

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

AUDIT REPORT  
OF

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
JEFFERSON COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**  
07/16/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Laura Boldery	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Daniel J. Schroeder Stephen C. Telfer	07-01-04 to 06-30-05 07-01-05 to 06-30-07
President of the School Board	Richard Johnson Teresa Scrogam	01-01-04 to 12-31-06 01-01-07 to 12-31-07



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

TO: THE OFFICIALS OF THE SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION, JEFFERSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwestern Jefferson County Consolidated 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 June 6, 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.

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

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.

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 Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 6, 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 SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION, JEFFERSON COUNTY, INDIANA

We have audited the financial statements of the Southwestern Jefferson County Consolidated School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated June 6, 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

June 6, 2007

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,851,524
Restricted assets:	
Cash and investments	<u>461,391</u>
Total assets	<u>\$ 5,312,915</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 461,391
Unrestricted	<u>4,851,524</u>
Total net assets	<u>\$ 5,312,915</u>

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,880,743
Restricted assets:	
Cash and investments	<u>424,634</u>
Total assets	<u>\$ 5,305,377</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 424,634
Unrestricted	<u>4,880,743</u>
Total net assets	<u>\$ 5,305,377</u>

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED 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	\$ 5,069,417	\$ -	\$ 84,798	\$ (4,984,619)
Support services	6,069,658	400,286	311,463	(5,357,909)
Community services	85,944	-	-	(85,944)
Nonprogrammed charges	583,049	-	-	(583,049)
Debt service	2,948,239	-	-	(2,948,239)
Total governmental activities	\$ 14,756,307	\$ 400,286	\$ 396,261	(13,959,760)
General receipts:				
Property taxes				5,793,140
Other local sources				834,902
State aid				6,730,855
Grants and contributions not restricted				401,081
Bonds and loans				1,328,083
Sale of property, adjustments, and refunds				82,557
Investment earnings				93,892
Total general receipts				15,264,510
Change in cash and investments				1,304,750
Net assets - beginning				4,008,165
Net assets - ending				\$ 5,312,915

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED 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	\$ 4,973,478	\$ -	\$ 49,822	\$ (4,923,656)
Support services	6,448,380	425,471	307,894	(5,715,015)
Community services	72,592	-	-	(72,592)
Nonprogrammed charges	514,343	-	-	(514,343)
Debt service	<u>1,575,352</u>	<u>-</u>	<u>-</u>	<u>(1,575,352)</u>
Total governmental activities	<u>\$ 13,584,145</u>	<u>\$ 425,471</u>	<u>\$ 357,716</u>	<u>(12,800,958)</u>
General receipts:				
Property taxes				4,030,614
Other local sources				661,558
State aid				7,081,715
Grants and contributions not restricted				384,691
Bonds and loans				365,016
Sale of property, adjustments, and refunds				12,975
Investment earnings				231,736
Transfers:				
Intergovernmental				<u>25,115</u>
Total general receipts and transfers				<u>12,793,420</u>
Change in cash and investments				(7,538)
Net assets - beginning				<u>5,312,915</u>
Net assets - ending				<u>\$ 5,305,377</u>

