schools and other municipal agencies in Shelby County has been a problem in the past and is again in 2007. This affects the General Fund and all other tax-rated funds of the district. The taxpayers of Shelby Eastern Schools have paid nearly \$500,000 in interest on temporary loans over the past five years and that number will grow substantially in 2007. When the school district does not receive timely payment of taxes, it has no choice but to borrow money.
- Appendix 14 shows some comparisons between the Shelby Eastern Schools and the seven other Indiana school districts with ADM between 1500 and 1600 students. For the most part, it shows that the Shelby Eastern Schools are operating efficiently, especially since they operate two high schools. Here is a summary of the Shelby Eastern rankings in several categories:

<u>Category</u>	<u>Shelby Eastern Rank</u>
2006 Enrollment	3 rd
2006 General Fund Expenditures	3 rd
2006 General Fund Revenue	3 rd
January 1, 2006 GF Cash Balance	8 th
December 31, 2006 GF Cash Balance	8 th
2006 Certified Salaries	5 th
2006 Non-certified Salaries	7 th
2006 Other Salaries	1 st
2006 Employee Benefit Cost	3 rd
2006 Purchased Services	1 st
2006 Supplies	8 th
2006 Total Expenditures all tax funds	1 st
2006 Total Expenditures all tax funds except debt	2 nd
2006 Salaries & Benefits as a % of GF expend.	8 th
2006 Transportations Costs	3 rd
2006 Certified Staff per student	7 th

What overall conclusions can be drawn from this comparison? This consultant believes that the data clearly shows that the Shelby Eastern Schools can argue against the theory that the operation of two high schools is at the root of their problems. Despite that fact, they are spending less on certified salaries than four of the similar districts, less on non-certified staff than six of the similar districts, and less than all of the other districts when looking at salaries and benefits as a percentage of total General Fund expenditures. They are spending more than their third-place standing in Other Salaries (usually substitute teachers), purchased services (utilities), and overall tax-rated fund expenditures. It appears that Shelby Eastern is carrying more debt than most of the comparable districts.

- Some costs related to the transportation of students are being paid from the General Fund during 2007. It is recommended that these costs be paid from the Transportation Operating Fund, even though that fund will also finish the year over-expended. This allows the district to see the true costs of both funds and also shows the actual amounts of funding deficits.
- Most Indiana school districts are doing a levy appeal in the Transportation Operating Fund due to increased fuel costs. Since the fuel is purchased by the individual drivers in this district, guidance from DLGF may be needed on how to pursue this appeal. It should, however, be available to the district and should be done in the future.
- The district needs to continue their aggressive moves to seek any and all assistance from various state agencies to help solve their financial problems. The actions of the school district in no way are the major reason for their situation and the taxpayers of the district deserve special attention from these state agencies which their taxes support.

- Approved General Fund appropriations for 2007 are not sufficient to operate the district. The district should work with the Department of Local Government Finance to seek some type of resolution to this scenario. It is unfair and unrealistic to think that in one year a district the size of Shelby Eastern could trim almost \$900,000 from their expenditures over the previous year.
- During 2007, the Shelby Eastern Schools levied for 18-months of debt service payments. In the past, this has been done for only the 12-months of the current budget year. Although this practice increased the tax rate for 2007, it must continue annually in order for the district to generate the maximum cash available to them. As the balance in this fund builds (and the DLGF will limit that balance), it means less money needs to be borrowed on a short-term basis.
- All school systems with lease rental debt (construction loans) should annually review with bond counsel the possibility of refinancing that debt. With the current drop in interest rates, this should definitely be pursued by Shelby Eastern Schools. In many cases additional cash can be generated for needed capital improvements with little or no effect on the final amount paid by the taxpayers.
- While the current financial condition of the district probably does not lend itself to additional debt, some districts will use General Obligation Bonds for non-salary expenses that would normally be paid from the General Fund; i.e., supplies and certain purchased services. This possibility should be reviewed annually for feasibility.
- State law in Indiana does allow for a local government agency to hold a referendum of its voters to raise a tax levy that is capped; i.e., the General Fund. While these can certainly be hard to sell to the taxpayers, the district might consider a “no tax increase” referendum. In other words, lower the rate in another fund (probably Debt Service by going back to a twelve-month levy) and raise the levy in the General Fund by the same amount. With all the talk of major property tax reform currently in the legislature, this may become a mute point. Nonetheless, the district may want to keep this idea on the back burner for the future.
- As they have done beginning in 2008, Shelby Eastern Schools should use the Bus Replacement Fund to neutralize the tax rate for their pension bonds. This will again cause a small increase in taxes for 2008, but the Capital Projects needs of a school district are usually too large to give up revenue in that fund.
- The maximum allowable tax rate in the Capital Projects Fund for the Shelby Eastern Schools should be levied each year. Since this fund may now pay a portion of expenses normally paid by the General Fund (property insurance and utilities), it is crucial to keep the General Fund at a level needed to pay salaries and benefits.
- All costs related to the Transportation of students should be charged to the Transportation Operating Fund, even if appropriations and cash balance are not sufficient to support the costs.
- The Shelby Eastern schools may want to investigate any and all options to reduce their transportation costs. When the driver contracts are bid and there

is little or no competition, it is very hard to get costs that match the revenue of that fund.

