

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

AUDIT REPORT  
OF

SOUTHWESTERN CONSOLIDATED  
SCHOOL DISTRICT OF SHELBY COUNTY  
SHELBY COUNTY, INDIANA

July 1, 2008 to June 30, 2010



**FILED**  
03/15/2011



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Salli S. Rooks	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Terry R. Sargent	07-01-08 to 06-30-11
President of the School Board	Edward L. Thomas Jerry D. Drake	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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

TO: THE OFFICIALS OF THE SOUTHWESTERN CONSOLIDATED SCHOOL  
DISTRICT OF SHELBY COUNTY, SHELBY COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwestern Consolidated School District of Shelby County (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 January 25, 2011, 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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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 25, 2011



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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 SOUTHWESTERN CONSOLIDATED SCHOOL  
DISTRICT OF SHELBY COUNTY, SHELBY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwestern Consolidated School District of Shelby County (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 January 25, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

January 25, 2011

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 2,667,806	\$ -	\$ 104,957	\$ (2,562,849)	
Support services	2,416,401	240,108	109,172	(2,067,121)	
Noninstructional services	358,389	-	-	(358,389)	
Facilities acquisition and construction	360,008	-	-	(360,008)	
Debt service	1,794,565	-	-	(1,794,565)	
Nonprogrammed charges	<u>295,142</u>	<u>-</u>	<u>-</u>	<u>(295,142)</u>	
Total governmental activities	<u>\$ 7,892,311</u>	<u>\$ 240,108</u>	<u>\$ 214,129</u>	<u>(7,438,074)</u>	
General receipts:					
Property taxes				3,884,361	
Other local sources				753,645	
State aid				2,912,855	
Bonds and loans				211,674	
Grants and contributions not restricted to specific programs				550,202	
Sale of property				783	
Investment earnings				6,582	
Other				<u>41,314</u>	
Total general receipts				<u>8,361,416</u>	
Change in net assets				923,342	
Net assets - beginning				<u>984,604</u>	
Net assets - ending				<u>\$ 1,907,946</u>	
<u>Assets</u>					
Cash and investments				\$ 1,780,998	
Restricted assets:					
Cash and investments				<u>126,948</u>	
Total assets				<u>\$ 1,907,946</u>	
<u>Net Assets</u>					
Restricted for:					
Debt service				\$ 126,948	
Unrestricted				<u>1,780,998</u>	
Total net assets				<u>\$ 1,907,946</u>	

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		Charges for Services	Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets
Governmental activities:				
Instruction	\$ 2,903,596	\$ -	\$ 90,764	\$ (2,812,832)
Support services	2,481,050	244,360	136,825	(2,099,865)
Noninstructional services	382,309	-	-	(382,309)
Facilities acquisition and construction	257,240	-	-	(257,240)
Debt service	863,083	-	-	(863,083)
Nonprogrammed charges	411,446	-	-	(411,446)
<b>Total governmental activities</b>	<b><u>\$ 7,298,724</u></b>	<b><u>\$ 244,360</u></b>	<b><u>\$ 227,589</u></b>	<b><u>(6,826,775)</u></b>
General receipts:				
Property taxes				3,083,479
Other local sources				533,892
State aid				4,054,436
Grants and contributions not restricted to specific programs				573,671
Sale of property				852
Investment earnings				8,286
Other				<u>5,033</u>
<b>Total general receipts</b>				<b><u>8,259,649</u></b>
Change in net assets				1,432,874
Net assets - beginning				<u>1,907,944</u>
Net assets - ending				<b><u>\$ 3,340,818</u></b>
<b><u>Assets</u></b>				
Cash and investments				\$ 2,951,920
Restricted assets:				
Cash and investments				<u>388,898</u>
<b>Total assets</b>				<b><u>\$ 3,340,818</u></b>
<b><u>Net Assets</u></b>				
Restricted for:				
Debt service				\$ 388,898
Unrestricted				<u>2,951,920</u>
<b>Total net assets</b>				<b><u>\$ 3,340,818</u></b>

