

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

AUDIT REPORT  
OF  
SOUTHWEST SCHOOL CORPORATION  
SULLIVAN COUNTY, INDIANA  
July 1, 2005 to June 30, 2007



**FILED**  
03/27/2008



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy K. Harris	01-01-05 to 12-31-08
Superintendent of Schools	Dr. Rita Brodnax Walter W. Hoke	07-01-05 to 06-30-07 07-01-07 to 06-30-10
President of the School Board	Gene Bourgasser June McCammon	01-01-05 to 12-31-06 01-01-07 to 12-31-08



**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 SOUTHWEST SCHOOL  
CORPORATION, SULLIVAN 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 School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, 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, 2006 and 2007, 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 17, 2008, 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 Combining Schedules, as listed in the Table of Contents, 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 Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of 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

January 17, 2008



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the School Corporation's management, 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 17, 2008

SOUTHWEST SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Disbursement)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Receipts and</u>
			<u>Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
			<u>Totals</u>	
Governmental activities:				
Instruction	\$ 5,578,022	\$ -	\$ 69,424	\$ (5,508,598)
Support services	10,197,837	522,722	329,684	(9,345,431)
Community services	113,345	-	-	(113,345)
Nonprogrammed charges	610,550	-	-	(610,550)
Debt service	2,071,500	-	-	(2,071,500)
<b>Total governmental activities</b>	<b><u>\$ 18,571,254</u></b>	<b><u>\$ 522,722</u></b>	<b><u>\$ 399,108</u></b>	<b><u>(17,649,424)</u></b>
General receipts:				
Property taxes				10,940,912
Other local sources				1,408,274
State aid				6,894,977
Grants and contributions not restricted to specific programs				593,647
Sale of property, adjustments, and refunds				19,488
Investment earnings				<u>141,667</u>
<b>Total general receipts</b>				<b><u>19,998,965</u></b>
Change in net assets				2,349,541
Net assets - beginning				<u>2,763,848</u>
Net assets - ending				<b><u>\$ 5,113,389</u></b>
 <u>Assets</u>				
Cash and investments				\$ 3,806,800
Restricted assets:				
Cash and investments				<u>1,306,589</u>
<b>Total assets</b>				<b><u>\$ 5,113,389</u></b>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,306,589
Unrestricted				<u>3,806,800</u>
<b>Total net assets</b>				<b><u>\$ 5,113,389</u></b>

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

SOUTHWEST SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 5,919,841	\$ -	\$ 150,963	\$ (5,768,878)
Support services	10,974,389	503,648	358,759	(10,111,982)
Community services	112,503	-	-	(112,503)
Nonprogrammed charges	888,713	-	-	(888,713)
Debt service	<u>1,035,500</u>	<u>-</u>	<u>-</u>	<u>(1,035,500)</u>
Total governmental activities	<u>\$ 18,930,946</u>	<u>\$ 503,648</u>	<u>\$ 509,722</u>	<u>(17,917,576)</u>
General receipts:				
Property taxes				5,273,383
Other local sources				714,460
State aid				6,910,543
Bonds and loans				1,000,000
Grants and contributions not restricted to specific programs				791,734
Sale of property, adjustments, and refunds				630,413
Investment earnings				<u>179,410</u>
Total general receipts				<u>15,499,943</u>
Change in net assets				(2,417,633)
Net assets - beginning				<u>5,113,389</u>
Net assets - ending				<u>\$ 2,695,756</u>
<u>Assets</u>				
Cash and investments				\$ 1,298,215
Restricted assets:				
Cash and investments				<u>1,397,541</u>
Total assets				<u>\$ 2,695,756</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,397,541
Unrestricted				<u>1,298,215</u>
Total net assets				<u>\$ 2,695,756</u>

