

**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, 2007 to June 30, 2009



**FILED**  
03/05/2010



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judy K. Harris (Vacant) Amy Kinnett	07-01-07 to 06-30-08 07-01-08 to 08-24-08 08-25-08 to 06-30-10
Superintendent of Schools	Walter W. Hoke	07-01-07 to 06-30-10
President of the School Board	June McCammon Jerry Wilson	01-01-07 to 12-31-08 01-01-09 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SOUTHWEST 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, 2008 and 2009, 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, 2008 and 2009, 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 21, 2010, 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 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, 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 21, 2010



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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, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 21, 2010. 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 21, 2010

SOUTHWEST 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>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 9,805,257	\$ -	\$ 197,231	\$ (9,608,026)
Support services	5,553,427	435,094	397,914	(4,720,419)
Noninstructional services	876,580	-	-	(876,580)
Facilities acquisition and construction	945,488	-	-	(945,488)
Debt service	4,109,623	-	-	(4,109,623)
Nonprogrammed charges	678,091	-	-	(678,091)
<b>Total governmental activities</b>	<b><u>\$ 21,968,466</u></b>	<b><u>\$ 435,094</u></b>	<b><u>\$ 595,145</u></b>	<b><u>(20,938,227)</u></b>
General receipts:				
Property taxes				9,287,437
Other local sources				1,406,411
State aid				6,792,876
Bonds and loans				4,000,000
Grants and contributions not restricted to specific programs				478,534
Investment earnings				<u>142,295</u>
<b>Total general receipts</b>				<b><u>22,107,553</u></b>
Change in net assets				1,169,326
Net assets - beginning				<u>2,695,756</u>
Net assets - ending				<b><u>\$ 3,865,082</u></b>
 <u>Assets</u>				
Cash and investments				\$ 3,511,676
Restricted assets:				
Cash and investments				<u>353,406</u>
<b>Total assets</b>				<b><u>\$ 3,865,082</u></b>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 353,406
Unrestricted				<u>3,511,676</u>
<b>Total net assets</b>				<b><u>\$ 3,865,082</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, 2009

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 9,147,712	\$ -	\$ 226,388	\$ (8,921,324)
Support services	6,085,358	583,070	245,504	(5,256,784)
Noninstructional services	904,577	-	-	(904,577)
Facilities acquisition and construction	694,022	-	-	(694,022)
Debt service	6,751,005	-	-	(6,751,005)
Nonprogrammed charges	1,257,241	-	-	(1,257,241)
<b>Total governmental activities</b>	<b><u>\$ 24,839,915</u></b>	<b><u>\$ 583,070</u></b>	<b><u>\$ 471,892</u></b>	<b><u>(23,784,953)</u></b>
General receipts:				
Property taxes				10,083,937
Other local sources				1,219,651
State aid				8,319,844
Bonds and loans				4,000,000
Grants and contributions not restricted to specific programs				1,458,269
Investment earnings				68,019
Other				<u>34,061</u>
Total general receipts				<u>25,183,781</u>
Change in net assets				1,398,828
Net assets - beginning				<u>3,865,082</u>
Net assets - ending				<b><u>\$ 5,263,910</u></b>
<u>Assets</u>				
Cash and investments				<b><u>\$ 5,263,910</u></b>
<u>Net Assets</u>				
Unrestricted				<b><u>\$ 5,263,910</u></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, 2008

