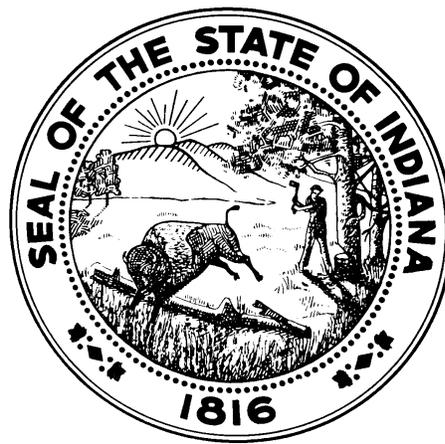


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
SWITZERLAND COUNTY SCHOOL CORPORATION
SWITZERLAND COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
06/05/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ann Geyman	07-01-06 to 05-09-07
	Melissa May	05-10-07 to 07-15-07
	Wilma Swango	07-16-07 to 06-30-09
Superintendent of Schools	Tracy Caddell	07-01-06 to 12-31-07
	Darin Gullion	01-01-08 to 06-30-08
	Dr. Elizabeth Jones	07-01-08 to 06-30-09
President of the School Board	Jack Ranz	07-01-06 to 12-31-06
	Andy Truitt	01-01-07 to 12-31-08
	James Phipps	01-01-09 to 12-31-09



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 SWITZERLAND COUNTY SCHOOL
CORPORATION, SWITZERLAND COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland County School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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, 2007 and 2008, 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 April 9, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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 Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 9, 2009



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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 SWITZERLAND COUNTY SCHOOL
CORPORATION, SWITZERLAND COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland County School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 9, 2009. 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, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 9, 2009

SWITZERLAND COUNTY 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>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,862,736	\$ -	\$ 55,216	\$ (7,807,520)
Support services	4,958,342	322,529	283,559	(4,352,254)
Community services	38,806	-	-	(38,806)
Nonprogrammed charges	983,649	-	-	(983,649)
Debt service	897,068	-	-	(897,068)
Total governmental activities	<u>\$ 14,740,601</u>	<u>\$ 322,529</u>	<u>\$ 338,775</u>	<u>(14,079,297)</u>
General receipts:				
Property taxes				4,716,145
Other local sources				1,970,664
State aid				6,718,307
Bonds and loans				319,383
Grants and contributions not restricted to specific programs				482,605
Sale of property, adjustments, and refunds				118,824
Investment earnings				159,855
Special item:				
Misappropriation of funds				<u>(239,533)</u>
Total general receipts and special items				<u>14,246,250</u>
Change in net assets				166,953
Net assets - beginning				<u>4,182,398</u>
Net assets - ending				<u>\$ 4,349,351</u>
<u>Assets</u>				
Cash and investments				\$ 3,593,828
Restricted assets:				
Cash and investments				<u>755,523</u>
Total assets				<u>\$ 4,349,351</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 755,523
Unrestricted				<u>3,593,828</u>
Total net assets				<u>\$ 4,349,351</u>

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

SWITZERLAND COUNTY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,973,674	\$ -	\$ 81,039	\$ (6,892,635)
Support services	5,708,731	370,696	298,097	(5,039,938)
Community services	33,138	-	-	(33,138)
Nonprogrammed charges	588,994	-	-	(588,994)
Debt service	839,487	-	-	(839,487)
<u>Total governmental activities</u>	<u>\$ 14,144,024</u>	<u>\$ 370,696</u>	<u>\$ 379,136</u>	<u>(13,394,192)</u>
General receipts:				
Property taxes				2,487,127
Other local sources				1,681,713
State aid				6,311,846
Bonds and loans				304,537
Grants and contributions not restricted to specific programs				528,319
Sale of property, adjustments, and refunds				8,517
Investment earnings				131,099
Special item:				
Misappropriation of funds				<u>9,221</u>
Total general receipts and special items				<u>11,462,379</u>
Change in net assets				(1,931,813)
Net assets - beginning				<u>4,349,351</u>
Net assets - ending				<u>\$ 2,417,538</u>
<u>Assets</u>				
Cash and investments				\$ 1,575,913
Restricted assets:				
Cash and investments				<u>841,625</u>
Total assets				<u>\$ 2,417,538</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 841,625
Unrestricted				<u>1,575,913</u>
Total net assets				<u>\$ 2,417,538</u>