- When examining the districts options for continuing to reduce general fund expenditures, two of the largest expenses outside of salaries, benefits, and utilities are the annual payments made to the Area Vocational School and the Special Education Joint Services. Both provide much needed and in some cases mandated educational opportunities for the students of the district. While these can certainly not be eliminated, it is always a good idea to continually be in discussion with the providers of these services about cost control.
- The consultant did observe a healthy balance in the districts' Food Service Fund (Fund 080). While this would not generate a large amount of revenue, the districts' General Fund should annually "invoice" the Food Service Fund for a share of utility and maintenance expenses. The Food Service Fund does not normally need to carry a large cash balance. A typical formula used by some districts would be to invoice the Food Service Fund for 10% of total annual revenues.
- While this report did not investigate the class sizes at the various schools in Shelby Eastern, it is likely that some may be rather small given the geographic challenges of the district. Some curricular adjustments may be necessary to ensure class sizes that the district can afford both now and in the future.
- Given the overall financial situation in the district, all tax-rated funds should be examined at the end of the year for possible transfers of cash to the Rainy Day Fund (already established in this district). By statute, up to 10% of the districts total annual budget may be transferred. Once in the Rainy Day Fund, the Board of Education must approve all appropriations from that fund and they must be for items normally paid through the tax-rated funds. All such transfers should be discussed with the DLGF field representative prior to the transfers being made to insure they are within the limits of the Indiana code.
- A final recommendation would be the creation of a **Budget Preparation Committee**. This group would meet on a regular basis to evaluate each and every cost of the district. They should be especially active during the three months normally used to prepare and advertise the annual budget and should meet with each administrator in the district to review possible cost cutting measures within the area for which they are responsible. While it may be that this is already being done in a less formal fashion, this committee should keep minutes of their discussions and meetings to be shared with the Board of Education.

SHELBY EASTERN SCHOOLS GENERAL FUND

I. REVENUE

SOURCE	2002	2003	2004	2005	2006	2007
LOCAL						PROJECTED
PROPERTY TAXES	2,419,322	1,333,006	3,310,522	3,573,020	2,931,377	3,048,168
PROP. TAX REPLACE	140,644	108,714	105,154	117,557	123,613	85,617
FIT	27,226	0	25,133	55,269	27,646	20,559
LICENSE EXCISE TAX	361,948	296,899	332,266	363,689	308,909	229,072
CVET	27,322	0	26,388	62,017	33,403	26,082
TUITION TRANSFER	15,242	10,783	10,180	9,703	13,575	9,500
INTEREST	11,382	16,487	18,966	85,130	80,384	41,000
RENT OF PROPERTY	1,960	2,133	7,373	12,339	7,069	7,500
FEES	47,657	51,222	41,345	45,708	36,929	55,725
STATE						
BASIC GRANT	5,813,523	5,960,830	6,028,473	5,887,918	5,548,496	5,257,481
ADA FLAT GRANT	61,888	30,539	0	0	0	0
SUMMER SCHOOL	31,636	34,464	27,472	18,578	19,494	17,447
REMEDICATION	0	0	0	0	0	0
BEGIN. INTERNSHIP	600	4,200	1,200	5,400	1,800	1,320
FLEX	18,379	24,783	23,739	6,772	29,332	39,000
MISCELLANEOUS	42,664	13,202	1,881	1,495	9,736	13,146
REIMBURSEMENTS	52,878	<u>122,978</u>	<u>7,739</u>	<u>31,673</u>	<u>2,074</u>	<u>0</u>
TOTAL EXPEND.REVENUE	9,074,271	8,010,240	-11.73% 9,967,831	24.44% 10,276,268	3.09% 9,173,837	-10.73% 8,851,617
INTERFUND TRANSFER	0	0	0	300,089	96,107	0
TEMPORARY LOAN	<u>757,500</u>	<u>2,019,151</u>	<u>1,888,094</u>	<u>1,543,507</u>	<u>840,227</u>	<u>2,986,358</u>
TOTAL REVENUE	9,831,771	10,029,391	11,855,925	12,119,864	10,110,171	11,837,975

II. EXPENDITURES

TYPE											
SALARIES/BENEFITS											
CERTIFIED	5,120,634	53.1%	5,056,972	52.7%	5,066,789	51.6%	4,890,873	51.8%	4,719,831	49.2%	0
CLASSIFIED	849,479	8.8%	883,550	9.2%	916,977	9.3%	926,654	9.8%	907,139	9.5%	0
OTHER	235,594	2.4%	235,032	2.4%	213,427	2.2%	242,992	2.6%	232,083	2.4%	0
BENEFITS	1,736,810	18.0%	1,914,750	20.0%	1,963,041	20.0%	1,962,788	20.8%	2,028,316	21.1%	0
PURCHASED SERVICES	1,460,899	15.2%	1,334,842	13.9%	1,474,258	15.0%	1,246,468	13.2%	1,545,414	16.1%	0
SUPPLIES/MATERIALS	175,447	1.8%	152,601	1.6%	166,749	1.7%	160,253	1.7%	122,888	1.3%	0
CAPITAL OUTLAY	7,137	0.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
OTHER	<u>54,003</u>	0.6%	<u>16,769</u>	0.2%	<u>15,215</u>	0.2%	<u>6,775</u>	0.1%	<u>40,842</u>	0.4%	<u>0</u>
TOTAL APPROP. EXPEND	9,640,003	100.0%	9,594,516	100.0%	9,816,456	100.0%	9,436,803	100.0%	9,596,513	100.0%	8,272,170
INTERFUND TRANSFER	0		0		0		47		96,107		0
TEMPORARY LOAN	<u>757,500</u>		<u>250,000</u>		<u>1,769,822</u>		<u>3,434,099</u>		<u>840,227</u>		<u>2,986,358</u>
TOTAL ALL EXPEND.	10,397,503		9,844,516		11,586,278		12,870,949		10,532,847		11,258,528

