

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

AUDIT REPORT  
OF  
SOUTHERN WELLS COMMUNITY SCHOOLS  
WELLS COUNTY, INDIANA  
July 1, 2008 to June 30, 2010



**FILED**  
02/11/2011



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vicki S. Andrews	07-01-08 to 06-30-11
Superintendent of Schools	(Vacant) James L. Craig	07-01-08 to 07-01-08 07-02-08 to 06-30-11
President of the School Board	Christopher J. Smith	07-01-08 to 06-30-11



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

TO: THE OFFICIALS OF THE SOUTHERN WELLS  
COMMUNITY SCHOOLS, WELLS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Wells Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 December 29, 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 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.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 29, 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 SOUTHERN WELLS  
COMMUNITY SCHOOLS, WELLS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Wells Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 29, 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, 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

December 29, 2010

SOUTHERN WELLS COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,342,259	\$ -	\$ 50,839	\$ (3,291,420)
Support services	2,597,956	223,764	96,781	(2,277,411)
Noninstructional services	369,874	-	-	(369,874)
Facilities acquisition and construction	347,918	-	-	(347,918)
Debt service	1,466,905	-	-	(1,466,905)
Nonprogrammed charges	312,847	-	-	(312,847)
<b>Total governmental activities</b>	<b><u>\$ 8,437,759</u></b>	<b><u>\$ 223,764</u></b>	<b><u>\$ 147,620</u></b>	<b><u>(8,066,375)</u></b>
General receipts:				
Property taxes				3,095,958
Other local sources				618,218
State aid				3,229,651
Bonds and loans				749,990
Grants and contributions not restricted to specific programs				531,210
Sale of property				1,323
Investment earnings				2,735
Other				4,092
<b>Total general receipts</b>				<b><u>8,233,177</u></b>
<b>Change in net assets</b>				<b>166,802</b>
<b>Net assets - beginning</b>				<b><u>60,388</u></b>
<b>Net assets - ending</b>				<b><u>\$ 227,190</u></b>
<u>Assets</u>				
Cash and investments				\$ 223,937
Restricted assets:				
Cash and investments				<u>3,253</u>
<b>Total assets</b>				<b><u>\$ 227,190</u></b>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 3,253
Unrestricted				<u>223,937</u>
<b>Total net assets</b>				<b><u>\$ 227,190</u></b>

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,080,981	\$ -	\$ 35,014	\$ (3,045,967)
Support services	2,582,720	217,258	122,644	(2,242,818)
Noninstructional services	383,122	-	-	(383,122)
Facilities acquisition and construction	110,330	-	-	(110,330)
Debt service	313,367	-	-	(313,367)
Nonprogrammed charges	349,361	-	-	(349,361)
<b>Total governmental activities</b>	<b><u>\$ 6,819,881</u></b>	<b><u>\$ 217,258</u></b>	<b><u>\$ 157,658</u></b>	<b><u>(6,444,965)</u></b>
General receipts:				
Property taxes				2,288,222
Other local sources				488,785
State aid				4,435,877
Grants and contributions not restricted to specific programs				262,563
Sale of property				151
Investment earnings				1,106
Other				7,589
<b>Total general receipts</b>				<b><u>7,484,293</u></b>
Change in net assets				1,039,328
Net assets - beginning				<u>227,190</u>
Net assets - ending				<b><u>\$ 1,266,518</u></b>
<u>Assets</u>				
Cash and investments				\$ 1,141,863
Restricted assets:				
Cash and investments				<u>124,655</u>
<b>Total assets</b>				<b><u>\$ 1,266,518</u></b>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 124,655
Unrestricted				<u>1,141,863</u>
<b>Total net assets</b>				<b><u>\$ 1,266,518</u></b>