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

SOUTHWEST SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 5,836,032	\$ 1,650,785	\$ -	\$ 2,455,912	\$ 2,392,428	\$ 126,473	\$ 551,805	\$ 13,013,435
Intermediate sources	140	-	-	-	-	-	-	140
State sources	6,951,186	-	-	-	-	-	232,654	7,183,840
Federal sources	32,282	-	-	-	-	-	671,610	703,892
Sale of property, adjustments and refunds	8,600	8,260	-	-	1,104	-	1,524	19,488
<b>Total receipts</b>	<b>12,828,240</b>	<b>1,659,045</b>	<b>-</b>	<b>2,455,912</b>	<b>2,393,532</b>	<b>126,473</b>	<b>1,457,593</b>	<b>20,920,795</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	5,247,543	-	-	-	-	-	330,479	5,578,022
Support services	5,907,925	1,271,924	-	-	1,941,237	-	1,076,751	10,197,837
Community services	106,589	-	-	-	-	-	6,756	113,345
Nonprogrammed charges	442,800	-	-	-	-	-	167,750	610,550
Debt services	-	-	-	2,071,500	-	-	-	2,071,500
<b>Total disbursements</b>	<b>11,704,857</b>	<b>1,271,924</b>	<b>-</b>	<b>2,071,500</b>	<b>1,941,237</b>	<b>-</b>	<b>1,581,736</b>	<b>18,571,254</b>
Excess (deficiency) of receipts over disbursements	1,123,383	387,121	-	384,412	452,295	126,473	(124,143)	2,349,541
<b>Other financing sources (uses):</b>								
Transfers in	1,201,133	-	-	-	-	-	377,859	1,578,992
Transfers out	(85,582)	(19,075)	-	(48,730)	(27,730)	(1,869)	(1,396,006)	(1,578,992)
<b>Total other financing sources (uses)</b>	<b>1,115,551</b>	<b>(19,075)</b>	<b>-</b>	<b>(48,730)</b>	<b>(27,730)</b>	<b>(1,869)</b>	<b>(1,018,147)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,238,934	368,046	-	335,682	424,565	124,604	(1,142,290)	2,349,541
Cash and investments - beginning	(558,993)	198,848	298,867	970,907	122,974	62,542	1,668,703	2,763,848
Cash and investments - ending	\$ 1,679,941	\$ 566,894	\$ 298,867	\$ 1,306,589	\$ 547,539	\$ 187,146	\$ 526,413	\$ 5,113,389
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 1,679,941	\$ 566,894	\$ 298,867	\$ -	\$ 547,539	\$ 187,146	\$ 526,413	\$ 3,806,800
<b>Restricted assets:</b>								
Cash and investments	-	-	-	1,306,589	-	-	-	1,306,589
<b>Total cash and investment assets - ending</b>	<b>\$ 1,679,941</b>	<b>\$ 566,894</b>	<b>\$ 298,867</b>	<b>\$ 1,306,589</b>	<b>\$ 547,539</b>	<b>\$ 187,146</b>	<b>\$ 526,413</b>	<b>\$ 5,113,389</b>
<b>Cash and Investment Fund Balance - Ending</b>								
<b>Restricted for:</b>								
Debt service	\$ -	\$ -	\$ -	\$ 1,306,589	\$ -	\$ -	\$ -	\$ 1,306,589
Unrestricted	1,679,941	566,894	298,867	-	547,539	187,146	526,413	3,806,800
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,679,941</b>	<b>\$ 566,894</b>	<b>\$ 298,867</b>	<b>\$ 1,306,589</b>	<b>\$ 547,539</b>	<b>\$ 187,146</b>	<b>\$ 526,413</b>	<b>\$ 5,113,389</b>

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

SOUTHWEST SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 2,690,453	\$ 910,117	\$ -	\$ 1,175,965	\$ 1,325,842	\$ 20,249	\$ 547,598	\$ 6,670,224
Intermediate sources	677	-	-	-	-	-	-	677
State sources	7,053,766	-	-	-	-	-	184,920	7,238,686
Federal sources	14,233	-	-	-	-	-	959,080	973,313
Bonds and loans	1,000,000	-	-	-	-	-	-	1,000,000
Sale of property, adjustments and refunds	3,398	150	-	-	435,046	185,000	6,819	630,413
<b>Total receipts</b>	<b>10,762,527</b>	<b>910,267</b>	<b>-</b>	<b>1,175,965</b>	<b>1,760,888</b>	<b>205,249</b>	<b>1,698,417</b>	<b>16,513,313</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	5,581,374	-	-	-	-	-	338,465	5,919,839
Support services	5,891,424	1,303,150	-	-	2,466,934	-	1,312,881	10,974,389
Community services	111,642	-	-	-	-	-	861	112,503
Nonprogrammed charges	364,963	-	-	-	-	400,000	123,750	888,713
Debt services	-	-	-	1,035,500	-	-	-	1,035,500
<b>Total disbursements</b>	<b>11,949,403</b>	<b>1,303,150</b>	<b>-</b>	<b>1,035,500</b>	<b>2,466,934</b>	<b>400,000</b>	<b>1,775,957</b>	<b>18,930,944</b>
Excess (deficiency) of receipts over disbursements	(1,186,876)	(392,883)	-	140,465	(706,046)	(194,751)	(77,540)	(2,417,631)
<b>Other financing sources (uses):</b>								
Transfers in	170,295	-	-	-	-	31,798	226,268	428,361
Transfers out	(117,451)	(21,735)	-	(49,513)	(35,427)	(1,043)	(203,192)	(428,361)
<b>Total other financing sources (uses)</b>	<b>52,844</b>	<b>(21,735)</b>	<b>-</b>	<b>(49,513)</b>	<b>(35,427)</b>	<b>30,755</b>	<b>23,076</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,134,032)	(414,618)	-	90,952	(741,473)	(163,996)	(54,464)	(2,417,631)
Cash and investments - beginning	1,679,941	566,893	298,867	1,306,589	547,538	187,146	526,413	5,113,387
Cash and investments - ending	<u>\$ 545,909</u>	<u>\$ 152,275</u>	<u>\$ 298,867</u>	<u>\$ 1,397,541</u>	<u>\$ (193,935)</u>	<u>\$ 23,150</u>	<u>\$ 471,949</u>	<u>\$ 2,695,756</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 545,909	\$ 152,275	\$ 298,867	\$ -	\$ (193,935)	\$ 23,150	\$ 471,949	\$ 1,298,215
Restricted assets:								
Cash and investments	-	-	-	1,397,541	-	-	-	1,397,541
<b>Total cash and investment assets - ending</b>	<b><u>\$ 545,909</u></b>	<b><u>\$ 152,275</u></b>	<b><u>\$ 298,867</u></b>	<b><u>\$ 1,397,541</u></b>	<b><u>\$ (193,935)</u></b>	<b><u>\$ 23,150</u></b>	<b><u>\$ 471,949</u></b>	<b><u>\$ 2,695,756</u></b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 1,397,541	\$ -	\$ -	\$ -	\$ 1,397,541
Unrestricted	545,909	152,275	298,867	-	(193,935)	23,150	471,949	1,298,215
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 545,909</u></b>	<b><u>\$ 152,275</u></b>	<b><u>\$ 298,867</u></b>	<b><u>\$ 1,397,541</u></b>	<b><u>\$ (193,935)</u></b>	<b><u>\$ 23,150</u></b>	<b><u>\$ 471,949</u></b>	<b><u>\$ 2,695,756</u></b>