III. BALANCES

CASH ON JANUARY 1	683,036	117,304	302,179	571,826	-179,259	-601,935
TOTAL REVENUE	<u>9,831,771</u>	<u>10,029,391</u>	<u>11,855,925</u>	<u>12,119,864</u>	<u>10,110,171</u>	<u>11,837,975</u>
CASH AVAILABLE	10,514,807	10,146,695	12,158,104	12,691,690	9,930,912	11,236,040
TOTAL EXPENDITURES	<u>10,397,503</u>	<u>9,844,516</u>	<u>11,586,278</u>	<u>12,870,949</u>	<u>10,532,847</u>	<u>11,258,528</u>
12/31 CASH BALANCE	117,304	302,179	571,826	-179,259	-601,935	-22,488
LESS ENCUMBRANCES	5,290	9,077	0	0	12,799	
LESS UNPD. TEMP. LOAN		<u>1,769,151</u>	<u>1,887,423</u>			
NET CASH AVAILABLE	112,014	-1,476,049	-1,315,597	-179,259	-614,734	-22,488

**SHELBY EASTERN SCHOOLS
DEBT SERVICE FUND**

	2002	2003	2004	2005	2006	2007
I. REVENUE						BUDGET
TAXES						
LOCAL PROPERTY	1,419,740	327,159	2,615,951	2,027,491	1,565,679	3,790,923
PROPERTY TAX REPLACE.	82,202	72,944	70,606	65,766	65,885	
FIT	15,912	0	16,870	32,155	14,736	25,569
LICENSE EXCISE	212,355	173,528	222,849	204,659	164,670	284,891
CVET	15,969	0	17,713	36,047	17,804	32,437
INVESTMENT INCOME	0	0	0	0	0	
TOTAL EXPENDABLE REV	1,746,178	573,631	2,943,989	2,366,118	1,828,774	4,133,820
INTERFUND TRANSFER	0	0	0	0	53,711	
TEMPORARY LOAN	0	1,975,000	0	0	0	
TOTAL REVENUE	1,746,178	2,548,631	2,943,989	2,366,118	1,882,485	4,133,820
II. EXPENDITURES						
INTEREST--TEMPORARY LOANS	0	54,553	118,166	164,615	151,391	120,000
LEASE RENTAL--BUILDINGS	1,782,505	1,960,031	1,994,031	1,994,015	2,098,106	2,118,092
COMMON SCHOOL FUND	38,193	18,633	0	0	0	
OTHER	0	0	0	0	13,190	
TOTAL APP. EXPENDITURE	1,820,698	2,033,217	2,112,197	2,158,630	2,262,687	2,238,092
INTERFUND TRANSFER					53,711	
TEMPORARY LOAN	0	0	0	0	75,000	1,900,000
TOTAL EXPENDITURE	1,820,698	2,033,217	2,112,197	2,158,630	2,391,398	4,138,092
III. BALANCES						
CASH FORWARD, JANUARY 1	133,707	59,187	574,601	1,406,393	1,613,881	1,104,968
REVENUE	1,746,178	2,548,631	2,943,989	2,366,118	1,882,485	4,133,820
AVAILABLE BALANCE	1,879,885	2,607,818	3,518,590	3,772,511	3,496,366	5,238,788
EXPENDITURES	1,820,698	2,033,217	2,112,197	2,158,630	2,391,398	4,138,092
CASH BALANCE, DEC. 31	59,187	574,601	1,406,393	1,613,881	1,104,968	1,100,696
LESS ENCUMBRANCES						
LESS UNPAID TEMP. LOANS		1,975,000	1,975,000	1,975,000	1,900,000	
NET CASH BALANCE	59,187	-1,400,399	-568,607	-361,119	-795,032	