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
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	Transportation Operating	Textbook Rental	Fiscal Stabilization	Capital Projects	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 1,830,358	\$ 530,800	\$ 42,918	\$ -	\$ 746,911	\$ 788,456	\$ 3,939,443
Intermediate sources	445	-	-	-	562	225	1,232
State sources	3,251,177	-	13,832	-	-	86,798	3,351,807
Federal sources	-	-	-	393,179	-	163,495	556,674
Temporary loans	749,990	-	-	-	-	-	749,990
Other	2,119	503	-	-	1,470	-	4,092
<b>Total receipts</b>	<b>5,834,089</b>	<b>531,303</b>	<b>56,750</b>	<b>393,179</b>	<b>748,943</b>	<b>1,038,974</b>	<b>8,603,238</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	3,030,965	-	-	199,783	-	111,511	3,342,259
Support services	1,389,833	542,520	83,706	77,688	390,593	113,616	2,597,956
Noninstructional services	83,505	-	-	11,840	-	274,529	369,874
Facilities acquisition and construction	-	-	-	-	347,918	-	347,918
Debt services	1,150,000	-	-	-	-	316,905	1,466,905
Nonprogrammed charges	226,485	-	-	58,862	-	27,500	312,847
<b>Total disbursements</b>	<b>5,880,788</b>	<b>542,520</b>	<b>83,706</b>	<b>348,173</b>	<b>738,511</b>	<b>844,061</b>	<b>8,437,759</b>
Excess (deficiency) of receipts over disbursements	(46,699)	(11,217)	(26,956)	45,006	10,432	194,913	165,479
<b>Other financing sources (uses):</b>							
Sale of capital assets	1,323	-	-	-	-	-	1,323
Interfund loans	67,564	11,217	85,098	-	(10,432)	(153,447)	-
Transfers in	-	-	-	-	-	11,523	11,523
Transfers out	-	-	-	-	-	(11,523)	(11,523)
<b>Total other financing sources (uses)</b>	<b>68,887</b>	<b>11,217</b>	<b>85,098</b>	<b>-</b>	<b>(10,432)</b>	<b>(153,447)</b>	<b>1,323</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,188	-	58,142	45,006	-	41,466	166,802
Cash and investments - beginning	5,973	-	13,588	-	-	40,827	60,388
Cash and investments - ending	<u>\$ 28,161</u>	<u>\$ -</u>	<u>\$ 71,730</u>	<u>\$ 45,006</u>	<u>\$ -</u>	<u>\$ 82,293</u>	<u>\$ 227,190</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 28,161	\$ -	\$ 71,730	\$ 45,006	\$ -	\$ 79,040	\$ 223,937
Restricted assets:							
Cash and investments	-	-	-	-	-	3,253	3,253
<b>Total cash and investment assets - ending</b>	<b><u>\$ 28,161</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 71,730</u></b>	<b><u>\$ 45,006</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 82,293</u></b>	<b><u>\$ 227,190</u></b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,253	\$ 3,253
Unrestricted	28,161	-	71,730	45,006	-	79,040	223,937
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 28,161</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 71,730</u></b>	<b><u>\$ 45,006</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 82,293</u></b>	<b><u>\$ 227,190</u></b>

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
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, 2010

	General	Transportation Operating	Textbook Rental	Fiscal Stabilization	Capital Projects	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 60,364	\$ 763,867	\$ 53,935	\$ -	\$ 974,611	\$ 1,138,638	\$ 2,991,415
Intermediate sources	3,282	-	-	-	580	94	3,956
State sources	4,447,136	-	12,088	-	-	53,657	4,512,881
Federal sources	-	-	-	160,484	-	182,733	343,217
Other	597	6,992	-	-	-	-	7,589
<b>Total receipts</b>	<b>4,511,379</b>	<b>770,859</b>	<b>66,023</b>	<b>160,484</b>	<b>975,191</b>	<b>1,375,122</b>	<b>7,859,058</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	2,538,419	-	-	182,098	-	360,464	3,080,981
Support services	1,456,683	531,024	81,095	21,665	326,437	165,816	2,582,720
Noninstructional services	98,311	-	-	1,727	-	283,084	383,122
Facilities acquisition and construction	-	-	-	-	110,330	-	110,330
Debt services	-	-	-	-	-	313,367	313,367
Nonprogrammed charges	337,903	-	-	-	-	11,458	349,361
<b>Total disbursements</b>	<b>4,431,316</b>	<b>531,024</b>	<b>81,095</b>	<b>205,490</b>	<b>436,767</b>	<b>1,134,189</b>	<b>6,819,881</b>
Excess (deficiency) of receipts over disbursements	80,063	239,835	(15,072)	(45,006)	538,424	240,933	1,039,177
<b>Other financing sources (uses):</b>							
Sale of capital assets	151	-	-	-	-	-	151
Interfund loans	17,153	(111,315)	-	-	(7,743)	101,905	-
Transfers in	2,462	-	-	-	-	169,334	171,796
Transfers out	-	-	-	-	-	(171,796)	(171,796)
<b>Total other financing sources (uses)</b>	<b>19,766</b>	<b>(111,315)</b>	<b>-</b>	<b>-</b>	<b>(7,743)</b>	<b>99,443</b>	<b>151</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	99,829	128,520	(15,072)	(45,006)	530,681	340,376	1,039,328
Cash and investments - beginning	28,161	-	71,730	45,006	-	82,293	227,190
Cash and investments - ending	\$ 127,990	\$ 128,520	\$ 56,658	\$ -	\$ 530,681	\$ 422,669	\$ 1,266,518
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 127,990	\$ 128,520	\$ 56,658	\$ -	\$ 530,681	\$ 298,014	\$ 1,141,863
<b>Restricted assets:</b>							
Cash and investments	-	-	-	-	-	124,655	124,655
<b>Total cash and investment assets - ending</b>	<b>\$ 127,990</b>	<b>\$ 128,520</b>	<b>\$ 56,658</b>	<b>\$ -</b>	<b>\$ 530,681</b>	<b>\$ 422,669</b>	<b>\$ 1,266,518</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,655	\$ 124,655
Unrestricted	127,990	128,520	56,658	-	530,681	298,014	1,141,863
<b>Total cash and investment fund balance - ending</b>	<b>\$ 127,990</b>	<b>\$ 128,520</b>	<b>\$ 56,658</b>	<b>\$ -</b>	<b>\$ 530,681</b>	<b>\$ 422,669</b>	<b>\$ 1,266,518</b>