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

SOUTHWEST SCHOOL CORPORATION  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds/ Lilly Grant Fund</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ 1,694,211	\$ 28,650	
Investment earnings:			
Interest	29,814	-	
Total additions	<u>1,724,025</u>	<u>28,650</u>	
Deductions:			
Benefits	785,000	-	
Refunds of contributions	910,439	-	
Administrative and general	11,227	15,252	
Total deductions	<u>1,706,666</u>	<u>15,252</u>	
Excess of total additions over total deductions	17,359	13,398	
Cash and investment fund balance - beginning	<u>457,926</u>	<u>(14,134)</u>	
Cash and investment fund balance - ending	<u>\$ 475,285</u>	<u>\$ (736)</u>	
Net assets:			
Cash and investments	<u>\$ 475,285</u>	<u>\$ (736)</u>	<u>\$ 59,125</u>
Total net assets - cash and investment basis held in trust	<u>\$ 475,285</u>	<u>\$ (736)</u>	<u>\$ 59,125</u>

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

SOUTHWEST SCHOOL CORPORATION  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds/ Lilly Grant Fund	Agency Funds
Additions:			
Contributions:			
Other	\$ 872,252	\$ -	
Investment earnings:			
Interest	21,476	-	
Total additions	893,728	-	
Deductions:			
Benefits	415,000	-	
Refunds of contributions	511,312	-	
Administrative and general	11,175	-	
Total deductions	937,487	-	
Excess (deficiency) of total additions over total deductions	(43,759)	-	
Cash and investment fund balance - beginning	475,285	(736)	
Cash and investment fund balance - ending	\$ 431,526	\$ (736)	
Net assets:			
Cash and investments	\$ 431,526	\$ (736)	\$ 63,824
Total net assets - cash and investment basis held in trust	\$ 431,526	\$ (736)	\$ 63,824

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

SOUTHWEST 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: Southwest 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 Bloomfield, Linton, Shakamak, White River Valley, and Northeast School Corporation in a joint venture to operate the Greene-Sullivan Special Education Cooperative which was created to provide instruction for students with special needs. The School Corporation is obligated by contract to remit \$448,446 and \$460,084 for the fiscal years 2006 and 2007, respectively. The Cooperative's continued existence depends on continued funding by the participating school corporations. Complete financial statements for the Greene-Sullivan Special Education Cooperative can be obtained from the administration offices at 77 NE A Street, Linton, Indiana.

The School Corporation is a participant with Northeast, Linton-Stockton, Shakamak, White River Valley, North Knox, South Knox, Vincennes, Barr-Reeve, North Daviess, Washington, Loogootee, and Bloomfield School Corporations in a joint venture to operate the Twin Rivers Area Vocational District which was created to provide vocational and technical education to high school students and others. The District's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Twin Rivers Area Vocational District can be obtained from 301 E. South Street, Washington, Indiana.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis 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.

SOUTHWEST 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 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 transportation operating fund accounts for financial resources for the transportation of school children to and from school.

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

The rainy day fund is used to account for unused and unencumbered balances in funds raised by a tax levy to be used for costs as approved by the school board.

Additionally, the School Corporation reports the following fund types:

Pension trust funds account for 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.