	General	Rainy Day Fund	Debt Service	Other	Totals
<b>Receipts:</b>					
Local sources	\$ 4,666,092	\$ -	\$ 2,090,221	\$ 4,432,919	\$ 11,189,232
State sources	6,960,884	-	-	202,398	7,163,282
Federal sources	21,665	-	-	763,613	785,278
Temporary loans	4,000,000	-	-	-	4,000,000
<b>Total receipts</b>	<b>15,648,641</b>	<b>-</b>	<b>2,090,221</b>	<b>5,398,930</b>	<b>23,137,792</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	9,380,499	-	-	424,758	9,805,257
Support services	2,412,156	-	-	3,141,271	5,553,427
Noninstructional services	157,514	-	-	719,066	876,580
Facilities acquisition and construction	-	-	-	945,488	945,488
Debt services	1,000,000	-	3,109,623	-	4,109,623
Nonprogrammed charges	323,228	250,000	-	104,863	678,091
<b>Total disbursements</b>	<b>13,273,397</b>	<b>250,000</b>	<b>3,109,623</b>	<b>5,335,446</b>	<b>21,968,466</b>
Excess (deficiency) of receipts over disbursements	2,375,244	(250,000)	(1,019,402)	63,484	1,169,326
<b>Other financing sources (uses):</b>					
Transfers in	167,446	1,000,000	-	75,038	1,242,484
Transfers out	-	-	(24,733)	(1,217,751)	(1,242,484)
<b>Total other financing sources (uses)</b>	<b>167,446</b>	<b>1,000,000</b>	<b>(24,733)</b>	<b>(1,142,713)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,542,690	750,000	(1,044,135)	(1,079,229)	1,169,326
Cash and investments - beginning	545,909	298,867	1,397,541	453,439	2,695,756
Cash and investments - ending	<u>\$ 3,088,599</u>	<u>\$ 1,048,867</u>	<u>\$ 353,406</u>	<u>\$ (625,790)</u>	<u>\$ 3,865,082</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 3,088,599	\$ 1,048,867	\$ -	\$ (625,790)	\$ 3,511,676
Restricted assets:					
Cash and investments	-	-	353,406	-	353,406
<b>Total cash and investment assets - ending</b>	<u>\$ 3,088,599</u>	<u>\$ 1,048,867</u>	<u>\$ 353,406</u>	<u>\$ (625,790)</u>	<u>\$ 3,865,082</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ 353,406	\$ -	\$ 353,406
Unrestricted	3,088,599	1,048,867	-	(625,790)	3,511,676
<b>Total cash and investment fund balance - ending</b>	<u>\$ 3,088,599</u>	<u>\$ 1,048,867</u>	<u>\$ 353,406</u>	<u>\$ (625,790)</u>	<u>\$ 3,865,082</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, 2009

	General	Rainy Day Fund	Debt Service	ARRA Stimulus Funds	Other	Totals
<b>Receipts:</b>						
Local sources	\$ 4,103,509	\$ -	\$ 2,028,729	\$ -	\$ 5,171,350	\$ 11,303,588
State sources	8,516,634	-	-	-	204,681	8,721,315
Federal sources	13,947	-	-	970,660	668,285	1,652,892
Temporary loans	4,000,000	-	-	-	-	4,000,000
Interfund loans	-	-	368,870	-	158,017	526,887
Other	9,391	-	-	-	24,672	34,063
<b>Total receipts</b>	<b>16,643,481</b>	<b>-</b>	<b>2,397,599</b>	<b>970,660</b>	<b>6,227,005</b>	<b>26,238,745</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	8,720,041	-	-	-	427,671	9,147,712
Support services	3,248,231	-	-	-	2,837,127	6,085,358
Noninstructional services	190,077	-	-	-	714,500	904,577
Facilities acquisition and construction	-	-	-	-	694,022	694,022
Debt services	4,000,000	-	2,751,005	-	-	6,751,005
Nonprogrammed charges	1,141,800	-	-	-	115,443	1,257,243
<b>Total disbursements</b>	<b>17,300,149</b>	<b>-</b>	<b>2,751,005</b>	<b>-</b>	<b>4,788,763</b>	<b>24,839,917</b>
Excess (deficiency) of receipts over disbursements	(656,668)	-	(353,406)	970,660	1,438,242	1,398,828
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	42,854	42,854
Transfers out	-	-	-	-	(42,854)	(42,854)
<b>Total other financing sources (uses)</b>	<b>-</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	(656,668)	-	(353,406)	970,660	1,438,242	1,398,828
Cash and investments - beginning	3,088,599	1,048,867	353,406	-	(625,790)	3,865,082
Cash and investments - ending	<u>\$ 2,431,931</u>	<u>\$ 1,048,867</u>	<u>\$ -</u>	<u>\$ 970,660</u>	<u>\$ 812,452</u>	<u>\$ 5,263,910</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	<u>\$ 2,431,931</u>	<u>\$ 1,048,867</u>	<u>\$ -</u>	<u>\$ 970,660</u>	<u>\$ 812,452</u>	<u>\$ 5,263,910</u>
Total cash and investment assets - ending	<u>\$ 2,431,931</u>	<u>\$ 1,048,867</u>	<u>\$ -</u>	<u>\$ 970,660</u>	<u>\$ 812,452</u>	<u>\$ 5,263,910</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Unrestricted	<u>\$ 2,431,931</u>	<u>\$ 1,048,867</u>	<u>\$ -</u>	<u>\$ 970,660</u>	<u>\$ 812,452</u>	<u>\$ 5,263,910</u>
Total cash and investment fund balance - ending	<u>\$ 2,431,931</u>	<u>\$ 1,048,867</u>	<u>\$ -</u>	<u>\$ 970,660</u>	<u>\$ 812,452</u>	<u>\$ 5,263,910</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, 2008