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

SWITZERLAND COUNTY 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	Debt Service	Capital Projects	School Bus Replacement	Lilly Endowment Grant	Other	Totals
Receipts:								
Local sources	\$ 3,254,782	\$ 1,084,083	\$ 894,815	\$ 815,554	\$ 178,187	\$ -	\$ 936,289	\$ 7,163,710
Intermediate sources	743	-	-	-	-	-	4,741	5,484
State sources	6,760,468	-	-	-	-	-	86,264	6,846,732
Federal sources	4,875	-	-	-	-	-	688,079	692,954
Bonds and loans	-	319,383	-	-	-	-	-	319,383
Sale of property, adjustments and refunds	3,816	3,658	-	89,366	-	-	21,984	118,824
Total receipts	10,024,684	1,407,124	894,815	904,920	178,187	-	1,737,357	15,147,087
Disbursements:								
Current:								
Instruction	7,431,046	-	-	-	-	73,301	358,389	7,862,736
Support services	2,235,590	1,045,442	-	785,439	49,635	17,973	824,263	4,958,342
Community services	38,806	-	-	-	-	-	-	38,806
Nonprogrammed charges	601,580	-	-	-	-	-	382,069	983,649
Debt services	-	271,035	626,033	-	-	-	-	897,068
Total disbursements	10,307,022	1,316,477	626,033	785,439	49,635	91,274	1,564,721	14,740,601
Excess (deficiency) of receipts over disbursements	(282,338)	90,647	268,782	119,481	128,552	(91,274)	172,636	406,486
Other financing sources (uses):								
Transfers in	1,848	-	-	-	-	-	-	1,848
Transfers out	-	-	-	-	-	(1,483)	(365)	(1,848)
Total other financing sources (uses)	1,848	-	-	-	-	(1,483)	(365)	-
Special Item:								
Misappropriation of Funds	(113,778)	(32,816)	(47,428)	(20,360)	(25,151)	-	-	(239,533)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(394,268)	57,831	221,354	99,121	103,401	(92,757)	172,271	166,953
Cash and investments - beginning	2,211,823	465,237	534,169	227,660	283,047	449,186	11,276	4,182,398
Cash and investments - ending	\$ 1,817,555	\$ 523,068	\$ 755,523	\$ 326,781	\$ 386,448	\$ 356,429	\$ 183,547	\$ 4,349,351
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,817,555	\$ 523,068	\$ -	\$ 326,781	\$ 386,448	\$ 356,429	\$ 183,547	\$ 3,593,828
Restricted assets:								
Cash and investments	-	-	755,523	-	-	-	-	755,523
Total cash and investment assets - ending	\$ 1,817,555	\$ 523,068	\$ 755,523	\$ 326,781	\$ 386,448	\$ 356,429	\$ 183,547	\$ 4,349,351
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ 755,523	\$ -	\$ -	\$ -	\$ -	\$ 755,523
Unrestricted	1,817,555	523,068	-	326,781	386,448	356,429	183,547	3,593,828
Total cash and investment fund balance - ending	\$ 1,817,555	\$ 523,068	\$ 755,523	\$ 326,781	\$ 386,448	\$ 356,429	\$ 183,547	\$ 4,349,351

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

SWITZERLAND COUNTY 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, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Lilly Endowment Grant	Other	Totals
Receipts:								
Local sources	\$ 2,042,295	\$ 601,581	\$ 593,606	\$ 488,713	\$ 186,626	\$ 3,850	\$ 753,739	\$ 4,670,410
Intermediate sources	-	-	-	-	-	-	225	225
State sources	6,392,398	-	-	-	-	-	43,903	6,436,301
Federal sources	-	-	-	-	-	-	783,000	783,000
Bonds and loans	-	304,537	-	-	-	-	-	304,537
Sale of property, adjustments and refunds	375	1,500	-	-	-	-	6,642	8,517
Total receipts	8,435,068	907,618	593,606	488,713	186,626	3,850	1,587,509	12,202,990
Disbursements:								
Current:								
Instruction	6,409,684	-	-	-	-	65,086	498,904	6,973,674
Support services	2,685,713	1,058,642	-	530,249	350,341	60,884	1,022,902	5,708,731
Community services	31,676	-	-	-	-	-	1,462	33,138
Nonprogrammed charges	544,800	-	-	-	-	-	44,194	588,994
Debt services	-	330,157	509,330	-	-	-	-	839,487
Total disbursements	9,671,873	1,388,799	509,330	530,249	350,341	125,970	1,567,462	14,144,024
Excess (deficiency) of receipts over disbursements	(1,236,805)	(481,181)	84,276	(41,536)	(163,715)	(122,120)	20,047	(1,941,034)
Other financing sources (uses):								
Transfers in	176,280	-	-	-	-	-	420,144	596,424
Transfers out	(322,727)	(37,260)	-	(26,927)	(6,598)	-	(202,912)	(596,424)
Total other financing sources (uses)	(146,447)	(37,260)	-	(26,927)	(6,598)	-	217,232	-
Special Item:								
Misappropriation of Funds	4,380	1,263	1,826	784	968	-	-	9,221
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,378,872)	(517,178)	86,102	(67,679)	(169,345)	(122,120)	237,279	(1,931,813)
Cash and investments - beginning	1,817,555	523,068	755,523	326,781	386,448	356,429	183,547	4,349,351
Cash and investments - ending	\$ 438,683	\$ 5,890	\$ 841,625	\$ 259,102	\$ 217,103	\$ 234,309	\$ 420,826	\$ 2,417,538
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ 438,683	\$ 5,890	\$ -	\$ 259,102	\$ 217,103	\$ 234,309	\$ 420,826	\$ 1,575,913
Restricted assets:								
Cash and investments	-	-	841,625	-	-	-	-	841,625
Total cash and investment assets - ending	\$ 438,683	\$ 5,890	\$ 841,625	\$ 259,102	\$ 217,103	\$ 234,309	\$ 420,826	\$ 2,417,538
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Debt service	\$ -	\$ -	\$ 841,625	\$ -	\$ -	\$ -	\$ -	\$ 841,625
Unrestricted	438,683	5,890	-	259,102	217,103	234,309	420,826	1,575,913
Total cash and investment fund balance - ending	\$ 438,683	\$ 5,890	\$ 841,625	\$ 259,102	\$ 217,103	\$ 234,309	\$ 420,826	\$ 2,417,538