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2009

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ <u>42,212</u>
Deductions:	
Administrative and general	<u>43,273</u>
Deficiency of total additions over total deductions	(1,061)
Cash and investment fund balance - beginning	<u>5,773</u>
Cash and investment fund balance - ending	<u>\$ <u>4,712</u></u>
Net assets:	
Cash and investments	<u>\$ <u>4,712</u></u>
Total net assets - cash and investment basis held in trust	<u>\$ <u>4,712</u></u>

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2010

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ <u>16,430</u>
Deductions:	
Administrative and general	<u>5,903</u>
Excess of total additions over total deductions	10,527
Cash and investment fund balance - beginning	<u>4,712</u>
Cash and investment fund balance - ending	<u>\$ <u>15,239</u></u>
Net assets:	
Cash and investments	<u>\$ <u>15,239</u></u>
Total net assets - cash and investment basis held in trust	<u>\$ <u>15,239</u></u>

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
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 (primary government) is the financial reporting entity.

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 in a joint venture to operate the Adams-Wells Special Services Cooperative which was created to provide instruction for students with special needs. The Adams-Wells Special Services Cooperative's continued existence depends on continued funding by the participating school corporations. Complete financial statements for the Adams-Wells Special Services Cooperative can be obtained from the administrative offices at 925 N. Main Street, Bluffton, IN 46714.

The School Corporation is a participant in a joint venture to operate the Area 18 Career and Technical Education Cooperative which was created to provide occupational and technical training to students. The Area 18 Career and Technical Education Cooperative's continued existence depends on continued funding by the participating school corporations. Complete financial statements for the Area 18 Career and Technical Education Cooperative can be obtained from the administrative offices at 805 E. Harrison Street, Bluffton, IN 46714.

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. The School Corporation does not have any business-type activities.

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation Operating Fund accounts for financial resources for the transportation of school children to and from school.

The Textbook Rental Fund is used to account for receipts and disbursements for the textbook rental program.

The Fiscal Stabilization 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.

The Capital Projects Fund accounts for planned construction, repair, replacement, or remodeling of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund type:

The private-purpose trust funds report trust arrangements under which principal and income benefit eligible students.

C. Measurement Focus and Basis of Accounting

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

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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 proprietary 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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
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."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

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 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 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 but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
- 4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements. 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. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

SOUTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$1,281,757.

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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Other Governmental Funds	General Fund	\$ -	\$ 2,462
Other Governmental Funds	Other Governmental Funds	<u>11,523</u>	<u>169,334</u>
Totals		<u>\$ 11,523</u>	<u>\$ 171,796</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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

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

Medical Benefits to Employees

During 1980, the School Corporation joined with other governmental entities to form the School Employees' Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for 14 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The School Corporation pays an annual premium to the risk pool for its medical benefits to employee's coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$300,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$300,000 limit.

B. Termination Benefits

During the fiscal year 2009-2010, the School Corporation paid retirement incentives totaling \$30,000 to three teachers that retired and met the qualifications to retire from the Teachers' Retirement Fund.

SOUTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$80,226.

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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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's contributions to the plan during the period were \$132,539.

