

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

AUDIT REPORT  
OF

SOUTHWEST DUBOIS COUNTY  
SCHOOL CORPORATION  
DUBOIS COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

03/07/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela A. Fritz	07-01-04 to 06-30-07
Superintendent of Schools	Richard E. Kerby (Interim) Terry P. Enlow (Interim)	07-01-04 to 01-01-05 01-02-05 to 06-30-07
President of the School Board	Philip R. Fischer Shannon Hildebranski	05-18-04 to 12-31-04 01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SOUTHWEST DUBOIS COUNTY  
SCHOOL CORPORATION, DUBOIS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Dubois County School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, 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, 2005 and 2006, 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 January 18, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Long-Term Debt is presented for additional analysis and is not a required part of the basic financial statements.

STATE BOARD OF ACCOUNTS

January 18, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE SOUTHWEST DUBOIS COUNTY  
SCHOOL CORPORATION, DUBOIS COUNTY, INDIANA

We have audited the financial statements of the Southwest Dubois County School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 18, 2007. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

January 18, 2007

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 9,997,609
Restricted assets:	
Cash and investments	<u>448,575</u>
Total assets	<u>\$ 10,446,184</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 448,575
Unrestricted	<u>9,997,609</u>
Total net assets	<u>\$ 10,446,184</u>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 6,950,349
Restricted assets:	
Cash and investments	<u>572,336</u>
Total assets	<u>\$ 7,522,685</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 572,336
Unrestricted	<u>6,950,349</u>
Total net assets	<u>\$ 7,522,685</u>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,228,699	\$ -	\$ 105,983	\$ (5,122,716)
Support services	10,839,012	640,561	196,488	(10,001,963)
Community services	171,280	-	-	(171,280)
Nonprogrammed charges	166,659	-	-	(166,659)
Debt service	2,908,789	-	-	(2,908,789)
Total governmental activities	\$ 19,314,439	\$ 640,561	\$ 302,471	(18,371,407)
General receipts:				
Property taxes				8,249,890
Other local sources				4,670,101
State aid				7,090,740
Grants and contributions not restricted				1,535,986
Bonds and loans				4,500,000
Sale of property, adjustments, and refunds				75,954
Investment earnings				90,671
Total general receipts				26,213,342
Change in cash and investments				7,841,935
Net assets - beginning				2,604,249
Net assets - ending				\$ 10,446,184

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,273,568	\$ -	\$ 78,973	\$ (5,194,595)
Support services	11,094,737	623,899	267,604	(10,203,234)
Community services	170,883	-	-	(170,883)
Nonprogrammed charges	245,919	-	-	(245,919)
Debt service	6,381,789	-	-	(6,381,789)
<b>Total governmental activities</b>	<b><u>\$ 23,166,896</u></b>	<b><u>\$ 623,899</u></b>	<b><u>\$ 346,577</u></b>	<b><u>(22,196,420)</u></b>
General receipts:				
Property taxes				5,764,972
Other local sources				3,003,810
State aid				7,672,264
Grants and contributions not restricted				2,259,299
Sale of property, adjustments, and refunds				277,181
Investment earnings				<u>295,395</u>
<b>Total general receipts</b>				<b><u>19,272,921</u></b>
				Change in cash and investments (2,923,499)
				<u>Net assets - beginning 10,446,184</u>
				<b><u>\$ 7,522,685</u></b>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 4,433,009	\$ 1,030,769	\$ 2,383,373	\$ 1,779,344	\$ 41,247	\$ 1,558,346	\$ 11,226,088
Intermediate sources	210	-	-	-	-	413	623
State sources	7,152,106	-	-	-	-	372,271	7,524,377
Federal sources	-	-	-	-	-	1,404,819	1,404,819
Bonds and loans	4,500,000	-	-	-	-	-	4,500,000
Sale of property, adjustments and refunds	6,786	-	-	12,147	-	42,066	60,999
Intergovernmental transfers	5,981	-	-	300,000	-	19,956	325,937
<b>Total receipts</b>	<u>16,098,092</u>	<u>1,030,769</u>	<u>2,383,373</u>	<u>2,091,491</u>	<u>41,247</u>	<u>3,397,871</u>	<u>25,042,843</u>
Disbursements:							
Current:							
Instruction	4,992,419	-	-	-	-	236,280	5,228,699
Support services	4,522,430	659,172	-	1,475,573	-	3,087,256	9,744,431
Community services	166,622	-	-	-	-	4,658	171,280
Nonprogrammed charges	395,940	-	-	-	-	96,656	492,596
Debt services	800,000	-	1,974,451	-	-	134,338	2,908,789
<b>Total disbursements</b>	<u>10,877,411</u>	<u>659,172</u>	<u>1,974,451</u>	<u>1,475,573</u>	<u>-</u>	<u>3,559,188</u>	<u>18,545,795</u>
Excess (deficiency) of total receipts over (under) total disbursements	5,220,681	371,597	408,922	615,918	41,247	(161,317)	6,497,048
Cash and investments - beginning	315,039	79,470	43,079	88,026	21,324	1,401,489	1,948,427
Cash and investments - ending	<u>\$ 5,535,720</u>	<u>\$ 451,067</u>	<u>\$ 452,001</u>	<u>\$ 703,944</u>	<u>\$ 62,571</u>	<u>\$ 1,240,172</u>	<u>\$ 8,445,475</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 6,497,048
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>1,344,887</u>
Change in cash and investments of governmental activities	<u>\$ 7,841,935</u>