	Pension Trust Funds	Private-Purpose Trust Fund/ Lilly Grant	Agency Funds
Additions:			
Contributions:			
Other	\$ 1,609,530	\$ 736	
Deductions:			
Benefits	<u>2,054,359</u>	-	
Excess (deficiency) of total additions over total deductions	(444,829)	736	
Cash and investment fund balance - beginning	<u>431,526</u>	<u>(736)</u>	
Cash and investment fund balance - ending	<u>\$ (13,303)</u>	<u>\$ -</u>	<u>\$ 20,018</u>
Net assets:			
Cash and investments	<u>\$ (13,303)</u>	<u>\$ -</u>	
Total net assets - cash and investment basis held in trust	<u>\$ (13,303)</u>	<u>\$ -</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, 2009

	Pension Trust Funds	Private-Purpose Trust Fund/ Lilly Grant	Agency Funds
Additions:			
Contributions:			
Other	\$ 1,070,090	\$ 691	
Deductions:			
Administrative and general	1,056,787	691	
Excess of total additions over total deductions	13,303	-	
Cash and investment fund balance - beginning	(13,303)	-	
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,586</u>
Net assets:			
Cash and investments	\$ -	\$ -	
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	

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 Corporations 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 \$496,132 and \$402,762 for the fiscal years 2008 and 2009, 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 School Corporation is obligated by contract to remit \$91,084 and \$56,144 for the fiscal years 2008 and 2009, respectively. 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 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. 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, 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 rainy day fund is used to account for funds in accordance with IC 36-1-8-5.1 and locally adopted resolution.

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 fiscal stabilization-education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

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 post-retirement 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, 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.

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.

SOUTHWEST 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.

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 may 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. 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.

5. Equity Classification

Government-Wide Statements

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

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. 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 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 not 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.

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.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008
Transportation Operating	\$ 311,173
Safe Haven	1,316
School Intervention	7,145
INSAI Grant	275
Title II Part A	21,064
Donations	25
ECA Services	345
Capital Projects	804,597

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

III. Detailed Notes on All Funds

A. Deposits 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 School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the School Corporation had deposit balances in the amount of \$5,716,496.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

As of June 30, 2008 and 2009, the School Corporation did not have any investments.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007-2008</u>	<u>2008-2009</u>
Levy Excess Fund	General Fund	\$ 167,446	\$ -
Transportation Operating	Rainy Day Fund	500,000	-
Capital Projects Fund	Rainy Day Fund	500,000	-
Debt Service Fund	Textbook Rental Fund	24,733	-
Other governmental funds	Title II, Part A Fund	27,922	-
School Technology Fund	Capital Projects Fund	22,383	-
ECIA Title I	Title I	-	29,937
Title II, Part A	Title II, Part D	-	12,917
		<u>                    </u>	<u>                    </u>
Totals		<u>\$ 1,242,484</u>	<u>\$ 42,854</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 2008 and 2009 totaled \$3,104,500 and \$2,659,500, respectively.