**SHELBY EASTERN SCHOOLS
RETIREMENT/SEVERANCE DEBT SERVICE FUND**

	2002	2003	2004	2005	2006	2007
I. REVENUE						BUDGET
TAXES						
LOCAL PROPERTY				292,132.00	186,058	398,872
PROP.TAX REPLACE					0	
FIT				2,771.00	1,751	2,690
LICENSE EXCISE				32,436.00	19,595	29,976
CVET				<u>3,183.00</u>	<u>2,116</u>	<u>3,413</u>
TOTAL EXPENDABLE REVENUE				330,522.00	209,520	434,951
TEMPORARY LOANS					0	
TRANSFERS					<u>9,331</u>	
TOTAL REVENUES					218,851	434,951
II. EXPENDITURES						
PENSION BONDS				<u>320,467.00</u>	323,171	318,946
TOTAL APPROPRIATED EXPEND.					323,171	318,946
TRANSFERS					9,331	
TEMPORARY LOANS					<u>0</u>	
DLGF REDUCTION						<u>-1,513</u>
TOTAL EXPENDITURES					332,502	317,433
III. BALANCES						
CASH FORWARD, JANUARY 1				0.00	10,055	-103,596
REVENUE				<u>330,522.00</u>	<u>218,851</u>	<u>434,951</u>
AVAILABLE BALANCE					228,906	331,355
EXPENDITURES				330,522.00	<u>332,502</u>	<u>317,433</u>
CASH BALANCE, DEC. 31				10,055.00	(103,596)	13,922

**SHELBY EASTERN SCHOOLS
CAPITAL PROJECTS FUND**

	2002	2003	2004	2005	2006	2007
I. REVENUE						BUDGET
TAXES						
LOCAL PROPERTY	758,766	174,654	1,558,630	729,290	779,554	606,925
PROPERTY TAX REPLACE.	43,883	40,754	39,482	14,641	32,804	
FIT	8,495	0	9,816	14,752	7,337	4,094
LICENSE EXCISE	113,516	92,638	149,716	68,572	81,898	45,611
CVET	8,525	0	10,306	16,407	8,865	5,193
OTHER	0	525	19,000	0	0	0
TOTAL EXPEND.REVENUE	933,185	308,571	1,786,950	843,662	910,458	661,823
TRANSFERS	0		0	0	16,595	
TEMPORARY LOAN		0				
TOTAL REVENUE	933,185	308,571	1,786,950	843,662	927,053	661,823
II. EXPENDITURES						
LAND ACQUISITION	98,642	38,227	119,180	143,091	154,655	254,810
PROFESSIONAL SERVICES	5,000	1,488	194	13,196	6,743	5,000
ENERGY SAVINGS CONTRACT	245,000	128,054	129,004	78,438	182,587	135,000
BLDG. ACQ. CONSTR. & DEV.	117,928	29,023	55,888	156,762	116,860	312,000
SPORTS FACILITIES	0	0	0	0	0	0
RENTAL OF BLDGS. & EQUIP.	75,572	54,228	51,399	55,050	58,437	80,000
UTILITY SERVICES	0	0	0	0	0	
PURCHASE OF EQUIPMENT	149,303	56,404	128,788	182,237	84,030	114,500
OTHER/EMERGENCY ALLOC.	0	25,000	0	0	0	10,000
MAINTENANCE OF EQUIPMENT	54,663	72,097	67,540	143,316	57,926	349,840
INSURANCE	0	0	112,881	65,649	75,128	0
SALARY BENEFITS	28,313	32,251	32,772	33,727	35,948	56,000
CLAIMS/SETTLEMENTS	0	0	0	0		
TECH. SUPPORT & MAINT.	253,310	320,180	315,050	313,677	130,827	145,000
DLGF REDUCTION						-755,447
TOTAL APP. EXPENDITURE	1,027,731	756,952	1,012,696	1,185,143	903,141	706,703
TRANSFERS	300,000	0	0	0	16,595	
TEMPORARY LOAN		0				
TOTAL EXPENDITURE	1,327,731	756,952	1,012,696	1,185,143	919,736	706,703
III. BALANCES						
CASH FORWARD, JANUARY 1	491,199	96,653	-351,728	422,526	81,044	88,361
REVENUE	933,185	308,571	1,786,950	843,662	927,053	661,823
AVAILABLE BALANCE	1,424,384	405,224	1,435,222	1,266,188	1,008,097	750,184
EXPENDITURES	1,327,731	756,952	1,012,696	1,185,143	919,736	706,703
CASH BALANCE, DEC. 31	96,653	-351,728	422,526	81,044	88,361	43,481
LESS ENCUMBRANCES	6,188	8,395	0	0	23,067	
LESS UNPAID TEMP. LOANS						
NET CASH BALANCE	90,465	-360,123	422,526	81,044	65,294	43,481