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

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

	Private-Purpose Trust Funds
Cash and investment fund balance - beginning	\$ <u>1,008</u>
Cash and investment fund balance - ending	\$ <u><u>1,008</u></u>
Net assets:	
Cash and investments	\$ <u>1,008</u>
Total net assets - cash and investment basis held in trust	\$ <u><u>1,008</u></u>

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

SWITZERLAND COUNTY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Funds
Deductions:	
Administrative and general	\$ 1,008
Deficiency of total additions over total deductions	(1,008)
Cash and investment fund balance - beginning	1,008
Cash and investment fund balance - ending	\$ -
Net assets:	
Cash and investments	\$ -
Total net assets - cash and investment basis held in trust	\$ -

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

SWITZERLAND COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Switzerland County 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 Ventures

The School Corporation is a participant with seven other school corporations in a joint venture to operate Madison Area Special Services Unit (Special Services Unit) which was created to provide special education services to handicapped children. The School Corporation is obligated by contract to remit \$472,628 annually to supplement the Special Services Unit. Complete financial statements for the Special Services Unit can be obtained from the Special Services Unit's Administration Office in Madison, Indiana.

The School Corporation is a participant with nine other school corporations in a joint venture to operate Southeastern Career Center (Career Center) which was created to provide vocational education services. The School Corporation is obligated by contract to remit \$134,436 annually to supplement the Career Center. Complete financial statements for the Career Center can be obtained from the Career Center's Administration Office in Versailles, Indiana.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

SWITZERLAND COUNTY 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, 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 Lilly endowment grant fund accounts for grant funds received from the Lilly Foundation which were used to establish and maintain a school wide computerized educational network system.

Additionally, the School Corporation reports the following fund type:

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

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

SWITZERLAND COUNTY 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 or internal service 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.

3. 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.

4. 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.

SWITZERLAND COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. 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 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 reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements.
2. 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:

SWITZERLAND COUNTY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

<u>Fund</u>	<u>2006-2007</u>	<u>2007-2008</u>
Textbook Rental	\$ <u>56,811</u>	\$ <u>74,364</u>

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

SWITZERLAND COUNTY 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

Statutory Authorization for Investments

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.

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.

SWITZERLAND COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006-2007</u>	<u>2007-2008</u>
General Fund	Other governmental funds	\$ -	\$ 322,727
Capital Projects Fund	Other governmental funds	-	26,927
Transportation Fund	Other governmental funds	-	37,260
School Bus Replacement Fund	Other governmental funds	-	6,598
Lilly Edowment Grant Fund	General Fund	1,483	-
Other governmental funds	General Fund	365	176,280
Other governmental funds	Other governmental funds	-	26,632
Totals		<u>\$ 1,848</u>	<u>\$ 596,424</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; 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 Switzerland 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 \$50,500.

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 52 with at least 10 years of service. Currently, seven retirees meet these eligibility requirements. The School Corporation provides up

SWITZERLAND COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

to \$2,500 a year of these postemployment benefits for each retiree. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$14,700 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.

SWITZERLAND COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 132,431
Interest on net pension obligation	(819)
Adjustment to annual required contribution	933
Annual pension cost	132,545
Contributions made	102,306
Increase in net pension obligation	30,239
Net pension obligation, beginning of year	(11,291)
Net pension obligation, end of year	\$ 18,948

	PERF
Contribution rates:	
School Corporation	5.75%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 98,424	94%	\$ (38,987)
	06-30-06	124,710	78%	(11,291)
	06-30-07	132,545	77%	18,948

SWITZERLAND COUNTY 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 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$166,462, \$161,695, and \$154,784, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

E. Special Item

The School Corporation's former Treasurer pleaded guilty to embezzlement of \$1,113,500 of School Corporation Funds in a Criminal Complaint, Case Number 4:07-cr-0019-JDT filed in United States Court, Southern District of Indiana on November 29, 2007. The theft of funds resulted in the School Corporation making adjustments to their cash balances in school years 2006-2007 and 2007-2008 of \$(239,533) and \$9,221, respectively. These adjustments are reported as a "Special Item - Misappropriation of Funds" on the financial statements.

SWITZERLAND COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Subsequent Event

The School Corporation's former Treasurer pleaded guilty to embezzlement of \$1,113,500 of School Corporation Funds in a Criminal Complaint, Case Number 4:07-cr-0019-JDT filed in United States Court, Southern District of Indiana on November 29, 2007. The School Corporation has received a total of \$200,000 during school year 2007-2008 from their insurance carriers and from court judgments. For the period July 1, 2008 to December 31, 2008, the School Corporation has received an additional \$305,385.