SOUTHERN WELLS COMMUNITY SCHOOLS  
 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)
07-01-07	\$ 892,676	\$ 812,833	\$ 79,843	110%	\$ 752,563	11%
07-01-08	934,553	928,568	5,985	101%	766,581	1%
07-01-09	679,585	877,450	(197,865)	77%	781,378	(25%)

SOUTHERN WELLS COMMUNITY SCHOOLS  
 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

	Special Education Preschool	School Lunch	Educational License Plate Fee	Gifted/Talented Grant	Electronic Data Systems Grant	Non-English Speaking Program	School Technology
<b>Receipts:</b>							
Local sources	\$ 3,486	\$ 191,637	\$ -	\$ -	\$ 1,500	\$ -	\$ -
Intermediate sources	-	-	225	-	-	-	-
State sources	19,037	4,843	-	28,603	-	710	-
Federal sources	-	78,106	-	-	-	-	-
<b>Total receipts</b>	<b>22,523</b>	<b>274,586</b>	<b>225</b>	<b>28,603</b>	<b>1,500</b>	<b>710</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	17,065	1,495	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	274,529	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	27,500	-	-	-	-	-	-
<b>Total disbursements</b>	<b>27,500</b>	<b>274,529</b>	<b>-</b>	<b>17,065</b>	<b>1,495</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(4,977)	57	225	11,538	5	710	-
<b>Other financing sources (uses):</b>							
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(1,329)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,329)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,977)	57	225	11,538	5	710	(1,329)
Cash and investments - beginning	12,022	14,108	300	-	-	1,350	1,329
Cash and investments - ending	\$ 7,045	\$ 14,165	\$ 525	\$ 11,538	\$ 5	\$ 2,060	\$ -
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 7,045	\$ 14,165	\$ 525	\$ 11,538	\$ 5	\$ 2,060	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 7,045</b>	<b>\$ 14,165</b>	<b>\$ 525</b>	<b>\$ 11,538</b>	<b>\$ 5</b>	<b>\$ 2,060</b>	<b>\$ -</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	7,045	14,165	525	11,538	5	2,060	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 7,045</b>	<b>\$ 14,165</b>	<b>\$ 525</b>	<b>\$ 11,538</b>	<b>\$ 5</b>	<b>\$ 2,060</b>	<b>\$ -</b>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 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)

	County School Safety Commission	Title I Federal Grant FY 2008-2009	Title V Part A FY 2007-2008	Title V Part A FY 2008-2009	Title IV Drug Free School	Area 18 Grant	Vocational Grant
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,605	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	23,200
Federal sources	-	51,510	-	389	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>51,510</b>	<b>-</b>	<b>389</b>	<b>-</b>	<b>5,605</b>	<b>23,200</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	846	51,510	-	-	1,404	6,998	20,000
Support services	-	-	-	993	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>846</b>	<b>51,510</b>	<b>-</b>	<b>993</b>	<b>1,404</b>	<b>6,998</b>	<b>20,000</b>
Excess (deficiency) of receipts over disbursements	(846)	-	-	(604)	(1,404)	(1,393)	3,200
<b>Other financing sources (uses):</b>							
Interfund loans	-	-	-	-	-	-	-
Transfers in	1,329	-	-	2,046	-	-	-
Transfers out	-	-	(2,046)	-	-	(1,863)	(6,285)
<b>Total other financing sources (uses)</b>	<b>1,329</b>	<b>-</b>	<b>(2,046)</b>	<b>2,046</b>	<b>-</b>	<b>(1,863)</b>	<b>(6,285)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	483	-	(2,046)	1,442	(1,404)	(3,256)	(3,085)
Cash and investments - beginning	-	-	2,046	-	1,719	3,256	-
Cash and investments - ending	\$ 483	\$ -	\$ -	\$ 1,442	\$ 315	\$ -	\$ (3,085)
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 483	\$ -	\$ -	\$ 1,442	\$ 315	\$ -	\$ (3,085)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 483</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,442</b>	<b>\$ 315</b>	<b>\$ -</b>	<b>\$ (3,085)</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	483	-	-	1,442	315	-	(3,085)
<b>Total cash and investment fund balance - ending</b>	<b>\$ 483</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,442</b>	<b>\$ 315</b>	<b>\$ -</b>	<b>\$ (3,085)</b>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 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)