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,116,479	\$ 735,112	\$ 1,699,770	\$ 1,100,526	\$ 62,600	\$ 1,675,336	\$ 8,389,823
Intermediate sources	210	-	-	-	-	356	566
State sources	7,718,400	-	-	-	-	511,108	8,229,508
Federal sources	-	-	-	-	-	2,048,632	2,048,632
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	154,290	553	-	-	-	26,353	181,196
Intergovernmental transfers	4,744	-	-	-	-	337,522	342,266
<b>Total receipts</b>	<b>10,994,123</b>	<b>735,665</b>	<b>1,699,770</b>	<b>1,100,526</b>	<b>62,600</b>	<b>4,599,307</b>	<b>19,191,991</b>
Disbursements:							
Current:							
Instruction	5,012,081	-	-	-	-	261,487	5,273,568
Support services	4,857,979	701,876	-	1,027,327	-	3,422,974	10,010,156
Community services	162,432	-	-	-	-	8,451	170,883
Nonprogrammed charges	407,333	-	25,000	-	-	155,852	588,185
Debt services	4,500,000	-	1,573,466	-	-	308,323	6,381,789
<b>Total disbursements</b>	<b>14,939,825</b>	<b>701,876</b>	<b>1,598,466</b>	<b>1,027,327</b>	<b>-</b>	<b>4,157,087</b>	<b>22,424,581</b>
Excess (deficiency) of total receipts over (under) total disbursements	(3,945,702)	33,789	101,304	73,199	62,600	442,220	(3,232,590)
Cash and investments - beginning	5,535,720	451,067	452,001	703,944	62,571	1,240,172	8,445,475
Cash and investments - ending	<u>\$ 1,590,018</u>	<u>\$ 484,856</u>	<u>\$ 553,305</u>	<u>\$ 777,143</u>	<u>\$ 125,171</u>	<u>\$ 1,682,392</u>	<u>\$ 5,212,885</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (3,232,590)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>309,091</u>
Change in cash and investments of governmental activities	<u>\$ (2,923,499)</u>