SWITZERLAND COUNTY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,821,794	\$ 2,254,742	\$ (432,948)	81%	\$ 1,766,170	(25%)
07-01-06	2,053,177	2,443,378	(390,201)	84%	1,701,529	(23%)
07-01-07	2,254,036	2,569,032	(314,996)	88%	1,692,207	(19%)

SWITZERLAND COUNTY 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

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	Early Intervention Grant
Receipts:					
Local sources	\$ 8,025	\$ 331,127	\$ 174,785	\$ -	\$ -
Intermediate sources	-	-	-	356	-
State sources	30,659	7,509	-	-	31,916
Federal sources	-	270,523	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>38,684</u>	<u>609,159</u>	<u>174,785</u>	<u>356</u>	<u>31,916</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	-
Support services	-	611,468	119,713	-	32,506
Nonprogrammed charges	32,433	-	-	-	-
Total disbursements	<u>32,433</u>	<u>611,468</u>	<u>119,713</u>	<u>-</u>	<u>32,506</u>
Excess (deficiency) of receipts over disbursements	<u>6,251</u>	<u>(2,309)</u>	<u>55,072</u>	<u>356</u>	<u>(590)</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,251	(2,309)	55,072	356	(590)
Cash and investments - beginning	<u>96,327</u>	<u>5,143</u>	<u>(111,883)</u>	<u>300</u>	<u>-</u>
Cash and investments - ending	<u>\$ 102,578</u>	<u>\$ 2,834</u>	<u>\$ (56,811)</u>	<u>\$ 656</u>	<u>\$ (590)</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 102,578</u>	<u>\$ 2,834</u>	<u>\$ (56,811)</u>	<u>\$ 656</u>	<u>\$ (590)</u>
Total cash and investment assets - ending	<u>\$ 102,578</u>	<u>\$ 2,834</u>	<u>\$ (56,811)</u>	<u>\$ 656</u>	<u>\$ (590)</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>102,578</u>	<u>2,834</u>	<u>(56,811)</u>	<u>656</u>	<u>(590)</u>
Total cash and investment fund balance - ending	<u>\$ 102,578</u>	<u>\$ 2,834</u>	<u>\$ (56,811)</u>	<u>\$ 656</u>	<u>\$ (590)</u>

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

SWITZERLAND COUNTY 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)

	Lilly Cape Grant	Cinergy Grant	Dow Corning Science Grant	Elementary Attendance Officer	Walmart Grant
Receipts:					
Local sources	\$ -	\$ -	\$ 997	\$ 11,691	\$ -
Intermediate sources	-	4,385	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>-</u>	<u>4,385</u>	<u>997</u>	<u>11,691</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	-	5,051	-	956	-
Support services	-	-	3,026	11,177	1,000
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>-</u>	<u>5,051</u>	<u>3,026</u>	<u>12,133</u>	<u>1,000</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(666)</u>	<u>(2,029)</u>	<u>(442)</u>	<u>(1,000)</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(666)	(2,029)	(442)	(1,000)
Cash and investments - beginning	<u>414</u>	<u>2,018</u>	<u>2,029</u>	<u>442</u>	<u>1,000</u>
Cash and investments - ending	<u>\$ 414</u>	<u>\$ 1,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 414</u>	<u>\$ 1,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 414</u>	<u>\$ 1,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>414</u>	<u>1,352</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 414</u>	<u>\$ 1,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SWITZERLAND COUNTY 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)

	Gifted and Talented	Medicaid Reimbursement	School Technology	Technology Planning Grant	Title I 2005-2006
Receipts:					
Local sources	\$ -	\$ -	\$ 23,260	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	13,015	652	-	39	-
Federal sources	-	-	-	-	27,500
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>13,015</u>	<u>652</u>	<u>23,260</u>	<u>39</u>	<u>27,500</u>
Disbursements:					
Current:					
Instruction	10,613	-	-	-	10,028
Support services	-	-	11,112	16,495	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>10,613</u>	<u>-</u>	<u>11,112</u>	<u>16,495</u>	<u>10,028</u>
Excess (deficiency) of receipts over disbursements	<u>2,402</u>	<u>652</u>	<u>12,148</u>	<u>(16,456)</u>	<u>17,472</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,402	652	12,148	(16,456)	17,472
Cash and investments - beginning	-	4,060	7,559	56,693	(17,472)
Cash and investments - ending	<u>\$ 2,402</u>	<u>\$ 4,712</u>	<u>\$ 19,707</u>	<u>\$ 40,237</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 2,402</u>	<u>\$ 4,712</u>	<u>\$ 19,707</u>	<u>\$ 40,237</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 2,402</u>	<u>\$ 4,712</u>	<u>\$ 19,707</u>	<u>\$ 40,237</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>2,402</u>	<u>4,712</u>	<u>19,707</u>	<u>40,237</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 2,402</u>	<u>\$ 4,712</u>	<u>\$ 19,707</u>	<u>\$ 40,237</u>	<u>\$ -</u>