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

C. Measurement Focus and Basis of Accounting

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

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

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

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

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 (Indiana Code 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

Certified personnel are authorized 20 days per school year. These may be accumulated to a maximum of 270 days. Twelve-month noncertified personnel are authorized 17 days per school year. These may be accumulated to a maximum of 175 days. Ten-month noncertified personnel are authorized 14 days per school year. These may be accumulated to a maximum of 125 days. Less than ten-month noncertified personnel are authorized 11 days per school year. These may be accumulated to a total of 115 days. Accumulated sick leave is paid to employees through cash payments upon retirement.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

b. Vacation Leave

Nonteaching, 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 does not accumulate from year to year.

c. Personal Leave

Certified personnel are authorized 4 days per school year. Unused personal leave will be accumulated as sick leave the following school year. Twelve-month noncertified personnel are authorized 4 days per year. These may be accumulated to a total of 14 days. Noncertified personnel who work less than 12 months are authorized 3 days per year. These may be accumulated to a total of 11 days. Accumulated personal leave is not paid to employees.

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:

- 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.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 and the similar discretely presented component unit 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 Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are 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:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

SOUTHWEST 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. Disbursements in Excess of Appropriations

For the years ended June 30, 2006 and 2007, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
Preschool Special Education	\$ 5,336
School Pension Debt	84,274
Total	\$ 89,610

C. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported material deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
Capital Projects	\$ -	\$ (193,935)
Textbook Rental	(18,813)	(1,049)
Safe School Haven	(1,316)	(5,015)
School Intervention and Career Counseling	(7,145)	(7,145)
ECIA Title I	-	(29,641)

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The 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 School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

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.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Investment Custodial Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

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

Foreign Currency Risk

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Transfer From	Transfer To	2006	2007
General Fund	Other governmental funds	\$ 85,582	\$ 117,451
Debt Service Fund	Other governmental funds	48,730	49,513
Capital Projects Fund	Other governmental funds	27,730	35,427
Transportation Operating Fund	Other governmental funds	19,075	21,735
School Bus Replacement Fund	Other governmental funds	1,869	1,043
	General Fund	1,201,133	170,295
	School Bus Replacement Fund	-	31,798
Other governmental funds	Other governmental funds	<u>194,873</u>	<u>1,099</u>
Totals		<u>\$ 1,578,992</u>	<u>\$ 428,361</u>

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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 Southwest 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. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years 2006 and 2007 totaled \$2,066,346 and \$2,065,398, respectively.

C. Subsequent Events

The School Corporation has entered into a \$21,625,000 capital lease project with the Southwest Building Corporation to construct a new middle school and make renovations to the existing Carlisle School building. Construction started in August of 2007.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 31 retirees meet these eligibility requirements. The School Corporation provide 65% to 97% for single and 65% to 94% for family plans, depending on contract in force at time of retirement, of these postemployment benefits for 27 of the 31 retirees who retired before May 1, 2005. The remaining 4 of 31 retirees who retired on or after May 1, 2005 pay 100% of these post-employment benefits from the Voluntary Employees' Beneficiary Association (VEBA). VEBA is a 501(c)(9) tax-exempt trust that is funded with fringe benefit dollars provided exclusively by the School Corporation. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (Indiana Code 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.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 42,104
Interest on net pension obligation	(7,085)
Adjustment to annual required contribution	8,074
Annual pension cost	43,093
Contributions made	55,932
Decrease in net pension obligation	(12,839)
Net pension obligation, beginning of year	(97,723)
Net pension obligation, end of year	\$ (110,562)
Contribution rates:	
School Corporation	7.75%
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%

SOUTHWEST SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 40,895	175%	\$ (58,942)
	06-30-05	23,972	262%	(97,723)
	06-30-06	43,093	233%	(110,562)

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 8.5% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006 and 2007, were \$138,158 and \$167,471, respectively.

SOUTHWEST 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 AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,635,469	\$ 1,350,004	\$ 285,465	121%	\$ 946,329	30%
07-01-05	1,684,619	1,601,951	82,668	105%	923,822	9%
07-01-06	1,605,063	1,543,226	61,837	104%	931,230	7%

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006

	Preschool	School Lunch	Textbook Rental	Levy Excess	Safe Haven	Early Intervention
Receipts:						
Local sources	\$ 18,820	\$ 410,358	\$ 115,278	\$ -	\$ -	\$ -
State sources	131,979	7,052	36,403	-	-	8,500
Federal sources	-	285,568	-	-	-	-
Sale of property, adjustments and refunds	-	20	-	-	-	-
<b>Total receipts</b>	<b>150,799</b>	<b>702,998</b>	<b>151,681</b>	<b>-</b>	<b>-</b>	<b>8,500</b>
Disbursements:						
Current:						
Instruction	-	-	-	-	971	8,500
Support services	-	688,308	186,244	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	167,750	-	-	-	-	-
<b>Total disbursements</b>	<b>167,750</b>	<b>688,308</b>	<b>186,244</b>	<b>-</b>	<b>971</b>	<b>8,500</b>
Excess (deficiency) of receipts over disbursements	(16,951)	14,690	(34,563)	-	(971)	-
Other financing sources (uses):						
Transfers in	-	-	12,920	170,295	-	-
Transfers out	(229)	-	-	(1,201,133)	-	-
<b>Total other financing sources (uses)</b>	<b>(229)</b>	<b>-</b>	<b>12,920</b>	<b>(1,030,838)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,180)	14,690	(21,643)	(1,030,838)	(971)	-
Cash and investments - beginning	41,577	161,345	2,830	1,201,133	(345)	-
Cash and investments - ending	\$ 24,397	\$ 176,035	\$ (18,813)	\$ 170,295	\$ (1,316)	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 24,397	\$ 176,035	\$ (18,813)	\$ 170,295	\$ (1,316)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 24,397	\$ 176,035	\$ (18,813)	\$ 170,295	\$ (1,316)	\$ -