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2005

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 3,646,821
Sale of property, adjustments and refunds	<u>14,955</u>
Total receipts	<u>3,661,776</u>
Disbursements:	
Support services	<u>2,316,889</u>
Changes in cash and investments	1,344,887
Cash and investments - beginning	<u>655,822</u>
Cash and investments - ending	<u><u>\$ 2,000,709</u></u>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 3,028,187
Sale of property, adjustments and refunds	<u>95,985</u>
Total receipts	<u>3,124,172</u>
Disbursements:	
Support services	<u>2,815,081</u>
Changes in cash and investments	309,091
Cash and investments - beginning	<u>2,000,709</u>
Cash and investments - ending	<u><u>\$ 2,309,800</u></u>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 16,304	\$ 7,111
Bonds and loans	<u>4,400,000</u>	<u>-</u>
Total additions	<u>4,416,304</u>	<u>7,111</u>
Deductions:		
Support services	4,128,203	2,634
Community services	<u>-</u>	<u>950</u>
Total deductions	<u>4,128,203</u>	<u>3,584</u>
Excess of total additions over total deductions	288,101	3,527
Cash and investments - beginning	<u>-</u>	<u>22,597</u>
Cash and investments - ending	<u>\$ 288,101</u>	<u>\$ 26,124</u>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 4,100	\$ 10,245
Deductions:		
Support services	152,193	3,101
Community services	-	175
Total deductions	152,193	3,276
Excess (deficiency) of total additions over (under) total deductions	(148,093)	6,969
Cash and investments - beginning	288,101	26,124
Cash and investments - ending	\$ 140,008	\$ 33,093

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 288,101	\$ 26,124	\$ 17,603
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 288,101	\$ 26,124	

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 140,008	\$ 33,093	\$ 54,638
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 140,008	\$ 33,093	

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: School Corporation

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

Joint Venture

The School Corporation is a participant with 6 other school corporations in a joint venture to operate the Area Vocational Program – District 47 which was created to provide for the vocational education needs of students. The Area Vocational Program – District 47's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Area Vocational Program – District 47 can be obtained from Greater Jasper Consolidated Schools, Jasper, Indiana.

The School Corporation is a participant with 8 other school corporations in a joint venture to operate Dubois-Spencer-Perry Exceptional Children's Cooperative which was created to provide programs and services for exceptional children. The Dubois-Spencer-Perry Exceptional Children's Cooperative's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the Dubois-Spencer-Perry Exceptional Children's Cooperative. Complete financial statements for the Dubois-Spencer-Perry Exceptional Children's Cooperative can be obtained from Greater Jasper Consolidated Schools, Jasper, Indiana.

The School Corporation is a participant with 7 parochial schools and 33 public school corporations in a joint venture to operate Southern Indiana Education Center (SIEC) which was created to operate and maintain an educational service center in order to allow participating school corporations to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit annually a fee for membership in an amount determined by the governing board of the SIEC based on each school's ADM to supplement the SIEC. The SIEC's continued existence depends on continued funding by the School Corporation. The School Corporation maintains the treasury function for the SIEC and the financial information is included in the School Corporation's financial statements.

The School Corporation is a participant with 15 other school corporations in a joint venture to operate the Southwest Indiana Co-op which was created to provide cost and administrative savings for the participating school corporations in their purchases of certain food commodities and related services. The Co-op does not handle any financial transactions. Each member school corporation is responsible to fund its share of the commodities purchased and pays the vendor directly.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial 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, liabilities, 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 school children to and from school.

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

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

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for dental, vision, life and long-term disability insurance for members of the Southern Indiana School Trust and medical benefits for employees of the School Corporation.

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

The private-purpose trust funds report a trust arrangement under which principal and income benefit the students and the School Corporation.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Agency funds account for assets held by the School Corporation as an agent for payroll of the School Corporation and serves as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are 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.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

School Corporation certified employees earn sick leave at the rate of 17 days per year. Unused sick leave may be accumulated indefinitely. Noncertified personnel earn sick leave at the rate of 1 day for each month or fraction of a month of employment. Noncertified employees with less than 5 years of employment may accumulate unused sick leave to a maximum of 30 days whereas noncertified employees with more than 5 years of employment may accumulate unused sick leave to a maximum of 60 days. Accumulated sick leave is not paid to employees upon termination.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees on a 12 month schedule earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation certified employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 9 days. Noncertified personnel earn personal leave at the rate of 1 day per year which may be accumulated to a maximum of 2 days. Accumulated personal leave is not paid to employees upon termination.

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.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (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.

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

Intergovernmental transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

Internal activities – Amounts reported as intergovernmental transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute.