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

SWITZERLAND COUNTY 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 I 2006-2007	Title V, Part A Innovative Programs	Steward Homeless Assistance Act	Drug Free Schools	Vocational and Technical Board Grant
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	278,696	5,550	-	7,875	-
Sale of property, adjustments and refunds	-	94	-	-	-
Total receipts	<u>278,696</u>	<u>5,644</u>	<u>-</u>	<u>7,875</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	290,825	3,203	-	6,390	-
Support services	-	9,153	-	8,572	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>290,825</u>	<u>12,356</u>	<u>-</u>	<u>14,962</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(12,129)</u>	<u>(6,712)</u>	<u>-</u>	<u>(7,087)</u>	<u>-</u>
Other financing sources (uses):					
Transfers out	-	(365)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(12,129)</u>	<u>(7,077)</u>	<u>-</u>	<u>(7,087)</u>	<u>-</u>
Cash and investments - beginning	<u>-</u>	<u>7,598</u>	<u>9,773</u>	<u>1,035</u>	<u>2,426</u>
Cash and investments - ending	<u>\$ (12,129)</u>	<u>\$ 521</u>	<u>\$ 9,773</u>	<u>\$ (6,052)</u>	<u>\$ 2,426</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ (12,129)</u>	<u>\$ 521</u>	<u>\$ 9,773</u>	<u>\$ (6,052)</u>	<u>\$ 2,426</u>
Total cash and investment assets - ending	<u>\$ (12,129)</u>	<u>\$ 521</u>	<u>\$ 9,773</u>	<u>\$ (6,052)</u>	<u>\$ 2,426</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>(12,129)</u>	<u>521</u>	<u>9,773</u>	<u>(6,052)</u>	<u>2,426</u>
Total cash and investment fund balance - ending	<u>\$ (12,129)</u>	<u>\$ 521</u>	<u>\$ 9,773</u>	<u>\$ (6,052)</u>	<u>\$ 2,426</u>

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

SWITZERLAND COUNTY 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)

	Medicaid Reimbursement Federal	Title II Part A 2005-2006	Title II Part B Technology	Endowment Reimbursement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 386,404	\$ 936,289
Intermediate sources	-	-	-	-	4,741
State sources	-	-	2,474	-	86,264
Federal sources	-	97,935	-	-	688,079
Sale of property, adjustments and refunds	-	21,890	-	-	21,984
Total receipts	<u>-</u>	<u>119,825</u>	<u>2,474</u>	<u>386,404</u>	<u>1,737,357</u>
Disbursements:					
Current:					
Instruction	-	31,323	-	-	358,389
Support services	41	-	-	-	824,263
Nonprogrammed charges	-	-	-	349,636	382,069
Total disbursements	<u>41</u>	<u>31,323</u>	<u>-</u>	<u>349,636</u>	<u>1,564,721</u>
Excess (deficiency) of receipts over disbursements	<u>(41)</u>	<u>88,502</u>	<u>2,474</u>	<u>36,768</u>	<u>172,636</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	(365)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(41)</u>	<u>88,502</u>	<u>2,474</u>	<u>36,768</u>	<u>172,271</u>
Cash and investments - beginning	<u>371</u>	<u>(24,330)</u>	<u>2,523</u>	<u>(34,750)</u>	<u>11,276</u>
Cash and investments - ending	<u>\$ 330</u>	<u>\$ 64,172</u>	<u>\$ 4,997</u>	<u>\$ 2,018</u>	<u>\$ 183,547</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 330</u>	<u>\$ 64,172</u>	<u>\$ 4,997</u>	<u>\$ 2,018</u>	<u>\$ 183,547</u>
Total cash and investment assets - ending	<u>\$ 330</u>	<u>\$ 64,172</u>	<u>\$ 4,997</u>	<u>\$ 2,018</u>	<u>\$ 183,547</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>330</u>	<u>64,172</u>	<u>4,997</u>	<u>2,018</u>	<u>183,547</u>
Total cash and investment fund balance - ending	<u>\$ 330</u>	<u>\$ 64,172</u>	<u>\$ 4,997</u>	<u>\$ 2,018</u>	<u>\$ 183,547</u>

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

SWITZERLAND COUNTY 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, 2008

	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Education License Plates
Receipts:						
Local sources	\$ 4,424	\$ 200,000	\$ 324,966	\$ 164,001	\$ -	\$ 3,047
Intermediate sources	-	-	-	-	-	225
State sources	33,853	-	7,063	-	-	-
Federal sources	-	-	291,034	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	38,277	200,000	623,063	164,001	-	3,272
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	575,108	181,554	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	41,250	-	-	-	-	-
Total disbursements	41,250	-	575,108	181,554	-	-
Excess (deficiency) of receipts over disbursements	(2,973)	200,000	47,955	(17,553)	-	3,272
Other financing sources (uses):						
Transfers in	-	-	-	-	176,281	-
Transfers out	(269)	-	-	-	(176,280)	-
Total other financing sources (uses)	(269)	-	-	-	1	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,242)	200,000	47,955	(17,553)	1	3,272
Cash and investments - beginning	102,578	-	2,834	(56,811)	-	656
Cash and investments - ending	\$ 99,336	\$ 200,000	\$ 50,789	\$ (74,364)	\$ 1	\$ 3,928
Cash and Investment Assets - Ending						
Cash and investments	\$ 99,336	\$ 200,000	\$ 50,789	\$ (74,364)	\$ 1	\$ 3,928
Total cash and investment assets - ending	\$ 99,336	\$ 200,000	\$ 50,789	\$ (74,364)	\$ 1	\$ 3,928
Cash and Investment Fund Balance - Ending						
Unrestricted	99,336	200,000	50,789	(74,364)	1	3,928
Total cash and investment fund balance - ending	\$ 99,336	\$ 200,000	\$ 50,789	\$ (74,364)	\$ 1	\$ 3,928