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	Reading Recovery	School Intervention	Richard Whitehead Scholarship	Gifted and Talented	Non-English Speaking Program
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 395	\$ -
State sources	-	-	-	13,723	153
Federal sources	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
<b>Total receipts</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,118</u>	<u>153</u>
Disbursements:					
Current:					
Instruction	-	-	-	3,901	480
Support services	-	-	-	-	-
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
<b>Total disbursements</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,901</u>	<u>480</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,217</u>	<u>(327)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,217</u>	<u>(327)</u>
Cash and investments - beginning	<u>491</u>	<u>(7,145)</u>	<u>1,175</u>	<u>404</u>	<u>327</u>
Cash and investments - ending	<u>\$ 491</u>	<u>\$ (7,145)</u>	<u>\$ 1,175</u>	<u>\$ 10,621</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 491</u>	<u>\$ (7,145)</u>	<u>\$ 1,175</u>	<u>\$ 10,621</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 491</u>	<u>\$ (7,145)</u>	<u>\$ 1,175</u>	<u>\$ 10,621</u>	<u>\$ -</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	School Technology	Technology Grant	ECIA Title I	Title I	Title I LEA School Improvement
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	34,844	-	-	-	-
Federal sources	-	-	243,582	-	-
Sale of property, adjustments and refunds	1,504	-	-	-	-
<b>Total receipts</b>	<u>36,348</u>	<u>-</u>	<u>243,582</u>	<u>-</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	9,732	-	160,917	14,378	33,284
Support services	-	-	118,805	4,446	-
Community services	-	-	6,426	330	-
Nonprogrammed charges	-	-	-	-	-
<b>Total disbursements</b>	<u>9,732</u>	<u>-</u>	<u>286,148</u>	<u>19,154</u>	<u>33,284</u>
Excess (deficiency) of receipts over disbursements	<u>26,616</u>	<u>-</u>	<u>(42,566)</u>	<u>(19,154)</u>	<u>(33,284)</u>
Other financing sources (uses):					
Transfers in	-	-	100,456	-	-
Transfers out	-	-	-	(100,456)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>100,456</u>	<u>(100,456)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	26,616	-	57,890	(119,610)	(33,284)
Cash and investments - beginning	7,693	(350)	(77)	119,610	33,284
Cash and investments - ending	<u>\$ 34,309</u>	<u>\$ (350)</u>	<u>\$ 57,813</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 34,309</u>	<u>\$ (350)</u>	<u>\$ 57,813</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 34,309</u>	<u>\$ (350)</u>	<u>\$ 57,813</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	ECIA Title I	Title V Part A	Title V Part A	Drug Free Schools	Tobacco Grant
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ 3,477	\$ 3,477
State sources	-	-	-	-	-
Federal sources	36,927	6,037	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
<b>Total receipts</b>	<u>36,927</u>	<u>6,037</u>	<u>-</u>	<u>3,477</u>	<u>3,477</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	9,499	239	11,246	3,495
Support services	26,663	-	-	-	-
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
<b>Total disbursements</b>	<u>26,663</u>	<u>9,499</u>	<u>239</u>	<u>11,246</u>	<u>3,495</u>
Excess (deficiency) of receipts over disbursements	<u>10,264</u>	<u>(3,462)</u>	<u>(239)</u>	<u>(7,769)</u>	<u>(18)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,264	(3,462)	(239)	(7,769)	(18)
Cash and investments - beginning	-	15,714	239	11,000	-
Cash and investments - ending	<u>\$ 10,264</u>	<u>\$ 12,252</u>	<u>\$ -</u>	<u>\$ 3,231</u>	<u>\$ (18)</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	<u>\$ 10,264</u>	<u>\$ 12,252</u>	<u>\$ -</u>	<u>\$ 3,231</u>	<u>\$ (18)</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Unrestricted	<u>\$ 10,264</u>	<u>\$ 12,252</u>	<u>\$ -</u>	<u>\$ 3,231</u>	<u>\$ (18)</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	Class Size Reduction	Title II Part A	Title II Part D	Title II Part D	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 551,805
State sources	-	-	-	-	232,654
Federal sources	-	93,573	-	5,923	671,610
Sale of property, adjustments and refunds	-	-	-	-	1,524
<b>Total receipts</b>	<b>-</b>	<b>93,573</b>	<b>-</b>	<b>5,923</b>	<b>1,457,593</b>
Disbursements:					
Current:					
Instruction	-	73,558	279	-	330,479
Support services	-	51,680	-	605	1,076,751
Community services	-	-	-	-	6,756
Nonprogrammed charges	-	-	-	-	167,750
<b>Total disbursements</b>	<b>-</b>	<b>125,238</b>	<b>279</b>	<b>605</b>	<b>1,581,736</b>
Excess (deficiency) of receipts over disbursements	-	(31,665)	(279)	5,318	(124,143)
Other financing sources (uses):					
Transfers in	-	94,188	-	-	377,859
Transfers out	(94,188)	-	-	-	(1,396,006)
<b>Total other financing sources (uses)</b>	<b>(94,188)</b>	<b>94,188</b>	<b>-</b>	<b>-</b>	<b>(1,018,147)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(94,188)	62,523	(279)	5,318	(1,142,290)
Cash and investments - beginning	94,188	(18,882)	-	4,492	1,668,703
Cash and investments - ending	<u>\$ -</u>	<u>\$ 43,641</u>	<u>\$ (279)</u>	<u>\$ 9,810</u>	<u>\$ 526,413</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ 43,641</u>	<u>\$ (279)</u>	<u>\$ 9,810</u>	<u>\$ 526,413</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ 43,641</u>	<u>\$ (279)</u>	<u>\$ 9,810</u>	<u>\$ 526,413</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007