SHELBY EASTERN SCHOOLS
TRANSPORTATION FUND

	2002	2003	2004	2005	2006	2007
I. REVENUE						BUDGET
TAXES						
LOCAL PROPERTY	596,697	137,781	927,881	837,370	726,160	797,333
PROPERTY TAX REPLACE.	34,619	26,638	25,668	27,367	30,557	
FIT	6,701	0	6,163	13,069	6,834	5,378
LICENSE EXCISE	89,214	73,080	96,374	84,862	76,351	59,920
CVET	6,725	0	6,470	14,659	8,257	6,822
STATE	60,246	52,688	0	0	0	0
OTHER	0	0	0	536	144	
TOTAL EXPEND.REVENUE	794,202	290,187	1,062,556	977,863	848,303	869,453
TRANSFERS	0	0	0	0	22,365	
TEMPORARY LOANS	0	660,000	0	0	0	
TOTAL REVENUE	794,202	950,187	1,062,556	977,863	870,668	869,453
II. EXPENDITURES						
SERVICE AREA DIRECTION						
VEHICLE OPERATION		6,905	8,490	9,154	14,570	38,000
SERVICE MAINTENANCE	13,004	12,949	16,014	12,257	8,721	10,000
INSURANCE ON BUSES						
CONTRACTED TRANS. SER.	695,293	761,864	873,601	849,185	906,605	935,000
HEALTH SERVICES						
BENEFITS						5,000
OTHER	0	2,753	1,415	2,186	1,084	2,000
DLGF REDUCTION						-193,085
TOTAL APP. EXPENDITURE	708,297	784,471	899,520	872,782	930,980	796,915
TRANSFERS	0	0	0	0	22,365	
TEMPORARY LOANS	0	0	0	0	50,000	
TOTAL EXPENDITURE	708,297.00	784,471.00	899,520.00	872,782.00	1,003,345.00	796,915
III. BALANCES						
CASH FORWARD, JANUARY 1	(28,730)	57,175	222,891	385,927	491,008	358,331
REVENUE	794,202	950,187	1,062,556	977,863	870,668	869,453
AVAILABLE BALANCE	765,472	1,007,362	1,285,447	1,363,790	1,361,676	1,227,784
EXPENDITURES	708,297	784,471	899,520	872,782	1,003,345	796,915
CASH BALANCE, DEC. 31	57,175	222,891	385,927	491,008	358,331	430,869
LESS ENCUMBRANCES	0	0	0	0	0	
LESS UNPAID TEMP. LOANS		660,000.00	660,000.00	660,000.00	610,000.00	610,000
NET CASH BALANCE	57,175	(437,109)	(274,073)	(168,992)	(251,669)	-179,131

**SHELBY EASTERN SCHOOLS
BUS REPLACEMENT FUND**

	2002	2003	2004	2005	2006	2007
I. REVENUE						BUDGET
TAXES						
LOCAL PROPERTY	15,258	3,046	38,021	35,878	80,913	117,774
PROPERTY TAX REPLACE.	765	2,910	2,820	1,368	3,405	0
FIT	148	0	675	373	761	794
LICENSE EXCISE	2,343	1,616	2,380	3,931	8,495	8,851
CVET	<u>122</u>	<u>0</u>	<u>708</u>	<u>427</u>	<u>920</u>	<u>1,008</u>
TOTAL EXPEND. REVENUE	18,636	7,572	44,604	41,977	94,494	128,427
TEMPORARY LOANS	0	0	0	0	0	
TRANSFERS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,118</u>	
TOTAL REVENUE	18,636	7,572	44,604	41,977	95,612	128,427
II. EXPENDITURES						
PURCHASE OF SCHOOL BUSES	<u>0</u>	<u>65,303</u>	<u>80,478</u>	<u>0</u>	<u>62,494</u>	<u>135,000</u>
TOTAL APP. EXPENDITURE		65,303	80,478	0	62,494	135,000
TRANSFERS	0	0	0	0	1,118	0
TEMPORARY LOANS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
TOTAL EXPENDITURE	0	65,303	80,478	0	63,612	135,000
III. BALANCES						
CASH FORWARD, JANUARY 1	53,988	72,624	14,893	-20,981	20,996	52,996
REVENUE	<u>18,636</u>	<u>7,572</u>	<u>44,604</u>	<u>41,977</u>	<u>95,612</u>	<u>128,427</u>
AVAILABLE BALANCE	72,624	80,196	59,497	20,996	116,608	181,423
EXPENDITURES	<u>0</u>	<u>65,303</u>	<u>80,478</u>	<u>0</u>	<u>63,612</u>	<u>135,000</u>
CASH BALANCE, DEC. 31	72,624	14,893	-20,981	20,996	52,996	46,423
LESS ENCUMBRANCES	0	0	0	0	0	
LESS UNPAID TEMP. LOANS						
NET CASH BALANCE	72,624	14,893	-20,981	20,996	52,996	46,423