Fund	2005	2006
Retirement/Severance Bond Fund	\$ (3,426)	\$ -
Tech-Prep Education	(739)	(5,472)
Library Grant	-	(2,425)

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. 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.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
General Fund	Capital Projects	\$ 300,000	\$ -
General Fund	Other governmental	-	295,000
Debt Service Fund	Other governmental	-	25,000
Other governmental	General Fund	5,981	4,744
Other governmental	Other governmental	<u>19,956</u>	<u>17,522</u>
Totals		<u>\$ 325,937</u>	<u>\$ 342,266</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

IV. Other Information

A. Risk Management

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

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

Dental, Vision, Life and Long-Term Disability Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with dental, vision, life, and long-term disability insurance. The risk financing fund is accounted for in the Southern Indiana School Trust Fund, an internal service fund, where assets are set aside for claim settlements. The School Corporation is the LEA for the eleven member schools of the insurance trust. The balance in the internal service fund is an accumulation of the balances for the entire trust. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for the cost of selected coverage per employees paid from that fund. Provisions are also made for unexpected and unusual claims.

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$55,000 per year. Settled claims resulting from this

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into capital leases with the Southwest Dubois County Middle School Building Corporation and the Southwest Dubois County Elementary Facilities Corporation (the lessors). The lessors were 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 year ended June 30, 2006, totaled \$1,393,500.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment single coverage for medical, dental, and vision insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 50 with at least 18 years of service. Currently, 29 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$197,148 were recognized for postemployment benefits.

The School Corporation also provides early retirement incentives to all certified employees who retire from the School Corporation on or after attaining age 50 with at least 18 years of service. Except for the initial \$2,000 payment, the remaining severance pay will not start until the retiree reaches age 54. Currently 32 employees meet these eligibility requirements. The School Corporation provides 100% of these postemployment retirement incentives. During the year ended June 30, 2006, disbursements of \$432,236 were recognized for early retirement incentives.

D. 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.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 41,569
Interest on net pension obligation	(5,198)
Adjustment to annual required contribution	5,924
Annual pension cost	42,295
Contributions made	42,169
Increase in net pension obligation	126
Net pension obligation, beginning of year	(71,702)
Net pension obligation, end of year	\$ (71,576)
Contribution rates:	
School Corporation	5.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 46,739	87%	\$ (69,154)
	06-30-04	39,464	106%	(71,702)
	06-30-05	42,295	107%	(71,576)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$119,018, \$103,946, and \$94,887, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 538,659	\$ 530,163	\$ 8,496	102%	\$ 717,963	1%
07-01-04	558,843	576,091	(17,248)	97%	721,311	(2%)
07-01-05	592,907	686,233	(93,326)	86%	711,763	(13%)

# SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION

113 NORTH JACKSON STREET  
HUNTINGBURG, INDIANA 47542

Phone 812-683-3971

Fax 812-683-2752

Website: [www.swdubois.k12.in.us](http://www.swdubois.k12.in.us)

**Terry P. Enlow**  
Superintendent

**Jerri Kramer**  
Executive Secretary

**J. Patrick Bradley**  
Business Manager

**Pam Fritz**  
Corporation Treasurer

## SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION SUPPLEMENTARY INFORMATION SCHEDULE OF LONG-TERM DEBT

~~For The Year Ended~~ June 30, 2006

<u>Long-Term Debt</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>		
<b>Capital leases:</b>		
Middle School Building	\$ 470,000	\$ 230,000
Elementary School Buildings	11,125,000	330,000
400 Tangent Computers	136,126	136,126
Land	344,970	76,660
Notes and loans payable	94,813	59,882
<b>Bonds payable:</b>		
General obligation bonds:		
Retirement/Severance	4,330,000	75,000
<b>Total governmental activities long-term debt</b>	<u>\$ 16,500,909</u>	<u>\$ 907,668</u>

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

No information was presented for audit to indicate that an inventory or record of capital assets existed. A similar comment appeared in prior audit reports.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM)

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, for the school year ended June 30, 2005, included four students that had withdrawn on the September 17, 2004, ADM enrollment count date.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

FEES (Applies to Southridge High School)

The high school book rental charges included course fees for almost every class offered without supporting documentation as to the reason for the fee. A similar comment appeared in the prior audit report.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