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Subsequent Event

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after June 30, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

D. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life benefits, as authorized by IC 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, 29 retirees meet these eligibility requirements. The School Corporation provides 65% to 97% for single and 65% to 94% for family plans, depending on a contract in force at time of retirement, of these postemployment benefits for 20 of the 29 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 postemployment 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 (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

SOUTHWEST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 65,736
Interest on net pension obligation	(7,942)
Adjustment to annual required contribution	9,051
Annual pension cost	66,845
Contributions made	70,003
Decrease in net pension obligation	(3,158)
Net pension obligation, beginning of year	(109,550)
Net pension obligation, end of year	\$ (112,708)

	PERF
Contribution rates:	
School Corporation	4.75%
Plan members	3%
Actuarial valuation date	07-01-08
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%

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	06-30-06	\$ 43,093	130%	\$ (110,562)
	06-30-07	57,518	98%	(109,550)
	06-30-08	66,845	105%	(112,708)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008 and 2009, were \$190,584 and \$203,706, 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 (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,605,063	\$ 1,543,226	\$ 61,837	104%	\$ 931,230	7%
07-01-07	1,681,175	1,596,734	84,441	105%	1,095,486	8%
07-01-08	1,692,733	1,719,470	(26,737)	98%	1,216,495	(2%)

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, 2008

	Transportation Operating	Special Ed Preschool	School Lunch	Textbook Rental	Safe Haven	School Intervention	Reading Recovery
Receipts:							
Local sources	\$ 1,434,350	\$ 17,893	\$ 397,947	\$ 94,442	\$ -	\$ -	\$ -
State sources	-	83,595	6,973	60,858	5,063	-	10,000
Federal sources	-	-	328,722	-	-	-	-
Total receipts	<u>1,434,350</u>	<u>101,488</u>	<u>733,642</u>	<u>155,300</u>	<u>5,063</u>	<u>-</u>	<u>10,000</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	1,364	-	10,150
Support services	1,397,798	-	1,459	171,579	-	-	-
Noninstructional services	-	-	712,346	-	-	-	-
Facilities acquisition and construction	-	-	22,572	-	-	-	-
Nonprogrammed charges	-	104,500	-	-	-	-	-
Total disbursements	<u>1,397,798</u>	<u>104,500</u>	<u>736,377</u>	<u>171,579</u>	<u>1,364</u>	<u>-</u>	<u>10,150</u>
Excess (deficiency) of receipts over disbursements	<u>36,552</u>	<u>(3,012)</u>	<u>(2,735)</u>	<u>(16,279)</u>	<u>3,699</u>	<u>-</u>	<u>(150)</u>
Other financing sources (uses);							
Transfers in	-	-	-	24,733	-	-	-
Transfers out	(500,000)	-	(167,446)	-	-	-	-
Total other financing sources (uses)	<u>(500,000)</u>	<u>-</u>	<u>(167,446)</u>	<u>24,733</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(463,448)</u>	<u>(3,012)</u>	<u>(170,181)</u>	<u>8,454</u>	<u>3,699</u>	<u>-</u>	<u>(150)</u>
Cash and investments - beginning	<u>152,275</u>	<u>10,736</u>	<u>278,531</u>	<u>(1,049)</u>	<u>(5,015)</u>	<u>(7,145)</u>	<u>1,000</u>
Cash and investments - ending	<u>\$ (311,173)</u>	<u>\$ 7,724</u>	<u>\$ 108,350</u>	<u>\$ 7,405</u>	<u>\$ (1,316)</u>	<u>\$ (7,145)</u>	<u>\$ 850</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ (311,173)</u>	<u>\$ 7,724</u>	<u>\$ 108,350</u>	<u>\$ 7,405</u>	<u>\$ (1,316)</u>	<u>\$ (7,145)</u>	<u>\$ 850</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ (311,173)</u>	<u>\$ 7,724</u>	<u>\$ 108,350</u>	<u>\$ 7,405</u>	<u>\$ (1,316)</u>	<u>\$ (7,145)</u>	<u>\$ 850</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, 2008  
 (Continued)