	Vocational Moving Forward Grant - LEA	Improving Teacher Quality NCLB	Title I Federal Stimulus Grant	Debt Service	School Bus Replacement	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ 337,922	\$ 248,306	\$ 788,456
Intermediate sources	-	-	-	-	-	225
State sources	10,405	-	-	-	-	86,798
Federal sources	-	21,774	11,716	-	-	163,495
<b>Total receipts</b>	<b>10,405</b>	<b>21,774</b>	<b>11,716</b>	<b>337,922</b>	<b>248,306</b>	<b>1,038,974</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	7,496	4,697	-	-	-	111,511
Support services	-	-	-	-	112,623	113,616
Noninstructional services	-	-	-	-	-	274,529
Debt services	-	-	-	316,905	-	316,905
Nonprogrammed charges	-	-	-	-	-	27,500
<b>Total disbursements</b>	<b>7,496</b>	<b>4,697</b>	<b>-</b>	<b>316,905</b>	<b>112,623</b>	<b>844,061</b>
Excess (deficiency) of receipts over disbursements	2,909	17,077	11,716	21,017	135,683	194,913
<b>Other financing sources (uses):</b>						
Interfund loans	-	-	-	(17,764)	(135,683)	(153,447)
Transfers in	8,148	-	-	-	-	11,523
Transfers out	-	-	-	-	-	(11,523)
<b>Total other financing sources (uses)</b>	<b>8,148</b>	<b>-</b>	<b>-</b>	<b>(17,764)</b>	<b>(135,683)</b>	<b>(153,447)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,057	17,077	11,716	3,253	-	41,466
Cash and investments - beginning	-	4,697	-	-	-	40,827
Cash and investments - ending	\$ 11,057	\$ 21,774	\$ 11,716	\$ 3,253	\$ -	\$ 82,293
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 11,057	\$ 21,774	\$ 11,716	\$ -	\$ -	\$ 79,040
Restricted assets:						
Cash and investments	-	-	-	3,253	-	3,253
<b>Total cash and investment assets - ending</b>	<b>\$ 11,057</b>	<b>\$ 21,774</b>	<b>\$ 11,716</b>	<b>\$ 3,253</b>	<b>\$ -</b>	<b>\$ 82,293</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 3,253	\$ -	\$ 3,253
Unrestricted	11,057	21,774	11,716	-	-	79,040
<b>Total cash and investment fund balance - ending</b>	<b>\$ 11,057</b>	<b>\$ 21,774</b>	<b>\$ 11,716</b>	<b>\$ 3,253</b>	<b>\$ -</b>	<b>\$ 82,293</b>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 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, 2010

	Referendum	Special Education Preschool	Rainy Day	School Lunch	Excess Levy	Educational License Plate Fee	Gifted/Talented Grant
<b>Receipts:</b>							
Local sources	\$ 181,772	\$ -	\$ 31,430	\$ 187,899	\$ 11,318	\$ -	\$ -
Intermediate sources	-	-	-	-	-	94	-
State sources	-	6,875	-	4,672	-	-	28,425
Federal sources	-	-	-	100,784	-	-	-
<b>Total receipts</b>	<b>181,772</b>	<b>6,875</b>	<b>31,430</b>	<b>293,355</b>	<b>11,318</b>	<b>94</b>	<b>28,425</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	141,382	-	75,393	-	-	-	39,963
Support services	-	-	-	-	-	121	-
Noninstructional services	-	-	-	283,084	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	11,458	-	-	-	-	-
<b>Total disbursements</b>	<b>141,382</b>	<b>11,458</b>	<b>75,393</b>	<b>283,084</b>	<b>-</b>	<b>121</b>	<b>39,963</b>
Excess (deficiency) of receipts over disbursements	40,390	(4,583)	(43,963)	10,271	11,318	(27)	(11,538)
<b>Other financing sources (uses):</b>							
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	169,334	-	-	-	-
Transfers out	-	(2,462)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,462)</b>	<b>169,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	40,390	(7,045)	125,371	10,271	11,318	(27)	(11,538)
Cash and investments - beginning	-	7,045	-	14,165	-	525	11,538
Cash and investments - ending	\$ 40,390	\$ -	\$ 125,371	\$ 24,436	\$ 11,318	\$ 498	\$ -
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 40,390	\$ -	\$ 125,371	\$ 24,436	\$ 11,318	\$ 498	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 40,390</b>	<b>\$ -</b>	<b>\$ 125,371</b>	<b>\$ 24,436</b>	<b>\$ 11,318</b>	<b>\$ 498</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	40,390	-	125,371	24,436	11,318	498	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 40,390</b>	<b>\$ -</b>	<b>\$ 125,371</b>	<b>\$ 24,436</b>	<b>\$ 11,318</b>	<b>\$ 498</b>	<b>\$ -</b>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 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, 2010  
 (Continued)