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

SWITZERLAND COUNTY 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, 2008
 (Continued)

	Health Reimbursement	Early Intervention Grant	Lilly Cape Grant	Cinergy Grant	Dow Corning Grant	Gifted and Talented
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 6,467	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	590	-	-	-	-
Total receipts	-	590	-	-	6,467	-
Disbursements:						
Current:						
Instruction	59,697	-	-	407	-	2,402
Support services	111,518	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	414	-	-	-
Total disbursements	171,215	-	414	407	-	2,402
Excess (deficiency) of receipts over disbursements	(171,215)	590	(414)	(407)	6,467	(2,402)
Other financing sources (uses):						
Transfers in	217,500	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	217,500	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	46,285	590	(414)	(407)	6,467	(2,402)
Cash and investments - beginning	-	(590)	414	1,352	-	2,402
Cash and investments - ending	\$ 46,285	\$ -	\$ -	\$ 945	\$ 6,467	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 46,285	\$ -	\$ -	\$ 945	\$ 6,467	\$ -
Total cash and investment assets - ending	\$ 46,285	\$ -	\$ -	\$ 945	\$ 6,467	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	46,285	-	-	945	6,467	-
Total cash and investment fund balance - ending	\$ 46,285	\$ -	\$ -	\$ 945	\$ 6,467	\$ -

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

SWITZERLAND COUNTY 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, 2008
 (Continued)

	Medicaid Reimbursement	School Technology	Technology Planning Grant	Access Indiana Training Grant	Title 1 2007-2008	Title 1 2006-2007
Receipts:						
Local sources	\$ -	\$ 29,976	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	487	2,500	-	-
Federal sources	-	-	-	-	363,337	27,100
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	29,976	487	2,500	363,337	27,100
Disbursements:						
Current:						
Instruction	4,712	-	301	-	337,945	14,971
Support services	-	11,138	40,149	-	1,759	-
Community services	-	-	-	-	1,462	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	4,712	11,138	40,450	-	341,166	14,971
Excess (deficiency) of receipts over disbursements	(4,712)	18,838	(39,963)	2,500	22,171	12,129
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,712)	18,838	(39,963)	2,500	22,171	12,129
Cash and investments - beginning	4,712	19,707	40,237	-	-	(12,129)
Cash and investments - ending	<u>\$ -</u>	<u>\$ 38,545</u>	<u>\$ 274</u>	<u>\$ 2,500</u>	<u>\$ 22,171</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 38,545	\$ 274	\$ 2,500	\$ 22,171	\$ -
Total cash and investment assets - ending	\$ -	\$ 38,545	\$ 274	\$ 2,500	\$ 22,171	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	-	38,545	274	2,500	22,171	-
Total cash and investment fund balance - ending	\$ -	\$ 38,545	\$ 274	\$ 2,500	\$ 22,171	\$ -

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

SWITZERLAND COUNTY 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, 2008
 (Continued)

	Title V	Title V, Part A Innovative Programs	Steward Homeless Assistance Act	Drug Free Schools	Title IV-A Safe & Drug Free Schools	Vocational and Technical Board Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	2,537	2,586	-	-	7,850	-
Sale of property, adjustments and refunds	-	-	-	6,052	-	-
Total receipts	2,537	2,586	-	6,052	7,850	-
Disbursements:						
Current:						
Instruction	-	26,338	-	-	-	-
Support services	-	129	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	277	-	-	-	-
Total disbursements	-	26,744	-	-	-	-
Excess (deficiency) of receipts over disbursements	2,537	(24,158)	-	6,052	7,850	-
Other financing sources (uses):						
Transfers in	1,363	25,000	-	-	-	-
Transfers out	-	(1,363)	-	-	-	-
Total other financing sources (uses)	1,363	23,637	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,900	(521)	-	6,052	7,850	-
Cash and investments - beginning	-	521	9,773	(6,052)	-	2,426
Cash and investments - ending	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ 9,773</u>	<u>\$ -</u>	<u>\$ 7,850</u>	<u>\$ 2,426</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 3,900	\$ -	\$ 9,773	\$ -	\$ 7,850	\$ 2,426
Total cash and investment assets - ending	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ 9,773</u>	<u>\$ -</u>	<u>\$ 7,850</u>	<u>\$ 2,426</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>3,900</u>	<u>-</u>	<u>9,773</u>	<u>-</u>	<u>7,850</u>	<u>2,426</u>
Total cash and investment fund balance - ending	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ 9,773</u>	<u>\$ -</u>	<u>\$ 7,850</u>	<u>\$ 2,426</u>

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

SWITZERLAND COUNTY 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, 2008
 (Continued)