	Gifted and Talented	Non-English Speaking Program	Technology Grant	INSAI Grant	ECIA Title I	Title I	Title V Part A
<b>Receipts:</b>							
Local sources	\$ 330	\$ -	\$ 77,261	\$ -	\$ -	\$ -	\$ -
State sources	33,037	973	1,881	-	-	-	-
Federal sources	-	-	-	-	229,732	107,541	2,835
<b>Total receipts</b>	<b>33,367</b>	<b>973</b>	<b>79,142</b>	<b>-</b>	<b>229,732</b>	<b>107,541</b>	<b>2,835</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	30,237	163	22,661	275	166,106	45,368	5,294
Support services	-	-	-	-	48,390	35,994	-
Noninstructional services	-	-	-	-	3,873	1,647	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>30,237</b>	<b>163</b>	<b>22,661</b>	<b>275</b>	<b>218,369</b>	<b>83,009</b>	<b>5,294</b>
Excess (deficiency) of receipts over disbursements	3,130	810	56,481	(275)	11,363	24,532	(2,459)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(22,383)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(22,383)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,130	810	34,098	(275)	11,363	24,532	(2,459)
Cash and investments - beginning	11,079	176	17,888	-	29,513	41,049	2,459
Cash and investments - ending	\$ 14,209	\$ 986	\$ 51,986	\$ (275)	\$ 40,876	\$ 65,581	\$ -
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 14,209	\$ 986	\$ 51,986	\$ (275)	\$ 40,876	\$ 65,581	\$ -
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ 14,209	\$ 986	\$ 51,986	\$ (275)	\$ 40,876	\$ 65,581	\$ -

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, 2008  
 (Continued)

	Title II Part A	Title II Part D	Drug Free Schools	Tobacco Grant	Donations	Staff Development Seminars
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,905
State sources	-	-	-	18	-	-
Federal sources	87,156	-	7,627	-	-	-
<b>Total receipts</b>	<b>87,156</b>	<b>-</b>	<b>7,627</b>	<b>18</b>	<b>-</b>	<b>1,905</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	136,000	180	6,960	-	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	1,200	-
Facilities acquisition and construction	-	4,852	-	-	-	-
Nonprogrammed charges	-	-	18	-	-	-
<b>Total disbursements</b>	<b>136,000</b>	<b>5,032</b>	<b>6,978</b>	<b>-</b>	<b>1,200</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(48,844)</b>	<b>(5,032)</b>	<b>649</b>	<b>18</b>	<b>(1,200)</b>	<b>1,905</b>
<b>Other financing sources (uses):</b>						
Transfers in	27,922	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>27,922</b>	<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</b>	<b>(20,922)</b>	<b>(5,032)</b>	<b>649</b>	<b>18</b>	<b>(1,200)</b>	<b>1,905</b>
Cash and investments - beginning	(142)	48,767	15,023	(18)	1,175	-
Cash and investments - ending	<u>\$ (21,064)</u>	<u>\$ 43,735</u>	<u>\$ 15,672</u>	<u>\$ -</u>	<u>\$ (25)</u>	<u>\$ 1,905</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	<u>\$ (21,064)</u>	<u>\$ 43,735</u>	<u>\$ 15,672</u>	<u>\$ -</u>	<u>\$ (25)</u>	<u>\$ 1,905</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Unrestricted	<u>\$ (21,064)</u>	<u>\$ 43,735</u>	<u>\$ 15,672</u>	<u>\$ -</u>	<u>\$ (25)</u>	<u>\$ 1,905</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, 2008  
 (Continued)