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

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

	<u>General</u>	<u>Transportation Operating</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Bus Replacement</u>	<u>Other</u>	<u>Totals</u>
Receipts:							
Local sources	\$ 3,091,130	\$ 1,263,583	\$ 802,689	\$ 1,256,049	\$ 199,797	\$ 514,892	\$ 7,128,140
Intermediate sources	303	-	-	-	-	244	547
State sources	6,802,762	-	-	-	-	182,861	6,985,623
Federal sources	27	-	-	-	-	536,080	536,107
Bonds and loans	1,137,763	190,320	-	-	-	-	1,328,083
Sale of property, adjustments and refunds	46,872	-	-	400	520	34,765	82,557
Intergovernmental transfers	1,866	-	-	-	-	42,474	44,340
<b>Total receipts</b>	<b><u>11,080,723</u></b>	<b><u>1,453,903</u></b>	<b><u>802,689</u></b>	<b><u>1,256,449</u></b>	<b><u>200,317</u></b>	<b><u>1,311,316</u></b>	<b><u>16,105,397</u></b>
Disbursements:							
Current:							
Instruction	4,801,071	-	-	-	-	268,346	5,069,417
Support services	3,427,193	986,385	-	648,406	57,871	949,803	6,069,658
Community services	80,345	-	-	-	-	5,599	85,944
Nonprogrammed charges	548,416	-	-	1,329	-	77,644	627,389
Debt services	1,438,130	727,028	783,081	-	-	-	2,948,239
<b>Total disbursements</b>	<b><u>10,295,155</u></b>	<b><u>1,713,413</u></b>	<b><u>783,081</u></b>	<b><u>649,735</u></b>	<b><u>57,871</u></b>	<b><u>1,301,392</u></b>	<b><u>14,800,647</u></b>
Excess (deficiency) of total receipts over (under) total disbursements	785,568	(259,510)	19,608	606,714	142,446	9,924	1,304,750
Cash and investments - beginning	<u>1,471,533</u>	<u>581,886</u>	<u>359,762</u>	<u>839,557</u>	<u>10,505</u>	<u>744,922</u>	<u>4,008,165</u>
Cash and investments - ending	<b><u>\$ 2,257,101</u></b>	<b><u>\$ 322,376</u></b>	<b><u>\$ 379,370</u></b>	<b><u>\$ 1,446,271</u></b>	<b><u>\$ 152,951</u></b>	<b><u>\$ 754,846</u></b>	<b><u>\$ 5,312,915</u></b>

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

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

	<u>General</u>	<u>Transportation Operating</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Bus Replacement</u>	<u>Other</u>	<u>Totals</u>
Receipts:							
Local sources	\$ 2,194,426	\$ 925,068	\$ 469,833	\$ 935,635	\$ 225,844	\$ 598,366	\$ 5,349,172
Intermediate sources	-	-	-	-	-	281	281
State sources	7,120,074	-	-	-	-	104,707	7,224,781
Federal sources	-	-	-	-	-	599,267	599,267
Bonds and loans	-	365,016	-	-	-	-	365,016
Sale of property, adjustments and refunds	288	-	-	10,403	-	2,284	12,975
Intergovernmental transfers	25,115	-	-	-	-	146,345	171,460
<b>Total receipts</b>	<u>9,339,903</u>	<u>1,290,084</u>	<u>469,833</u>	<u>946,038</u>	<u>225,844</u>	<u>1,451,250</u>	<u>13,722,952</u>
Disbursements:							
Current:							
Instruction	4,701,690	-	-	-	-	271,788	4,973,478
Support services	3,656,075	996,996	-	782,444	181,398	831,467	6,448,380
Community services	72,492	-	-	-	-	100	72,592
Nonprogrammed charges	520,976	25,261	13,402	24,913	7,223	68,913	660,688
Debt services	699,633	251,091	508,329	-	-	116,299	1,575,352
<b>Total disbursements</b>	<u>9,650,866</u>	<u>1,273,348</u>	<u>521,731</u>	<u>807,357</u>	<u>188,621</u>	<u>1,288,567</u>	<u>13,730,490</u>
Excess (deficiency) of total receipts over (under) total disbursements	(310,963)	16,736	(51,898)	138,681	37,223	162,683	(7,538)
Cash and investments - beginning	<u>2,257,101</u>	<u>322,376</u>	<u>379,370</u>	<u>1,446,271</u>	<u>152,951</u>	<u>754,846</u>	<u>5,312,915</u>
Cash and investments - ending	<u>\$ 1,946,138</u>	<u>\$ 339,112</u>	<u>\$ 327,472</u>	<u>\$ 1,584,952</u>	<u>\$ 190,174</u>	<u>\$ 917,529</u>	<u>\$ 5,305,377</u>