	Electronic Data Systems Grant	Non-English Speaking Program	County School Safety Commission	Title I Federal Grant FY 2009-2010	Title V Part A FY 2008-2009	Title IV Drug Free School	Area 18 Grant
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	430	-	-	-	-	-
Federal sources	-	-	-	50,106	-	3,548	8,295
<b>Total receipts</b>	<b>-</b>	<b>430</b>	<b>-</b>	<b>50,106</b>	<b>-</b>	<b>3,548</b>	<b>8,295</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	50,106	-	2,025	8,295
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,106</b>	<b>-</b>	<b>2,025</b>	<b>8,295</b>
Excess (deficiency) of receipts over disbursements	-	430	-	-	-	1,523	-
<b>Other financing sources (uses):</b>							
Interfund loans	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<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	-	430	-	-	-	1,523	-
Cash and investments - beginning	5	2,060	483	-	1,442	315	-
Cash and investments - ending	\$ 5	\$ 2,490	\$ 483	\$ -	\$ 1,442	\$ 1,838	\$ -
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 5	\$ 2,490	\$ 483	\$ -	\$ 1,442	\$ 1,838	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 5</b>	<b>\$ 2,490</b>	<b>\$ 483</b>	<b>\$ -</b>	<b>\$ 1,442</b>	<b>\$ 1,838</b>	<b>\$ -</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	5	2,490	483	-	1,442	1,838	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 5</b>	<b>\$ 2,490</b>	<b>\$ 483</b>	<b>\$ -</b>	<b>\$ 1,442</b>	<b>\$ 1,838</b>	<b>\$ -</b>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 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, 2010  
 (Continued)

	Vocational Grant	Vocational Moving Forward Grant - LEA	Improving Teacher Quality NCLB	Title I Federal Stimulus Grant	Debt Service	School Bus Replacement	Totals
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 469,769	\$ 256,450	\$ 1,138,638
Intermediate sources	-	-	-	-	-	-	94
State sources	3,085	10,170	-	-	-	-	53,657
Federal sources	-	-	-	20,000	-	-	182,733
<b>Total receipts</b>	<b>3,085</b>	<b>10,170</b>	<b>-</b>	<b>20,000</b>	<b>469,769</b>	<b>256,450</b>	<b>1,375,122</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	11,057	527	31,716	-	-	360,464
Support services	-	-	20,940	-	-	144,755	165,816
Noninstructional services	-	-	-	-	-	-	283,084
Debt services	-	-	-	-	313,367	-	313,367
Nonprogrammed charges	-	-	-	-	-	-	11,458
<b>Total disbursements</b>	<b>-</b>	<b>11,057</b>	<b>21,467</b>	<b>31,716</b>	<b>313,367</b>	<b>144,755</b>	<b>1,134,189</b>
Excess (deficiency) of receipts over disbursements	3,085	(887)	(21,467)	(11,716)	156,402	111,695	240,933
<b>Other financing sources (uses):</b>							
Interfund loans	-	-	-	-	-	101,905	101,905
Transfers in	-	-	-	-	-	-	169,334
Transfers out	-	-	-	-	(35,000)	(134,334)	(171,796)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,000)</b>	<b>(32,429)</b>	<b>99,443</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,085	(887)	(21,467)	(11,716)	121,402	79,266	340,376
Cash and investments - beginning	(3,085)	11,057	21,774	11,716	3,253	-	82,293
Cash and investments - ending	\$ -	\$ 10,170	\$ 307	\$ -	\$ 124,655	\$ 79,266	\$ 422,669
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ 10,170	\$ 307	\$ -	\$ -	\$ 79,266	\$ 298,014
Restricted assets:							
Cash and investments	-	-	-	-	124,655	-	124,655
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 10,170</b>	<b>\$ 307</b>	<b>\$ -</b>	<b>\$ 124,655</b>	<b>\$ 79,266</b>	<b>\$ 422,669</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 124,655	\$ -	\$ 124,655
Unrestricted	-	10,170	307	-	-	79,266	298,014
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 10,170</b>	<b>\$ 307</b>	<b>\$ -</b>	<b>\$ 124,655</b>	<b>\$ 79,266</b>	<b>\$ 422,669</b>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2009

	<u>Lilly Endowment</u>	<u>Wells County Auxiliary</u>	<u>Wells County Foundation</u>	<u>Caylor- Nickel Foundation</u>	<u>Youth As Resources</u>	<u>Private Donations</u>	<u>Totals</u>
Additions:							
Contributions:							
Other	\$ 600	\$ 3,685	\$ 4,589	\$ 4,838	\$ 500	\$ 28,000	\$ 42,212
Deductions:							
Administrative and general	-	9,458	4,515	4,838	500	23,962	43,273
Excess (deficiency) of total additions over total deductions	600	(5,773)	74	-	-	4,038	(1,061)
Cash and investment fund balance - beginning	-	5,773	-	-	-	-	5,773
Cash and investments - ending	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038</u>	<u>\$ 4,712</u>
Net assets:							
Cash and investments	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038</u>	<u>\$ 4,712</u>
Total net assets - cash and investment basis held in trust	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038</u>	<u>\$ 4,712</u>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2010