	Medical Reimbursement Federal	Title II Part A	Title II Part B Technology	Endowment Reimbursement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 20,858	\$ 753,739
Intermediate sources	-	-	-	-	225
State sources	-	-	-	-	43,903
Federal sources	-	88,556	-	-	783,000
Sale of property, adjustments and refunds	-	-	-	-	6,642
Total receipts	<u>-</u>	<u>88,556</u>	<u>-</u>	<u>20,858</u>	<u>1,587,509</u>
Disbursements:					
Current:					
Instruction	-	42,724	3,065	6,342	498,904
Support services	330	83,098	1,585	16,534	1,022,902
Community services	-	-	-	-	1,462
Nonprogrammed charges	-	1,906	347	-	44,194
Total disbursements	<u>330</u>	<u>127,728</u>	<u>4,997</u>	<u>22,876</u>	<u>1,567,462</u>
Excess (deficiency) of receipts over disbursements	<u>(330)</u>	<u>(39,172)</u>	<u>(4,997)</u>	<u>(2,018)</u>	<u>20,047</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	420,144
Transfers out	-	(25,000)	-	-	(202,912)
Total other financing sources (uses)	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>217,232</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(330)</u>	<u>(64,172)</u>	<u>(4,997)</u>	<u>(2,018)</u>	<u>237,279</u>
Cash and investments - beginning	<u>330</u>	<u>64,172</u>	<u>4,997</u>	<u>2,018</u>	<u>183,547</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,826</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,826</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,826</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,826</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,826</u>

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

SWITZERLAND COUNTY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2008

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:		
Switzerland County Elementary School	\$ 80,000	\$ 84,400
Common school fund loans	<u>4,555,644</u>	<u>442,604</u>
Total governmental activities debt	<u>\$ 4,635,644</u>	<u>\$ 527,004</u>

SWITZERLAND COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$9,788.76 were paid to the Internal Revenue Service (IRS) on January 18, 2007, for late depositing of taxes due for the quarterly tax period ending June 30, 2006. Additional penalties for late tax deposits were assessed for the quarterly tax period ending September 30, 2008, of \$2,985.09. The School Corporation Treasurer requested a waiver from the IRS to dismiss the charge of the \$2,985.09. The IRS denied this request; however, they indicate that the penalties of \$9,788.76 paid on January 18, 2007, could be waived. The IRS issued the School Corporation a refund of \$6,803.67 on December 30, 2008, which was the difference between the amount paid for the quarter ending June 30, 2006, and the amount assessed and due for the quarter ended September 30, 2008.

Also, on June 19, 2007, the School Corporation paid \$1,621.63 to the IRS for penalties incurred due to not depositing the required taxes by the proper due date during the quarterly tax period ending March 31, 2007.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORD

Information presented for audit indicated that the Capital Asset Ledger Form 369 or any other approved form was not being maintained to account for the School Corporation's capital assets.

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

OVERDRAWN FUND BALANCES

The Textbook Rental Fund was overdrawn \$56,811 at June 30, 2007, and overdrawn \$74,364 at June 30, 2008.

The 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)

SWITZERLAND COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

PAYMENTS TO EMPLOYEES FROM EXTRA-CURRICULAR ACTIVITY FUNDS
(Applies to Corporation, Middle School and High School)

Payments to School Corporation employees working at Extra-Curricular activity events were paid by a check from the Athletic Fund rather than through a payroll system.

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

NONUSE OF SUMMARY COLLECTION FORM (SA-8) (Applies to High School and Middle School)

The Summary Collection Form (Form SA-8) which is prescribed for use as a transmittal document each time fundraiser or field trip money is reported from the Sponsor to the Extra-Curricular Treasurer was not in use.

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

TRANSFER OF GRADUATING CLASS FUND BALANCE (Applies to High School)

The cash balance remaining in the "Class 2007" fund as of June 30, 2007, of \$825.77 was transferred to the Switzerland County High School Extra-curricular General Fund on January 25, 2008. No evidence was presented for audit that indicated the Class of 2007 members approved this transfer.

IC 20-41-1-4(b) states in part: "The funds of all accounts of any organization, class, or activity shall be accounted separately from all others. Funds may not be transferred from the accounts of any organization, class, or activity except by a majority vote of its members, if any, and by the approval of the principal, sponsor, and treasurer of the organization, class, or activity."

ECA PURCHASE OF EQUIPMENT (Applies to High School)

The Extra-Curricular's General Fund purchased equipment in the amount of \$6,400 during the 2006-2007 school year. A review of the School Board minutes did not reveal authorization for the purchase.

IC 20-26-5-4 states in part: "In carrying out the school purposes of each school corporation, its governing body acting on its behalf shall . . . acquire such personal property or any interest therein as the governing body deems necessary for school purposes . . ."

SWITZERLAND COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

REGISTER OF INVESTMENTS NOT MAINTAINED (Applies to High School and Middle School)

Register of Investments (General Form 350) was not maintained to properly account for investments and interest earnings.

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

VENDING MACHINE COMMISSIONS AND/OR PROFITS (Applies to Middle School and High School)

Vending machines are located in the lobbies of the middle school building and the high school building. Revenues from these vending machines are receipted to various accounts; such as, the General Fund, Athletic Fund, Vending Fund and Staff Fund. Minutes of the School Board do not indicate procedures have been adopted concerning use, maintenance and commissions and/or profits of the vending machines.