	<u>Preschool</u>	<u>School Lunch</u>	<u>Textbook Rental</u>	<u>Levy Excess</u>	<u>Safe Haven</u>
Receipts:					
Local sources	\$ 41,884	\$ 404,175	\$ 101,224	\$ -	\$ -
State sources	100,241	6,858	35,259	-	-
Federal sources	-	310,483	-	-	-
Sale of property, adjustments and refunds	-	5,578	1,241	-	-
	<u>142,125</u>	<u>727,094</u>	<u>137,724</u>	<u>-</u>	<u>-</u>
Total receipts					
Disbursements:					
Current:					
Instruction	-	-	-	-	7,398
Support services	-	781,732	140,905	-	-
Community services	-	-	-	-	-
Nonprogrammed charges	123,750	-	-	-	-
	<u>123,750</u>	<u>781,732</u>	<u>140,905</u>	<u>-</u>	<u>7,398</u>
Total disbursements					
Excess (deficiency) of receipts over disbursements	<u>18,375</u>	<u>(54,638)</u>	<u>(3,181)</u>	<u>-</u>	<u>(7,398)</u>
Other financing sources (uses):					
Transfers in	-	-	21,807	157,134	3,699
Transfers out	<u>(32,036)</u>	<u>-</u>	<u>(861)</u>	<u>(170,295)</u>	<u>-</u>
Total other financing sources (uses)					
	<u>(32,036)</u>	<u>-</u>	<u>20,946</u>	<u>(13,161)</u>	<u>3,699</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses					
	(13,661)	(54,638)	17,765	(13,161)	(3,699)
Cash and investments - beginning	<u>24,397</u>	<u>176,035</u>	<u>(18,814)</u>	<u>170,295</u>	<u>(1,316)</u>
Cash and investments - ending	<u>\$ 10,736</u>	<u>\$ 121,397</u>	<u>\$ (1,049)</u>	<u>\$ 157,134</u>	<u>\$ (5,015)</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 10,736</u>	<u>\$ 121,397</u>	<u>\$ (1,049)</u>	<u>\$ 157,134</u>	<u>\$ (5,015)</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 10,736</u>	<u>\$ 121,397</u>	<u>\$ (1,049)</u>	<u>\$ 157,134</u>	<u>\$ (5,015)</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Reading Recovery	School Intervention	Richard Whitehead Scholarship	Gifted and Talented	Non-English Speaking Program
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 315	\$ -
State sources	10,500	-	-	13,723	176
Federal sources	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
<b>Total receipts</b>	<b>10,500</b>	<b>-</b>	<b>-</b>	<b>14,038</b>	<b>176</b>
Disbursements:					
Current:					
Instruction	9,991	-	-	13,580	-
Support services	-	-	-	-	-
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
<b>Total disbursements</b>	<b>9,991</b>	<b>-</b>	<b>-</b>	<b>13,580</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	509	-	-	458	176
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	509	-	-	458	176
Cash and investments - beginning	491	(7,145)	1,175	10,621	-
Cash and investments - ending	<u>\$ 1,000</u>	<u>\$ (7,145)</u>	<u>\$ 1,175</u>	<u>\$ 11,079</u>	<u>\$ 176</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 1,000</u>	<u>\$ (7,145)</u>	<u>\$ 1,175</u>	<u>\$ 11,079</u>	<u>\$ 176</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 1,000</u>	<u>\$ (7,145)</u>	<u>\$ 1,175</u>	<u>\$ 11,079</u>	<u>\$ 176</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	School Technology	Technology Grant	ECIA Title I	Title I	ECIA Title I
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	18,163	-	-	-	-
Federal sources	-	-	58,336	252,864	30,607
Sale of property, adjustments and refunds	-	-	-	-	-
<b>Total receipts</b>	<u>18,163</u>	<u>-</u>	<u>58,336</u>	<u>252,864</u>	<u>30,607</u>
Disbursements:					
Current:					
Instruction	46,909	-	6,393	153,387	-
Support services	-	-	54,611	84,511	70,513
Community services	-	-	-	861	-
Nonprogrammed charges	-	-	-	-	-
<b>Total disbursements</b>	<u>46,909</u>	<u>-</u>	<u>61,004</u>	<u>238,759</u>	<u>70,513</u>