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

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

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 103,305
Bonds and loans	1,550,000	-
Sale of property, adjustments and refunds	-	550
Transfers	-	1,280
	1,550,000	105,135
Deductions:		
Instruction	-	58,729
Support services	-	57,060
Nonprogrammed charges	-	125
	-	115,914
Excess (deficiency) of total additions over (under) total deductions	1,550,000	(10,779)
Cash and investments - beginning	-	83,168
Cash and investments - ending	\$ 1,550,000	\$ 72,389

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

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

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 79,326
Transfers	-	2,976
Total additions	-	82,302
Deductions:		
Instruction	-	87,821
Support services	1,475,977	69,595
Nonprogrammed charges	-	1,239
Total deductions	1,475,977	158,655
Deficiency of total additions under total deductions	(1,475,977)	(76,353)
Cash and investments - beginning	1,550,000	72,389
Cash and investments - ending	\$ 74,023	\$ (3,964)

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2005

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	<u>\$ 1,550,000</u>	<u>\$ 72,389</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ 1,550,000</u>	<u>\$ 72,389</u>

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	<u>\$ 74,023</u>	<u>\$ (3,964)</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ 74,023</u>	<u>\$ (3,964)</u>

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED 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: Southwestern Jefferson County Consolidated 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 six other school corporations in a joint venture to operate the Madison Area Educational Special Services Unit (Special Services Unit) which was created to provide educational services to handicapped students. The School Corporation is obligated by contract to remit an allocated share of the annual operation costs of the Special Services Unit based on the Special Services Unit's approved budget. The allocation is based on the number of students served for each of the member school corporations. Complete financial statements for the Special Services Unit can be obtained from the Special Services Unit's administrative offices at 702 Elm Street, Madison, IN 47250.

The School Corporation is a participant with nine other school corporations in a joint venture to operate the Southeastern Career Center (Career Center) which was created to provide vocational education to member corporation students. The School Corporation is obligated by contract to remit a proportionate share of costs based on each schools corporation's relative average daily membership for high school students and the actual number of students enrolled at the Career Center each year. Complete financial statements for the Career Center can be obtained from the Career Center's administrative offices at 901 West U.S. Hwy 50, Versailles, IN 47042.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and 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.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, 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 pension trust fund accounts for the activities of the Retirement/Severance Bond Fund, which accumulates resources for payments to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

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

C. Measurement Focus and Basis of Accounting

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

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.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

Employees earn sick leave at the rate of 9 to 12 days per year. Unused sick leave may be accumulated to a maximum of 200 days. Accumulated sick leave is paid to employees through cash payments upon retirement as part of a severance pay policy.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 20 days. Accumulated vacation leave is paid to employees through cash payments upon termination or retirement.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Also School Corporation employees may receive up to 5 additional days of personal leave for family emergency illnesses. Unused personal leave converts to accumulated sick leave each June 30.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental 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 funds are 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:

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund Balances and Activities

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

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

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

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

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED 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	Other governmental	\$ -	\$ 70,012
General Fund	All others	1,280	1,608
Transportation Operating	Other governmental	-	25,261
Debt Service	Other governmental	-	13,402
Capital Projects	Other governmental	1,329	24,913
School Bus Replacement	Other governmental	-	7,223
Other governmental	General Fund	1,741	-
Other governmental	Other governmental	41,145	5,534
Other governmental	All others	-	129
All others	General Fund	125	-
All others	All others	-	1,239
		<u>\$ 45,620</u>	<u>\$ 149,321</u>
Totals			

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

B. Holding Corporation

The School Corporation has entered into a capital lease with Southwestern Jefferson County School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the year totaled \$132,000.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health 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 25 years of service or on or after attaining age 55 with 12 years of service. Currently, 13 retirees meet these eligibility requirements. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$26,075 were recognized for postemployment benefits.

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.