	Lilly Endowment	Wells County Foundation	Driver's Education	Private Donations	Totals
Additions:					
Contributions:					
Other	\$ -	\$ 530	\$ 15,900	\$ -	\$ 16,430
Deductions:					
Administrative and general	-	560	1,305	4,038	5,903
Excess (deficiency) of total additions over total deductions	-	(30)	14,595	(4,038)	10,527
Cash and investment fund balance - beginning	600	74	-	4,038	4,712
Cash and investments - ending	<u>\$ 600</u>	<u>\$ 44</u>	<u>\$ 14,595</u>	<u>\$ -</u>	<u>\$ 15,239</u>
Net assets:					
Cash and investments	<u>\$ 600</u>	<u>\$ 44</u>	<u>\$ 14,595</u>	<u>\$ -</u>	<u>\$ 15,239</u>
Total net assets - cash and investment basis held in trust	<u>\$ 600</u>	<u>\$ 44</u>	<u>\$ 14,595</u>	<u>\$ -</u>	<u>\$ 15,239</u>

SOUTHERN WELLS COMMUNITY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loans payable:		
Common School Fund Loan	\$ 2,100,000	\$ 282,000
Veteran's Memorial Fund Loan	<u>96,750</u>	<u>22,467</u>
Total governmental activities debt	<u>\$ 2,196,750</u>	<u>\$ 304,467</u>

SOUTHERN WELLS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records to support the ADM claimed by the School Corporation for the 2008-2009 and the 2009-2010 school years were not retained and presented for audit.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

RECEIPT POSTING ERRORS

County tax distributions in October 2008 and April 2009 in the amounts of \$57,349 and \$5,174, respectively, were erroneously receipted to the School Bus Replacement Fund instead of the Transportation Operating Fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORDS

Capital asset records presented for audit did not include all capital assets purchased during the audit period. A similar comment appeared in prior Report B34123.

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 Assets 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)

CORPORATION EXPENDITURES PAID FROM STUDENT  
ACTIVITY FUND (Applies to Southern Wells Elementary School)

During the audit period the following educational expenditures were paid from the Student Activity Fund: reading and spelling books/materials, \$5,011; office supplies, \$2,089; and nursing supplies, \$317.

SOUTHERN WELLS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.).

IC 20-41-1-9 concerning investment income funds (interest income funds) specifically provides authorization for either corporation or extra-curricular type of expenditures. The General School Powers Act (IC 20-26-5-4) provides general, as well as specific, powers and duties of the governing board in carrying out the school purposes of the school corporation which they govern. Included in the specific powers with which the board is charged is the responsibility to ". . . take charge of, manage, and conduct the educational affairs of the school corporation and to establish, locate, and provide the necessary schools, school libraries, and other libraries where permitted by law, other buildings, facilities, property, and equipment." IC 20-41-1-4 provides in part, concerning extra-curricular funds: "Funds may not be transferred from the accounts of any organization, class or activity except by a majority vote of its members . . ." IC 20-41-1-4 also provides, concerning extra-curricular expenditures: "All expenditures are subject to review by the governing body of the school corporation."

Inquiries have questioned the use of a general fund or student activity fund for educational expenditures (copy machines, computers, educational materials, supplies, etc.) which would normally be from school corporation funds. The State Board of Accounts' audit position is as stated above. However, we will not take audit exception to a school having disbursements from an extra-curricular "general fund" or "student activity fund" for authorized school corporation type expenditures, such as equipment, supplies, etc., with the following conditions:

1. A policy has been adopted by a school board in a public meeting authorizing these types of expenditures.
2. Providing there are no objections from a majority of an applicable student body to these types of expenditures.
3. Equipment purchases would still require separate approval from the local school board.

Since alternatives exist for funding educational expenditures (i.e., taxes, authorized investment income expenditures, etc.) and other alternatives for the use of a general fund are available (i.e., reducing the cost of items to students and/or parents), we must emphasize the adoption of the aforementioned would be a public policy decision for which the local board of school trustees must accept any and all responsibility. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

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 SOUTHERN WELLS  
COMMUNITY SCHOOLS, WELLS COUNTY, INDIANA

Compliance

We have audited the compliance of the Southern Wells Community Schools (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 its major federal program for the years ended June 30, 2009 and 2010. The School Corporation's major federal program is 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 its major federal program 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 its major federal program for the years ended June 30, 2009 and 2010.