**SHELBY EASTERN SCHOOLS
SPECIAL EDUCATION PRE-SCHOOL FUND**

	2002	2003	2004	2005	2006	2007
I. REVENUE						BUDGET
TAXES						
LOCAL PROPERTY	8,530	1,967	11,670	9,282	7,804	8,207
PROPERTY TAX REPLACE.	494	357	1,544	342	328	0
FIT	95	0	132	108	74	55
LICENSE EXCISE	1,276	1,044	970	999	821	617
CVET	122		139	124	89	70
STATE	32,416	35,147	40,535	70,107	71,335	49,788
TRANSFERS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>279</u>	
TOTAL REVENUES	42,933	38,515	54,990	80,962	80,730	58,737
II. EXPENDITURES						
JOINT SERVICES & SUPPLY	41,250	49,500	49,500	39,152	66,000	77,000
SPECIAL ED. PRE-SCHOOL	0	0	0	0	0	
PURCHASED SERVICES	0	0	0	0	0	
SALARY BENEFITS	0	0	0	0	0	
OTHER	0	0	0	0	0	
TRANSFERS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>279</u>	
TOTAL EXPENDITURES	41,250	49,500	49,500	39,152	66,279	77,000
III. BALANCES						
CASH FORWARD, JANUARY 1	15,106	16,789	5,804	11,294	53,104	67,555
REVENUE	<u>42,933</u>	<u>38,515</u>	<u>54,990</u>	<u>80,962</u>	<u>80,730</u>	<u>58,737</u>
AVAILABLE BALANCE	58,039	55,304	60,794	92,256	133,834	126,292
EXPENDITURES	<u>41,250</u>	<u>49,500</u>	<u>49,500</u>	<u>39,152</u>	<u>66,279</u>	<u>77,000</u>
CASH BALANCE, DEC. 31	16,789	5,804	11,294	53,104	67,555	49,292
LESS ENCUMBRANCES	0					
LESS UNPAID TEMP. LOAN	<u>0</u>					
NET CASH BALANCE	16,789	5,804	11,294	53,104	67,555	49,292

**SHELBY EASTERN SCHOOLS
RETIREMENT/SEVERANCE BOND FUND**

	2002	2003	2004	2005	2006	2007
I. REVENUE						
TAXES						
SALE OF BOND			3,300,000			0
INTEREST			0	0	0	0
OTHER				<u>340,732</u>	<u>0</u>	
TOTAL EXPENDABLE REV		0	3,300,000	340,732	0	0
TRANSFERS						
SECURITIES CASHED IN						
TOTAL REVENUES		0	3,300,000	340,732	0	0
II. EXPENDITURES						
EARLY RETIRE./SEV. PAY			0	<u>3,090,205</u>	<u>210,915</u>	0
OTHER			<u>19,386</u>	<u>4,266</u>	<u>3,215</u>	
TOTAL EXPENDABLE APPROP.		0	19,386	3,094,471	214,130	0
TRANSFERS						
SECURITIES PURCHASED						
TOTAL EXPENDITURES		0	19,386	3,094,471	214,130	0
III. BALANCES						
CASH FORWARD, JANUARY 1		0	0	3,280,614	526,875	312,745
REVENUE		<u>0</u>	<u>3,300,000</u>	<u>340,732</u>	<u>0</u>	<u>0</u>
AVAILABLE BALANCE		0	3,300,000	3,621,346	526,875	312,745
EXPENDITURES		<u>0</u>	<u>19,386</u>	<u>3,094,471</u>	<u>214,130</u>	<u>0</u>
CASH BALANCE, DEC. 31		0	3,280,614	526,875	312,745	312,745
PLUS INVESTMENTS						
ACTUAL CASH BALANCE, DEC. 31						

SHELBY EASTERN SCHOOLS
RAINY DAY FUND

	2002	2003	2004	2005	2006	2007
I. REVENUE						
TRANSFERS	<u>300,000</u>			0		
TOTAL REVENUES	300,000	0	0	0	0	0
II. EXPENDITURES						
BENEFITS				<u>0</u>		
OTHER				<u>300,000</u>		
TOTAL EXPENDABLE APPROP.				300,000	0	0
TRANSFERS						
TOTAL EXPENDITURES				300,000	0	0
III. BALANCES						
CASH FORWARD, JANUARY 1	0	300,000	300,000	300,000	0	0
REVENUE	<u>300,000</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
AVAILABLE BALANCE	300,000	300,000	300,000	300,000	0	0
EXPENDITURES				<u>300,000</u>	<u>0</u>	<u>0</u>
CASH BALANCE, DEC. 31	300,000	300,000	300,000	0	0	0
PLUS INVESTMENTS						
ACTUAL CASH BALANCE, DEC. 31						

**SHELBY EASTERN SCHOOLS
CERTIFIED STAFF VS PUPIL ENROLLMENT**

SCHOOL YEAR	BUDGET YEAR	NON-TEACH CERTIFIED	TEACHING CERTIFIED	TOTAL CERTIFIED	CHANGE	ADM	CHANGE
1995-96	1996	17.0	99.5	116.5		1841.0	
1996-97	1997	16.7	100.0	116.7	0.2	1857.0	16.0
1997-98	1998	17.0	101.8	118.8	2.1	1837.0	-20.0
1998-99	1999	19.0	103.4	122.4	3.6	1801.0	-36.0
1999-00	2000	17.5	105.0	122.5	0.1	1780.0	-21.0
2000-01	2001	18.5	105.1	123.6	1.1	1715.0	-65.0
2001-02	2002	19.0	102.5	121.5	-2.1	1701.0	-14.0
2002-03	2003	18.5	100.0	118.5	-3.0	1682.0	-19.0
2003-04	2004	18.0	99.3	117.3	-1.2	1595.0	-87.0
2004-05	2005	16.0	97.2	113.2	-4.1	1624.0	29.0
2005-06	2006	15.0	90.2	105.2	-8.0	1598.0	-26.0
2006-07	2007	12.0	89.5	101.5	-3.7	1570.0	-28.0