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.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 89,245
Interest on net pension obligation	(8,425)
Adjustment to annual required contribution	9,600
Annual pension cost	90,420
Contributions made	91,001
Decrease in net pension obligation	(581)
Net pension obligation, beginning of year	(116,200)
Net pension obligation, end of year	\$ (116,781)

Contribution rates:	
School Corporation	6.63%
Plan members	3%
Actuarial valuation date	07-01-06
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

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 68,253	134%	\$ (95,639)
	06-30-05	80,466	126%	(116,200)
	06-30-06	90,420	113%	(116,781)

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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, 2004, 2005, and 2006, were \$119,387, \$142,531, and \$147,556, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,858,348	\$ 2,018,521	\$ (160,173)	92%	\$ 1,319,919	(12%)
07-01-05	1,938,066	2,143,620	(205,554)	90%	1,424,063	(14%)
07-01-06	2,150,593	2,268,439	(117,846)	95%	1,303,667	(9%)

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,125
Buildings	15,714,828
Improvements other than buildings	454,375
Machinery and equipment	<u>1,372,715</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 17,544,043</u>

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Elementary school building	\$ 1,760,000	\$ 80,000
Notes and loans payable:		
Common school fund loans	3,694,419	202,801
Bonds payable:		
General obligation bonds:		
Pension bonds (retirement/severance)	<u>1,510,000</u>	<u>40,000</u>
Total governmental activities long-term debt	<u>\$ 6,964,419</u>	<u>\$ 322,801</u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION, JEFFERSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Southwestern Jefferson County Consolidated 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

June 6, 2007

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED 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				
FY 04-05	10.553	05-4000	\$ 71,813	\$ -
FY 05-06		06-4000	-	69,176
Total for program			<u>71,813</u>	<u>69,176</u>
National School Lunch Program				
FY 04-05	10.555	05-4000	215,893	-
FY 05-06		06-4000	-	223,970
Total for program			<u>215,893</u>	<u>223,970</u>
Total for cluster			<u>287,706</u>	<u>293,146</u>
Total for federal grantor agency			<u>287,706</u>	<u>293,146</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
FY 03-04	84.010	04-4000	48,527	-
FY 04-05		05-4000	161,258	59,136
FY 05-06		06-4000	-	137,637
Total for program			<u>209,785</u>	<u>196,773</u>
Safe and Drug Free Schools and Communities - State Grants				
FY 03-04	84.186	03-057	618	535
FY 04-05		04-008	-	7,019
FY 05-06		05-036	-	7,638
FY 06-07		4000-06	-	2,054
Total for program			<u>618</u>	<u>17,246</u>
State Grants for Innovative Programs				
FY 03-04	84.298	03-115	27,406	-
FY 04-05		04-024	4,332	3,351
Total for program			<u>31,738</u>	<u>3,351</u>
Education Technology State Grants				
07-01-02 to 09-30-04	84.318	02-04	3,376	-
07-01-03 to 09-30-05		03-05	4,518	-
07-01-04 to 09-30-06		04-06	2,868	2,753
07-01-05 to 09-30-04		05-06	-	3,369
Total for program			<u>10,762</u>	<u>6,122</u>
School Renovation Grant				
School Technology Grant	84.352	S352010015	-	1,750
Improving Teacher Quality State Grants				
FY 03-04	84.367	03-096	28,678	2,358
FY 03-04		6000/182500	60,737	33,529
FY 04-05		6000/182500	-	35,218
Total for program			<u>89,415</u>	<u>71,105</u>
Total for federal grantor agency			<u>342,318</u>	<u>296,347</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs				
Service Learning Grant	94.004		104	31
Total for federal grantor agency			<u>104</u>	<u>31</u>
Total federal awards expended			<u>\$ 630,128</u>	<u>\$ 589,524</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southwestern Jefferson County Consolidated 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.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED 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.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 6, 2007, with Stephen C. Telfer, Superintendent of Schools; Laura Boldery, Assistant to Superintendent/Treasurer; and Teresa Scrogam, President of the School Board. Our audit disclosed no material items that warrant comment at this time.