	Surrendered Bid Bonds	ECA Services	Other Programs	Capital Projects	School Bus Replacement	Totals
<b>Receipts:</b>						
Local sources	\$ 22,351	\$ -	\$ -	\$ 2,064,496	\$ 321,944	\$ 4,432,919
State sources	-	-	-	-	-	202,398
Federal sources	-	-	-	-	-	763,613
<b>Total receipts</b>	<b>22,351</b>	<b>-</b>	<b>-</b>	<b>2,064,496</b>	<b>321,944</b>	<b>5,398,930</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	-	-	424,758
Support services	-	-	-	1,279,477	206,574	3,141,271
Noninstructional services	-	-	-	-	-	719,066
Facilities acquisition and construction	-	-	-	918,064	-	945,488
Nonprogrammed charges	-	345	-	-	-	104,863
<b>Total disbursements</b>	<b>-</b>	<b>345</b>	<b>-</b>	<b>2,197,541</b>	<b>206,574</b>	<b>5,335,446</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>22,351</b>	<b>(345)</b>	<b>-</b>	<b>(133,045)</b>	<b>115,370</b>	<b>63,484</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	22,383	-	75,038
Transfers out	-	-	(27,922)	(500,000)	-	(1,217,751)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(27,922)</b>	<b>(477,617)</b>	<b>-</b>	<b>(1,142,713)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>22,351</b>	<b>(345)</b>	<b>(27,922)</b>	<b>(610,662)</b>	<b>115,370</b>	<b>(1,079,229)</b>
Cash and investments - beginning	-	-	27,922	(193,935)	23,150	453,439
Cash and investments - ending	\$ 22,351	\$ (345)	\$ -	\$ (804,597)	\$ 138,520	\$ (625,790)
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 22,351	\$ (345)	\$ -	\$ (804,597)	\$ 138,520	\$ (625,790)
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ 22,351	\$ (345)	\$ -	\$ (804,597)	\$ 138,520	\$ (625,790)

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, 2009

	Transportation Operating	Special Ed Preschool	School Lunch	Textbook Rental	Safe Haven	Early Intervention
<b>Receipts:</b>						
Local sources	\$ 1,703,663	\$ 17,006	\$ 538,536	\$ 92,956	\$ -	\$ -
State sources	-	78,280	6,820	46,374	-	38,570
Federal sources	-	-	188,420	-	-	-
Interfund loans	3,911	-	-	-	-	-
Other	3,370	-	-	-	1,316	-
<b>Total receipts</b>	<b>1,710,944</b>	<b>95,286</b>	<b>733,776</b>	<b>139,330</b>	<b>1,316</b>	<b>38,570</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	-	-	37,593
Support services	1,399,771	-	491	101,787	-	-
Noninstructional services	-	-	705,992	-	-	977
Facilities acquisition and construction	-	-	5,488	-	-	-
Nonprogrammed charges	-	96,250	-	-	-	-
<b>Total disbursements</b>	<b>1,399,771</b>	<b>96,250</b>	<b>711,971</b>	<b>101,787</b>	<b>-</b>	<b>38,570</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>311,173</b>	<b>(964)</b>	<b>21,805</b>	<b>37,543</b>	<b>1,316</b>	<b>-</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<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</b>	<b>311,173</b>	<b>(964)</b>	<b>21,805</b>	<b>37,543</b>	<b>1,316</b>	<b>-</b>
<b>Cash and investments - beginning</b>	<b>(311,173)</b>	<b>7,724</b>	<b>108,350</b>	<b>7,405</b>	<b>(1,316)</b>	<b>-</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ 6,760</b>	<b>\$ 130,155</b>	<b>\$ 44,948</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 6,760	\$ 130,155	\$ 44,948	\$ -	\$ -
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ -	\$ 6,760	\$ 130,155	\$ 44,948	\$ -	\$ -

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, 2009  
 (Continued)

	School Intervention	Reading Recovery	High Ability	Gifted and Talented	Non-English Speaking Program	Technology Grant
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,704
State sources	-	-	33,037	-	600	-
Federal sources	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	7,145	-	-	-	-	-
<b>Total receipts</b>	<b>7,145</b>	<b>-</b>	<b>33,037</b>	<b>-</b>	<b>600</b>	<b>23,704</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	850	28,270	12,869	986	16,125
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,340	-	-
<b>Total disbursements</b>	<b>-</b>	<b>850</b>	<b>28,270</b>	<b>14,209</b>	<b>986</b>	<b>16,125</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>7,145</b>	<b>(850)</b>	<b>4,767</b>	<b>(14,209)</b>	<b>(386)</b>	<b>7,579</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<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</b>	<b>7,145</b>	<b>(850)</b>	<b>4,767</b>	<b>(14,209)</b>	<b>(386)</b>	<b>7,579</b>
<b>Cash and investments - beginning</b>	<b>(7,145)</b>	<b>850</b>	<b>-</b>	<b>14,209</b>	<b>986</b>	<b>51,986</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,767</b>	<b>\$ -</b>	<b>\$ 600</b>	<b>\$ 59,565</b>
<b><u>Cash and Investment Assets - Ending</u></b>						
<b>Cash and investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,767</b>	<b>\$ -</b>	<b>\$ 600</b>	<b>\$ 59,565</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
<b>Unrestricted</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,767</b>	<b>\$ -</b>	<b>\$ 600</b>	<b>\$ 59,565</b>