There should be a clearly defined procedure adopted by the governmental unit concerning placement, use, maintenance, and commissions and/or profits of vending machines on their property. All revenues generated and costs incurred in operating vending machines located on the government premises should be accounted for through the governmental unit's records.

If vending machines are located in areas where the public makes use of the machines and generates the resulting revenues, we advise officials to place the revenues in the general fund for the benefit of the general public, the machine users. Any alternative procedure should be authorized by resolution or ordinance of the governing body. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

RECEIPTS (Applies to Middle School)

The ECA Treasurer did not include the dollar amount of the total cash and/or checks received on each receipt issued in the payment type and amount section.

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

TICKET SALES REPORTS (Applies to Middle School)

The following exceptions were noted in regards to gate collections from athletic events reported on ticket sales reports (Form SA-4):

SWITZERLAND COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Gate receipts from athletic events were not always deposited within a reasonable time. Receipts, in some instances, were held for periods from 2 to 15 days before depositing.

IC 20-41-1-9(a) states in part: ". . . receipts shall be deposited without unreasonable delay. . ."

A similar comment was reported in prior Report B31058.

- (2) Ticket Sales Reports (Form SA-4) presented for audit were not always signed by the person preparing the form and by the School Official who verifies and approves the report.

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

- (3) We noted three instances where the amount receipted did not agree with the amount on the ticket sales report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (4) Gate collections of \$642 for a track event on May 7, 2007, were receipted in error to the Staff Fund, rather than the Athletic Fund.

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 SWITZERLAND COUNTY SCHOOL
CORPORATION, SWITZERLAND COUNTY, INDIANA

Compliance

We have audited the compliance of the Switzerland County School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. 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, 2007 and 2008.

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

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)

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.

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, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 9, 2009

SWITZERLAND COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
FY 06-07		FY 07	\$ 61,880	\$ -
FY 07-08		FY 08	-	63,418
National School Lunch Program	10.555			
FY 06-07		FY 07	208,643	-
FY 07-08		FY 08	-	227,616
			<u>270,523</u>	<u>291,034</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				
FY 05-06	84.010	06-7775	10,028	-
FY 06-07		07-7775	290,825	14,971
FY 07-08		08-7775	-	341,166
			<u>300,853</u>	<u>356,137</u>
Total for program				
Safe and Drug Free Schools and Communities - State Grants	84.186			
SY 06-07		7775-06	8,910	-
			<u>8,910</u>	<u>-</u>
State Grants for Innovative Programs				
SY 04-05	84.298	04-151	7,077	-
SY 05-06		05-025	5,550	521
SY 06-07		06-7775	-	27,586
			<u>12,627</u>	<u>28,107</u>
Total for program				
Education Technology State Grants	84.318			
07-01-05 to 09-30-07		FY 06	-	4,997
			<u>-</u>	<u>4,997</u>
Improving Teacher Quality State Grants				
FY 05-06	84.367	05-084	11,907	64,171
FY 06-07		06-7775	-	63,556
			<u>11,907</u>	<u>127,727</u>
Total for program				
Hurricane Education Recovery	84.938			
FY 06-07		FY 07	4,875	-
			<u>4,875</u>	<u>-</u>
Total for federal grantor agency				
			<u>339,172</u>	<u>516,968</u>
Total federal awards expended			<u>\$ 609,695</u>	<u>\$ 808,002</u>

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

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

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

SWITZERLAND COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies 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
Significant deficiencies 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
N/A	Child Nutrition Cluster
84.010	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.

**Switzerland County School Corporation
Summary Schedule of Prior Audit Findings**

Finding 2006-2, Financial Management System – Allowable Costs

Status of Findings:

Per our internal controls, any entry made to reimburse a fund when an expenditure has been made from the wrong fund will be supported by appropriate documentation and approved by the Superintendent. Transactions to reclassify the expense will be made by the Treasurer, and edits will be signed by the Deputy Treasurer.

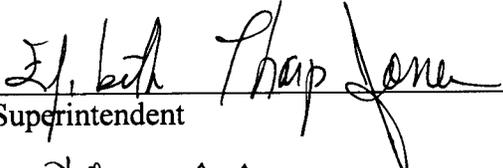
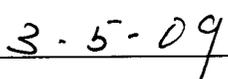
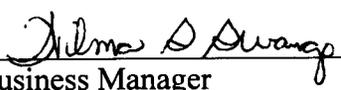
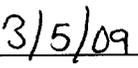
Finding 2006-3, Allowable Activities – Non-Major Program

Status of Findings:

Copies of all federal grants are kept in the Business Office. Budgets are set up according to the approved grant. Expenditures are reviewed by the local contact person for that grant.

Both of these items were addressed on August 28, 2007 in a corrective action plan signed by Superintendent Caddell and Business Manager Wilma Swango.

Signed:

 _____ Superintendent	 _____ Date
 _____ Business Manager	 _____ Date

SWITZERLAND COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2009, with Dr. Elizabeth Jones, Superintendent of Schools; Wilma Swango, Treasurer; and James Phipps, President of the School Board.