SOURCE: INDIANA DEPARTMENT OF EDUCATION

**SHELBY EASTERN SCHOOLS
ASSESSED VALUATION AND TAX RATES**

YEAR	A. V.	TAX RATES							Total
		General	Debt Svc	Pension	CPF	Trans	Bus Rep	S E Pre	
1992	65,984,340	2.2803	0.8512	0.0000	0.5589	0.6865	0.0000	0.0100	4.3869
1993	66,724,930	2.4681	0.6840	0.0000	0.4986	0.6546	0.0000	0.0100	4.3153
1994	68,695,935	2.4343	0.6439	0.0000	0.7731	0.5987	0.0000	0.0100	4.4600
1995	68,724,005	2.5055	0.6701	0.0000	1.0801	0.6212	0.0000	0.0100	4.8869
1996	79,300,060	2.3813	0.5636	0.0000	0.8521	0.5454	0.0000	0.0100	4.3524
1997	79,953,200	2.3878	0.6644	0.0000	0.6579	0.6036	0.0000	0.0100	4.3237
1998	85,066,270	2.4222	0.4819	0.0000	0.9299	0.5775	0.0000	0.0100	4.4215
1999	85,938,455	2.4940	0.9270	0.0000	1.0074	0.6270	0.0000	0.0095	5.0649
2000	87,945,360	2.5130	0.6584	0.0000	0.8247	0.6806	0.0000	0.0094	4.6861
2001	86,356,791	2.5643	1.6110	0.0000	0.8809	0.6481	0.0658	0.0095	5.7796
2002	258,951,453	0.0882	0.5155	0.0000	0.2752	0.2171	0.0048	0.0031	1.1039
2003	425,460,648	0.5889	0.3953	0.0000	0.2300	0.1444	0.0158	0.0031	1.3775
2004	421,780,469	0.6396	0.3878	0.0000	0.2351	0.1538	0.0010	0.0006	1.4179
2005	423,479,070	0.6873	0.3845	0.0000	0.0856	0.16	0.008	0.002	1.3274
2006	413,092,409	0.7152	0.3812	0.0453	0.1898	0.1768	0.0197	0.0019	1.5299
2007	410,361,825	0.7428	0.9238	0.0972	0.1479	0.1943	0.0287	0.002	2.1367

Source: Indiana State Board of Tax Commissioners and Indiana Department of Education.

**SHELBY EASTERN SCHOOLS
GENERAL FUND REVENUE PER ADM**

YEAR	ADM	STATE SUPPORT	PER ADM	TOTAL REVENUE	PER ADM	
1996	1841	4,198,230	2,280	6,690,229	3,634	
1997	1857	4,931,167	2,655	7,433,245	4,003	
1998	1837	5,186,970	2,824	7,914,481	4,308	
1999	1801	5,441,930	3,022	8,298,332	4,608	
2000	1780	5,698,992	3,202	8,675,253	4,874	
2001	1715	6,005,987	3,502	8,735,326	5,093	
2002	1701	5,926,026	3,484	9,074,273	5,335	
2003	1682	6,054,816	3,600	8,010,241	4,762	*
2004	1595	6,080,884	3,812	9,967,830	6,249	*
2005	1624	5,918,668	3,645	10,276,267	6,327	*
2006	1598	5,559,122	3,504	9,173,838	5,741	
2007	1570	5,276,248	3,360	8,851,617	5,638	
PROJECTED						

SUMMARY OF EXPENDITURES
2002, 2003, 2004, 2005, 2006, 2007 BUDGET
GENERAL FUND

Account Function	Title	2002 Expenditures	2003 Expenditures	2004 Expenditures	2005 Expenditures	2006 Expenditures	2007 Budget
11100	Elementary Instruction	2,047,174	2,028,287	2,001,511	1,991,852	1,947,226	2,111,750
11200	Middle School Instruction						
11300	High School Instruction	2,649,923	2,683,935	2,674,762	2,631,184	2,442,116	2,553,368
11400,11500	Vocational Instruction						
TOTAL	11000 ACCOUNTS	4,697,097	4,712,222	4,676,273	4,623,036	4,389,342	4,665,118
12100	Gifted & Talented						
	SPECIAL EDUCATION						
12200	Mentally Handicapped						
12300	Physically Handicapped						
12400	Emotionally Handicapped						
12600	Learning Disabled						
12350	Homebound			458	144	278	500
21400	Psychological Services						
12510	Communication Hand.						
21600	Special Educ Admin						
TOTAL SPECIAL EDUCATION		0	0	458	144	278	500
12500	Culturally Different Service						
12700	At Risk Programs	47,951	52,929				
13000	Adult/Continuing Education						
14000	Summer School	26,144	19,639	22,672	25,811	21,365	26,005
16100	Remediation	37,533	41,638	64,399	62,905	57,193	60,000
16200	Preventive Remediation						
21100	Attend Social Work Service	50,228	52,096	52,399	52,560	34,632	0
21200	Guidance Services	214,275	180,867	190,268	166,887	139,473	177,000
21300	Health Services	6,464	18,030	49,632	56,323	53,445	56,160
22100	Curriculum / Staff Dev.	14,366	4,955	5,525	7,556	9,270	7,500
22200	Media Support & Service	44,432	31,711	26,270	36,453	123,454	158,215
23100	Governing Body Services	59,734	58,622	91,614	41,785	57,485	61,305
23200	Executive Administration	203,442	136,739	150,158	164,163	157,660	157,420
24100	Building Principals	431,925	444,546	483,661	444,085	427,583	450,391
24900	Other School Admin.						
25100,25200	Business / Fiscal Serv.						
25351	Bldg. Const./Impr.						
25400	Bldg. Operation & Maintenance	1,092,583	1,039,992	1,039,649	936,389	995,034	906,255
25290	Other Fiscal Services	40,903	14,493	1,990	499	18,781	7,500
25700	Printing						
26200	Planning/Research						
26400	Employee Benefits	1,739,328	1,915,667	1,964,485	1,963,253	2,043,922	2,385,500
26600	Data Processing						
26700	Technology	0	0	0		0	0
26900	Other Support Service	0	0	0		0	0
32000	Community Recreation	1,800	1,800	900	2,700	3,600	3,600
34000	Athletic Coaches	70,820	82,420	89,787	88,707	99,314	88,710
39100	Band Uniforms						0
39400	Child Care						0
39900	Other Community Serv.						
41300	Area Vocation School	302,238	262,093	256,186	198,355	276,429	245,500
41400	Joint Services	542,099	519,702	645,360	565,109	687,971	600,638
41000	Transfer Tuition	12,155	4,356	4,773	83	284	1,000
43000	Transfers to Other Funds				47	96,107	
52200	Interest on Debt	4,485					
TOTAL ALL FUNDS		9,640,002	9,594,517	9,816,459	9,436,850	9,692,622	10,058,317