Excess (deficiency) of receipts over disbursements	<u>(28,746)</u>	<u>-</u>	<u>(2,668)</u>	<u>14,105</u>	<u>(39,906)</u>
Other financing sources (uses):					
Transfers in	12,675	-	4,009	26,944	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>12,675</u>	<u>-</u>	<u>4,009</u>	<u>26,944</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,071)	-	1,341	41,049	(39,906)
Cash and investments - beginning	<u>34,309</u>	<u>(350)</u>	<u>57,813</u>	<u>-</u>	<u>10,265</u>
Cash and investments - ending	<u>\$ 18,238</u>	<u>\$ (350)</u>	<u>\$ 59,154</u>	<u>\$ 41,049</u>	<u>\$ (29,641)</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 18,238</u>	<u>\$ (350)</u>	<u>\$ 59,154</u>	<u>\$ 41,049</u>	<u>\$ (29,641)</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 18,238</u>	<u>\$ (350)</u>	<u>\$ 59,154</u>	<u>\$ 41,049</u>	<u>\$ (29,641)</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Title V Part A	Drug Free Schools	Drug Free Schools	Tobacco Grant	Title II Part A
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	2,901	674	17,142	-	87,229
Sale of property, adjustments and refunds	-	-	-	-	-
<b>Total receipts</b>	<u>2,901</u>	<u>674</u>	<u>17,142</u>	<u>-</u>	<u>87,229</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	12,694	2,264	3,760	-	79,063
Support services	-	-	-	-	51,949
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
<b>Total disbursements</b>	<u>12,694</u>	<u>2,264</u>	<u>3,760</u>	<u>-</u>	<u>131,012</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(9,793)</u>	<u>(1,590)</u>	<u>13,382</u>	<u>-</u>	<u>(43,783)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(9,793)</u>	<u>(1,590)</u>	<u>13,382</u>	<u>-</u>	<u>(43,783)</u>
Cash and investments - beginning	<u>12,252</u>	<u>3,231</u>	<u>-</u>	<u>(18)</u>	<u>43,641</u>
Cash and investments - ending	<u>\$ 2,459</u>	<u>\$ 1,641</u>	<u>\$ 13,382</u>	<u>\$ (18)</u>	<u>\$ (142)</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	<u>\$ 2,459</u>	<u>\$ 1,641</u>	<u>\$ 13,382</u>	<u>\$ (18)</u>	<u>\$ (142)</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Unrestricted	<u>\$ 2,459</u>	<u>\$ 1,641</u>	<u>\$ 13,382</u>	<u>\$ (18)</u>	<u>\$ (142)</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Title II Part D	Title II Part D	Other Federal Programs	Totals
Receipts:				
Local sources	\$ -	\$ -	\$ -	\$ 547,598
State sources	-	-	-	184,920
Federal sources	170,922	-	27,922	959,080
Sale of property, adjustments and refunds	-	-	-	6,819
	<u>170,922</u>	<u>-</u>	<u>27,922</u>	<u>1,698,417</u>
Disbursements:				
Current:				
Instruction	3,026	-	-	338,465
Support services	128,660	-	-	1,312,881
Community services	-	-	-	861
Nonprogrammed charges	-	-	-	123,750
	<u>131,686</u>	<u>-</u>	<u>-</u>	<u>1,775,957</u>
Excess (deficiency) of receipts over disbursements	<u>39,236</u>	<u>-</u>	<u>27,922</u>	<u>(77,540)</u>
Other financing sources (uses):				
Transfers in	-	-	-	226,268
Transfers out	-	-	-	(203,192)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,076</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	39,236	-	27,922	(54,464)
Cash and investments - beginning	<u>(279)</u>	<u>9,810</u>	<u>-</u>	<u>526,413</u>
Cash and investments - ending	<u>\$ 38,957</u>	<u>\$ 9,810</u>	<u>\$ 27,922</u>	<u>\$ 471,949</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 38,957</u>	<u>\$ 9,810</u>	<u>\$ 27,922</u>	<u>\$ 471,949</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 38,957</u>	<u>\$ 9,810</u>	<u>\$ 27,922</u>	<u>\$ 471,949</u>