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, 2009  
 (Continued)

	INSAI Grant	ECIA Title I	Title I	Title V Part A	Title II Part A	Title II Part D
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	52,052	306,434	1,106	88,878	-
Interfund loans	-	-	-	-	-	-
Other	275	-	-	-	-	-
<b>Total receipts</b>	<b>275</b>	<b>52,052</b>	<b>306,434</b>	<b>1,106</b>	<b>88,878</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	51,592	200,380	-	65,834	-
Support services	-	9,743	92,338	-	-	-
Noninstructional services	-	1,656	5,875	-	-	-
Facilities acquisition and construction	-	-	-	-	-	30,818
Nonprogrammed charges	-	-	17,853	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>62,991</b>	<b>316,446</b>	<b>-</b>	<b>65,834</b>	<b>30,818</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>275</b>	<b>(10,939)</b>	<b>(10,012)</b>	<b>1,106</b>	<b>23,044</b>	<b>(30,818)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	29,937	-	12,917	-
Transfers out	-	(29,937)	-	-	-	(12,917)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(29,937)</b>	<b>29,937</b>	<b>-</b>	<b>12,917</b>	<b>(12,917)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>275</b>	<b>(40,876)</b>	<b>19,925</b>	<b>1,106</b>	<b>35,961</b>	<b>(43,735)</b>
<b>Cash and investments - beginning</b>	<b>(275)</b>	<b>40,876</b>	<b>65,581</b>	<b>-</b>	<b>(21,064)</b>	<b>43,735</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,506</b>	<b>\$ 1,106</b>	<b>\$ 14,897</b>	<b>\$ -</b>
<b><u>Cash and Investment Assets - Ending</u></b>						
<b>Cash and investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,506</b>	<b>\$ 1,106</b>	<b>\$ 14,897</b>	<b>\$ -</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
<b>Unrestricted</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,506</b>	<b>\$ 1,106</b>	<b>\$ 14,897</b>	<b>\$ -</b>

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, 2009  
 (Continued)

	Drug Free Schools	Criminal Justice Institute Grant	Grants to LEAs	Donations	Staff Development Seminars	Surrendered Bid Bonds
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	1,000	-	-	-	-
Federal sources	5,179	-	26,216	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	1,365	-	-
<b>Total receipts</b>	<b>5,179</b>	<b>1,000</b>	<b>26,216</b>	<b>1,365</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	13,172	-	-	-	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	1,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>13,172</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(7,993)	-	26,216	1,365	-	-
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</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	(7,993)	-	26,216	1,365	-	-
Cash and investments - beginning	15,672	-	-	(25)	1,905	22,351
Cash and investments - ending	<u>\$ 7,679</u>	<u>\$ -</u>	<u>\$ 26,216</u>	<u>\$ 1,340</u>	<u>\$ 1,905</u>	<u>\$ 22,351</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ 7,679</u>	<u>\$ -</u>	<u>\$ 26,216</u>	<u>\$ 1,340</u>	<u>\$ 1,905</u>	<u>\$ 22,351</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ 7,679</u>	<u>\$ -</u>	<u>\$ 26,216</u>	<u>\$ 1,340</u>	<u>\$ 1,905</u>	<u>\$ 22,351</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, 2009  
 (Continued)