INDIANA SCHOOL DISTRICTS WITH ADM BETWEEN 1,500-1,600

Number	Name	2006	2006	2006	1/1/2006	12/31/2006
		ADM	GF Expendit.	GF Revenue	GF Balance	GF Balance
7775	Switzerland County	1,592	10,129,901	9,780,953	2,852,969	2,504,021
7350	Northwestern Consol	1,571	8,696,958	8,606,119	553,417	462,578
7285	Shelby Eastern	1,570	9,596,513	9,173,838	-179,260	-601,935
2825	Madison-Grant	1,556	8,872,503	9,122,472	2,105,627	2,459,215
7645	Northeast Sch. Corp.	1,524	9,027,628	8,977,345	628,085	802,220
5625	Oak Hill	1,509	8,563,488	8,877,714	-175,218	111,467
1805	Dekalb Co. Eastern	1,507	8,555,675	8,484,189	294,125	375,661
3460	Taylor Community	1,501	9,708,274	9,472,169	155,111	95,877
	Shelby Eastern Rank	3rd	3rd	3rd	8th	8th

2006 EXPENDITURE DETAIL

Name	Cert. Salaries	Non-Cert. Salaries	Other Salaries	Employee Benefits	Purchased Services	Supplies	Capital Outlay	Other
Switzerland County	5,603,341	1,150,280	97,695	2,126,983	1,003,659	130,115	1,081	16,748
Northwestern Consol	4,558,370	1,080,915	85,968	1,566,239	1,212,569	144,120	16,567	32,211
Shelby Eastern	4,727,461	907,139	224,453	2,028,316	1,545,414	122,888	0	40,842
Madison-Grant	5,275,421	791,470	46,505	1,687,893	760,018	196,716	1,664	112,817
Northeast Sch. Corp.	4,909,649	925,456	145,612	2,167,642	533,724	125,449	0	220,096
Oak Hill	4,471,573	1,349,218	128,030	1,833,305	552,863	217,108	0	11,391
Dekalb Co. Eastern	4,505,783	1,181,905	54,146	1,577,122	897,450	329,924	1,549	7,796
Taylor Community	5,388,389	1,494,410	91,256	1,946,307	570,538	155,542	0	61,833
Shelby Eastern Rank	5th	7th	1st	3rd	1st	8th	8th	4th
			54%		27.40%			

2006 TOTAL EXPENDITURES ALL TAX-RATED FUNDS

Name	Total Expenditures	Total Expenditures minus Debt
Switzerland County	12,743,345	12,156,077
Northwestern Consol	11,352,854	10,367,305
Shelby Eastern	14,144,984	11,559,126
Madison-Grant	11,726,156	10,665,718
Northeast Sch. Corp.	11,657,681	10,931,205
Oak Hill	12,202,492	10,692,975
DeKalb Co. Eastern	13,157,951	11,540,773
Taylor Community	13,608,468	11,525,256
Shelby Eastern Rank	1st	
	3.90%	

MISCELLANEOUS DATA

Name	Salaries and Benefits as a % of GF Expend.	Transportation Costs	Certified Staff per ADM
Switzerland County	88.6	1,062,260	15.1
Northwestern Consol	83.8	558,495	17.4
Shelby Eastern	82.2	930,979	15.5
Madison-Grant	87.9	673,665	13.8
Northeast Sch. Corp.	90.3	892,555	14.3
Oak Hill	90.9	660,236	14.8
DeKalb Co. Eastern	85.5	1,036,827	9.9
Taylor Community	91.9	567,931	13.8
Shelby Eastern Rank	8th	3rd	7th