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, 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

December 29, 2010

SOUTHERN WELLS COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
		FY 2009	\$ 5,024	\$ -
		FY 2010	-	5,746
Total for program			5,024	5,746
National School Lunch Program				
	10.555			
		FY 2009	92,469	-
		FY 2010	-	117,822
Total for program			92,469	117,822
Total for federal grantor agency			97,493	123,568
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
		09-8425	51,510	-
		10-8425	-	50,106
Total for program			51,510	50,106
ARRA - Title I Grants to Local Educational Agencies, Recovery Act				
	84.389	FY 2010	-	31,716
Total for cluster			51,510	81,822
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Education State Grants, Recovery Act				
	84.394			
		FY 2009	348,173	-
		FY 2010	-	205,490
Total for cluster			348,173	205,490
Career and Technical Education - Basic Grants to States				
	84.048	CPS6-494	7,496	11,057
Pass-Through Bluffton-Harrison Metropolitan School District				
Career and Technical Education - Basic Grants to States				
	84.048			
		09-4700-8445	6,998	-
		10-4700-8445	-	8,295
Total for program			14,494	19,352
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants				
	84.186			
		07-8425	1,404	315
		08-8425	-	1,597
		09-8425	-	113
Total for program			1,404	2,025
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education				
	84.243	PLTW-8-494	20,000	-
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs				
	84.298	07-8425	993	-
Improving Teacher Quality State Grants				
	84.367			
		07-8425	4,697	-
		08-8425	-	21,467
Total for program			4,697	21,467
Total for federal grantor agency			441,271	330,156
Total federal awards expended			\$ 538,764	\$ 453,724

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

SOUTHERN WELLS COMMUNITY SCHOOLS  
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 Southern Wells Community Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the year ended June 30, 2010:

Program Title	Federal CFDA Number	For the Year Ended June 30, 2010
Career and Technical Education – Basic Grants to States	84.048	\$ <u>11,057</u>

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2009	For the Year Ended June 30, 2010
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 999	\$ 1,060
National School Lunch Program	10.555	<u>18,388</u>	<u>21,724</u>
Totals for cluster		<u>\$ 19,387</u>	<u>\$ 22,784</u>

SOUTHERN WELLS COMMUNITY SCHOOLS  
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:

\_\_\_\_\_  
Name of Federal Program or Cluster

State Fiscal Stabilization Fund Cluster

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.

SOUTHERN WELLS COMMUNITY SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTHERN WELLS COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on December 29, 2010, with Vicki S. Andrews, Treasurer; James L. Craig, Superintendent of Schools; and Christopher J. Smith, President of the School Board. The official response has been made a part of this report and may be found on page 41.

# SOUTHERN WELLS COMMUNITY SCHOOLS

9120S 300 West, Poneto IN 46781  
PH 765-728-5537 FAX 765-728-8124

## OFFICE OF THE SUPERINTENDENT

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Robin Minniear  
Secretary

Indiana State Board of Accounts  
District Office  
11768 N. Roanoke Road  
Roanoke, Indiana 46783

1/5/2011

To Whom It May Concern,

Please consider this mailing as a response to the exit conference conducted at Southern Wells Schools on December 29, 2010. Shannon Lopez conducted the meeting on behalf of the State Board of Accounts and indicated that I could offer a response to the findings.

### ADM-LACK OF RECORDS

We have revised our process to insure an ADM certification report, properly signed by the building principal and complete with student rosters will be available for all future audits.

### RECEIPT POSTING ERRORS

Special care will be given in the future to insure that tax distributions will be recorded in the proper fund. The repayment of the erroneously received funds has begun and will be completed prior to our next audit.

### CAPITAL ASSET RECORDS

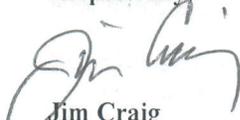
I will personally address this issue and see we are compliant as soon as possible.

### CORPORATION EXPENDITURES PAID FROM STUDENT ACTIVITY FUND

I have met with the building level administration and reviewed IC 20-41-1-9. I am confident we now have a firm understanding of the directive of the statute. Student Activity Funds that were found to have been used incorrectly will be replaced by proper corporation funds.

I want to state that we take our responsibility of compliance seriously and want to assure you we will take the necessary steps to correct our infractions in hopes of having a much cleaner audit in 2012.

Respectfully,



Jim Craig  
Superintendent