All authorized educational fees (the School Board should be able to justify any educational fees (non-payroll positions) and ensure Constitutional problems do not exist) must be receipted to the General Fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental). However, proper educational fees belong in the school corporation general fund and should be transferred timely. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

EXPENDITURES BY HOLDING CORPORATIONS

Choir uniforms, high school football stadium bleachers, carpeting for middle school office and library, and wiring and light fixtures in corporation office, were provided to the School Corporation from the Southwest Dubois County Elementary Facilities Corporation (Holding Corporation). Information presented for audit does not indicate that these disbursements were in the original project approved by the Department of Local Government Finance.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Property and equipment provided by holding corporations to a governmental unit should only be in accordance with the original project as presented to the public and approved by the Department of Local Government Finance or by subsequent written approval of the Department of Local Government Finance. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EXTRA-CURRICULAR ACCOUNTING SOFTWARE DEFICIENCIES

As of June 1, 2006, the financial records of the extra-curricular accounts (including school lunch and textbook rental) are being maintained using Harmony Software. The following deficiencies were noted.

1. The vendor has on-line access to the system continuously. The vendor can make changes/updates to the system without the school knowing what changes were made. Changes do not have to be authorized by the school nor is there a log maintained of what changes or updates have been made by the vendor.
2. Users are not required to change their password. Some passwords have not been changed since implementation of the software.
3. A manual is not available to provide instructions to the users of the software to ensure accurate entry, processing, and reporting of information from the accounting system.
4. Audit trails do not exist for all information entered into the system. A beginning balance of one fund did not agree with the ending balance of the fund but no transactions were recorded during the month. Transactions appeared in the detail of receipts but did not appear in the control account. Accuracy and completeness of transactions could not be determined. Information entered during the training session, that was subsequently deleted, has reappeared in the unit's records.
5. Forms generated by the computer system have not been approved for use in lieu of the prescribed forms.

Changes to the accounting system's computer programs must be adequately controlled. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

Passwords are confidential keywords associated with the user ID to provide verification of the user's identity. Each user must have a unique user ID and password which must not be shared. Passwords must meet the following criteria: passwords must be changed every 30 days; passwords must be a minimum of six (6) characters in length; passwords must be a combination of alphabetic and numeric characters; passwords may not be the same for a user ID as the last five (5) passwords used by this user ID; individuals must assign their own passwords; and passwords must be encrypted while stored on the computer. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

Written procedures must be available for all computerized accounting systems which provide instructions on the requirements for the approval of information prior to entry into the computer, as well as the accurate entry, processing, and reporting of information from the accounting system. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

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 SOUTHWEST DUBOIS COUNTY  
SCHOOL CORPORATION, DUBOIS COUNTY, INDIANA

Compliance

We have audited the compliance of the Southwest Dubois County School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. 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; 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, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