	ECA Services	Capital Projects	School Bus Replacement	Construction	Totals
<b>Receipts:</b>					
Local sources	\$ 345	\$ 2,577,657	\$ 217,483	\$ -	\$ 5,171,350
State sources	-	-	-	-	204,681
Federal sources	-	-	-	-	668,285
Interfund loans	-	-	-	154,106	158,017
Other	-	11,201	-	-	24,672
<b>Total receipts</b>	<b>345</b>	<b>2,588,858</b>	<b>217,483</b>	<b>154,106</b>	<b>6,227,005</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	-	-	427,671
Support services	-	1,156,619	76,378	-	2,837,127
Noninstructional services	-	-	-	-	714,500
Facilities acquisition and construction	-	502,610	-	154,106	694,022
Nonprogrammed charges	-	-	-	-	115,443
<b>Total disbursements</b>	<b>-</b>	<b>1,659,229</b>	<b>76,378</b>	<b>154,106</b>	<b>4,788,763</b>
Excess (deficiency) of receipts over disbursements	345	929,629	141,105	-	1,438,242
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	42,854
Transfers out	-	-	-	-	(42,854)
<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	345	929,629	141,105	-	1,438,242
Cash and investments - beginning	(345)	(804,597)	138,520	-	(625,790)
Cash and investments - ending	\$ -	\$ 125,032	\$ 279,625	\$ -	\$ 812,452
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ 125,032	\$ 279,625	\$ -	\$ 812,452
<b>Cash and Investment Fund Balance - Ending</b>					
Unrestricted	\$ -	\$ 125,032	\$ 279,625	\$ -	\$ 812,452

SOUTHWEST SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2009

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	\$ 857,891
Infrastructure	683,350
Buildings	70,219,413
Improvements other than buildings	2,128,500
Machinery and equipment	1,912,736
Transportation	<u>1,304,702</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 77,106,592</u></u>

SOUTHWEST SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended June 30, 2009

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	\$ 111,665	\$ 111,665
Kinetic Computer Leases	283,099	147,666
SHS Football Lighting Lease	115,000	31,931
Sullivan Elementary Building Lease	21,026,500	781,000
Notes and loans payable	4,000,000	4,000,000
Bonds payable:		
General obligation bonds:		
Retirement/Severance Bonds	<u>5,810,000</u>	<u>364,518</u>
Total governmental activities debt	<u>\$ 31,346,264</u>	<u>\$ 5,436,780</u>

SOUTHWEST SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

There were several funds which had overdrawn cash balances during the audit period. A similar comment appeared in prior audit reports.

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)

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, 2008 and 2009. 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 non-compliance 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.

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 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 21, 2010

SOUTHWEST SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 74,197	\$ 40,946
National School Lunch Program	10.555		<u>254,525</u>	<u>147,474</u>
Total for federal grantor agency			<u>328,722</u>	<u>188,420</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	08-7715 09-7715	301,378	-
			<u>-</u>	<u>379,437</u>
Total for program			<u>301,378</u>	<u>379,437</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08 FY 09	6,978	-
			<u>-</u>	<u>13,172</u>
Total for program			<u>6,978</u>	<u>13,172</u>
Innovative Education Program Strategies	84.298	FY 07/08	<u>5,294</u>	<u>-</u>
Enhancing Education Through Technology	84.318	FY 08 FY 09	5,032	-
			<u>-</u>	<u>43,735</u>
Total for program			<u>5,032</u>	<u>43,735</u>
Improving Teacher Quality	84.367	08-7715 09-7715	136,000	-
			<u>-</u>	<u>65,834</u>
Total for program			<u>136,000</u>	<u>65,834</u>
Total for federal grantor agency			<u>454,682</u>	<u>502,178</u>
Total federal awards expended			<u>\$ 783,404</u>	<u>\$ 690,598</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 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, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007-2008	2008-2009
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 5,049	\$ 8,354
National School Lunch Program	10.555	17,320	30,088

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
Significant deficiencies identified that are not considered to be material weaknesses?	no

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?	no

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	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? yes

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, 2010, with Amy Kinnett, Treasurer; and Walter W. Hoke, Superintendent of Schools. The officials concurred with our audit finding.