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For the Year Ended June 30, 2006

	Retirement/ Severance Bond	Postretirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Other	\$ 909,211	\$ 785,000	\$ 1,694,211
Investment earnings:			
Interest	-	29,814	29,814
Total additions	909,211	814,814	1,724,025
Deductions:			
Benefits	-	785,000	785,000
Refunds of contributions	728,943	181,496	910,439
Administrative and general	11,227	-	11,227
Total deductions	740,170	966,496	1,706,666
Excess (deficiency) of total additions over total deductions	169,041	(151,682)	17,359
Cash and investment fund balance - beginning	(159,304)	617,230	457,926
Cash and investment fund balance - ending	\$ 9,737	\$ 465,548	\$ 475,285
Net assets:			
Cash and investments	\$ 9,737	\$ 465,548	\$ 475,285
Total net assets - cash and investment basis held in trust	\$ 9,737	\$ 465,548	\$ 475,285

SOUTHWEST SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For the Year Ended June 30, 2007

	Retirement/ Severance Bond	Postretirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Other	\$ 457,252	\$ 415,000	\$ 872,252
Investment earnings:			
Interest	-	21,476	21,476
Total additions	457,252	436,476	893,728
Deductions:			
Benefits	-	415,000	415,000
Refunds of contributions	362,629	148,683	511,312
Administrative and general	11,175	-	11,175
Total deductions	373,804	563,683	937,487
Excess (deficiency) of total additions over total deductions	83,448	(127,207)	(43,759)
Cash and investment fund balance - beginning	9,737	465,548	475,285
Cash and investment fund balance - ending	\$ 93,185	\$ 338,341	\$ 431,526
Net assets:			
Cash and investments	\$ 93,185	\$ 338,341	\$ 431,526
Total net assets - cash and investment basis held in trust	\$ 93,185	\$ 338,341	\$ 431,526

SOUTHWEST SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

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	\$ 850,000
Infrastructure	573,408
Buildings	58,250,000
Improvements other than buildings	1,798,154
Machinery and equipment	1,532,658
Transportation	<u>952,683</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 63,956,903</u></u>

SOUTHWEST SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Successmaker	\$ 317,833	\$ 100,325
Lease for Computers	309,630	87,285
Sullivan Elementary Building Lease	3,760,000	2,066,443
Notes and loans payable	1,000,000	1,000,000
Bonds payable:		
General obligation bonds:		
Retirement/Severance Bonds	<u>6,825,000</u>	<u>730,327</u>
Total governmental activities debt	<u>\$ 12,212,463</u>	<u>\$ 3,984,380</u>

SOUTHWEST SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Preschool Special Education	2005	\$ 5,336
School Pension Debt	2005	84,274

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

The cash balances of the Textbook Rental Fund, Safe School Haven Fund, and School Intervention and Career Counseling Fund, were overdrawn at June 30, 2006. The cash balances of the Capital Projects Fund, Textbook Rental Fund, Safe School Haven Fund, School Intervention and Career Counseling Fund, and ECIA Title I Fund, were overdrawn at June 30, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BOND

The official bond covering Judy K. Harris, Treasurer, started on July 1, 2004, with no ending date. The official bond appeared to be a continuation bond.

Indiana Code 20-26-4-5 states: "For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties written by an insurance company licensed to do business in Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of a deputy treasurer appointed as provided in section 1 of this chapter."

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 SOUTHWEST SCHOOL  
CORPORATION, SULLIVAN COUNTY, INDIANA

Compliance

We have audited the compliance of the Southwest 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, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007.

Internal Control Over Compliance

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

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

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

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

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

This report is intended solely for the information and use of the School Corporation's management, 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 17, 2008

SOUTHWEST SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 58,378	\$ 69,067
National School Lunch Program	10.555		227,189	241,417
			<u>285,567</u>	<u>310,484</u>
Total for federal grantor agency				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	06-7715 07-7715	465,705	-
			<u>-</u>	<u>370,276</u>
Total for program			<u>465,705</u>	<u>370,276</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY 06 FY 07	11,246	2,264
			3,495	3,760
			<u>14,741</u>	<u>6,024</u>
Total for program				
Innovative Education Program Strategies	84.298	SY 05-06 SY 06-07	9,499	-
			239	12,694
			<u>9,738</u>	<u>12,694</u>
Total for program				
Enhancing Education Through Technology	84.318	FY06	605	-
Improving Teacher Quality	84.367	05-7715 06-7715 07-7715	31,329	-
			-	131,012
			<u>-</u>	<u>131,686</u>
Total for program			<u>31,329</u>	<u>262,698</u>
Total for federal grantor agency			<u>522,118</u>	<u>651,692</u>
Total federal awards expended			<u>\$ 807,685</u>	<u>\$ 962,176</u>

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

SOUTHWEST 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 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, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
Child Nutrition Cluster	10.553	\$ 3,625	\$ 6,383
Child Nutrition Cluster	10.555	14,108	22,312

SOUTHWEST 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
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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
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Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTHWEST SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTHWEST SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2008, with Judy K. Harris, Treasurer; Walter W. Hoke, Superintendent of Schools; and June McCammon, President of the School Board. The officials concurred with our audit findings.