January 18, 2007

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 27,619	\$ 36,216
National School Lunch Program	10.555		<u>159,921</u>	<u>200,744</u>
Total for cluster			<u>187,540</u>	<u>236,960</u>
Direct Grant				
Distance Learning and Telemedicine Loans and Grants	10.855	Indiana 709-A16	-	<u>275,410</u>
Total for federal grantor agency			<u>187,540</u>	<u>512,370</u>
<u>NATIONAL FOUNDATION FOR THE ARTS AND HUMANITIES</u>				
Pass-Through Indiana State Library				
Grants to States	45.310	5-1-1	-	<u>2,425</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Dubois-Spencer-Perry Exceptional Children's Cooperative				
Special Education Cluster				
Special Education - Grants to States	84.027		<u>22,356</u>	-
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
FY 03-04		04-2110	16,823	-
Tophat FY 03-04			12,039	-
School Improvement FY 03-04			171,702	-
Networking FY 03-04			979	-
FY 04-05		05-2110	141,800	39,339
School Improvement FY 04-05			729,250	138,747
Networking FY 04-05			3,495	305
FY 05-06		06-2110	-	132,965
School Improvement FY 05-06			-	971,915
Networking FY 05-06			-	<u>1,000</u>
Total for program			<u>1,076,088</u>	<u>1,284,271</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		02-234	944	-
		04-02	500	-
		04-189	591	5,153
		05-113	-	1,341
		05-011	-	<u>9,900</u>
Total for program			<u>2,035</u>	<u>16,394</u>
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education	84.243			
		TP4218	22,240	7,760
		TP5218	-	<u>29,979</u>
Total for program			<u>22,240</u>	<u>37,739</u>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs	84.298			
FY 03-04		03-242	2,961	5,480
FY 04-05		04-104	3,439	5,337
FY 05-06		05-144	-	2,389
Total for program			<u>6,400</u>	<u>13,206</u>
Education Technology State Grants	84.318			
FY 02-04			5,208	-
FY 03-05			23,629	3,430
FY 04-06			5,625	8,647
FY 05-07			-	6,896
Total for program			<u>34,462</u>	<u>18,973</u>
Reading Excellence	84.338			
FY 02-04			136,559	
FY 04-05		S338A10016	54,478	-
Total for program			<u>191,037</u>	<u>-</u>
Reading First State Grants	84.357	S357A040015	-	5,000
English Language Acquisition Grants	84.365			
FY 03-04			12,468	-
FY 03-04			16,913	-
FY 04-05			17,633	1,203
FY 04-05			10,703	107
FY 05-06			-	26,927
FY 05-06			-	9,511
Total for program			<u>57,717</u>	<u>37,748</u>
Improving Teacher Quality State Grants	84.367			
02-286		02-286	7,848	-
03-171		03-171	41,650	13,338
04-102		04-102	-	40,117
S367A40013A		S367A40013A	-	53,000
Total for program			<u>49,498</u>	<u>106,455</u>
Total for federal grantor agency			<u>1,354,618</u>	<u>1,375,583</u>
Total federal awards expended			<u>\$ 1,649,373</u>	<u>\$ 2,034,581</u>

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

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
School Breakfast Program	10.553	\$ 4,130	\$ 5,565
National School Lunch Program	10.555	24,039	30,830

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? no

Federal Awards:

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

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2007, with J. Patrick Bradley, Business Manager; and Pamela A. Fritz, Treasurer. The officials concurred with our audit findings.

The contents of this report were discussed on January 29, 2007, with Terry P. Enlow, Superintendent of Schools; and Jeffrey L. Starling, Board member. The official response has been made a part of this report and may be found on page 44.

# Southridge High School

1110 S. Main Street    Huntingburg, IN 47542  
(812) 683-2272 • Fax (812) 683-2010

February 7, 2007

Dear Sir or Madam:

This is in response to the auditor's report that was done this year at Southwest Dubois School Corporation. The response is to the ADM count that was done at the high school for the school year 2004-2005.

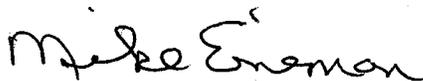
There were four students that were counted on our count on September 17, 2004, but are unaccounted for within our records. I have listed the explanations below and have accounted for the four as of this time.

1. STUDENT NO. 1 – I have attached a withdrawal paper for Student No. 1. As you can see they put the wrong date on the paper. She withdrew on September 20<sup>th</sup> of 2004. The wrong date was placed on the withdrawal, and you can see the first date was crossed out, and the 20<sup>th</sup> was written in. Unfortunately, it was not changed on the other dates. I have sent a copy, and have kept the original if needed.
2. STUDENT NO. 2 – This young lady was another student unaccounted for. Attached is an attendance letter that was sent home to Student No. 2 and her mother on November 30, 2004. She had been missing school, and was beyond her allotted absences. Her mother had moved to Shoals, IN, we believe, so the letter was sent to her address. Student No. 2 was in school at Southridge up to this point and time.

The other two students as of now, I cannot come up with the information when they actually were withdrawn from Southridge.

Also, enclosed is a list of the course fees that students were charged for their classes. A list of items that those course fees were spent on is listed with each class.

Thank you,



Mike Eineman, Principal  
Southridge High School

Principal  
Mike Eineman  
Assistant Principal  
Kelly Murphy  
Counselors  
Brian Uebelhor  
Jenny Fowler  
Athletic Director  
Brett Bardwell  
Ass't. Athletic Director  
Elaine Main

Member North Central Association