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
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	Fiscal Stabilization Education	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 2,159,177	\$ 645,953	\$ -	\$ 717,265	\$ 869,297	\$ 95,530	\$ 378,147	\$ 4,865,369
Intermediate sources	-	-	-	-	-	-	188	188
State sources	2,989,331	-	-	-	-	-	59,254	3,048,585
Federal sources	-	-	360,426	-	-	-	268,178	628,604
Temporary loans	211,674	-	-	-	-	-	-	211,674
Interfund loans	100,000	100,000	-	127,236	134,000	20,732	13,657	495,625
Other	40,053	333	-	-	-	-	20,064	60,450
<b>Total receipts</b>	<b>5,500,235</b>	<b>746,286</b>	<b>360,426</b>	<b>844,501</b>	<b>1,003,297</b>	<b>116,262</b>	<b>739,488</b>	<b>9,310,495</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	2,548,742	-	-	-	11,000	-	108,064	2,667,806
Support services	1,377,587	498,859	-	-	320,315	-	219,640	2,416,401
Noninstructional services	55,877	-	-	-	-	-	302,512	358,389
Facilities acquisition and construction	-	-	-	-	358,887	-	1,121	360,008
Debt services	1,154,306	-	-	579,718	-	-	60,541	1,794,565
Nonprogrammed charges	289,642	-	-	-	-	-	5,500	295,142
Interfund loans	100,000	100,000	-	143,412	127,236	13,657	11,320	495,625
<b>Total disbursements</b>	<b>5,526,154</b>	<b>598,859</b>	<b>-</b>	<b>723,130</b>	<b>817,438</b>	<b>13,657</b>	<b>708,698</b>	<b>8,387,936</b>
Excess (deficiency) of receipts over disbursements	(25,919)	147,427	360,426	121,371	185,859	102,605	30,790	922,559
<b>Other financing sources (uses):</b>								
Sale of capital assets	389	-	-	-	-	-	394	783
Transfers in	20,273	-	-	-	-	-	18,148	38,421
Transfers out	-	-	-	(8,353)	-	-	(30,068)	(38,421)
<b>Total other financing sources (uses)</b>	<b>20,662</b>	<b>-</b>	<b>-</b>	<b>(8,353)</b>	<b>-</b>	<b>-</b>	<b>(11,526)</b>	<b>783</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,257)	147,427	360,426	113,018	185,859	102,605	19,264	923,342
Cash and investments - beginning	842,853	11,236	-	531	9,883	1	120,100	984,604
Cash and investments - ending	\$ 837,596	\$ 158,663	\$ 360,426	\$ 113,549	\$ 195,742	\$ 102,606	\$ 139,364	\$ 1,907,946
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 837,596	\$ 158,663	\$ 360,426	\$ -	\$ 195,742	\$ 102,606	\$ 125,965	\$ 1,780,998
Restricted assets:								
Cash and investments	-	-	-	113,549	-	-	13,399	126,948
<b>Total cash and investment assets - ending</b>	<b>\$ 837,596</b>	<b>\$ 158,663</b>	<b>\$ 360,426</b>	<b>\$ 113,549</b>	<b>\$ 195,742</b>	<b>\$ 102,606</b>	<b>\$ 139,364</b>	<b>\$ 1,907,946</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 113,549	\$ -	\$ -	\$ 13,399	\$ 126,948
Unrestricted	837,596	158,663	360,426	-	195,742	102,606	125,965	1,780,998
<b>Total cash and investment fund balance - ending</b>	<b>\$ 837,596</b>	<b>\$ 158,663</b>	<b>\$ 360,426</b>	<b>\$ 113,549</b>	<b>\$ 195,742</b>	<b>\$ 102,606</b>	<b>\$ 139,364</b>	<b>\$ 1,907,946</b>

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
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	Fiscal Stabilization Education	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 36,897	\$ 897,378	\$ -	\$ 958,348	\$ 1,054,439	\$ 536,710	\$ 386,169	\$ 3,869,941
Intermediate sources	-	-	-	-	-	-	75	75
State sources	4,117,011	-	-	-	-	-	62,286	4,179,297
Federal sources	-	-	147,224	-	-	-	529,177	676,401
Interfund loans	-	-	-	-	327,236	13,657	-	340,893
Other	3,617	203	-	-	-	-	1,213	5,033
<b>Total receipts</b>	<b>4,157,525</b>	<b>897,581</b>	<b>147,224</b>	<b>958,348</b>	<b>1,381,675</b>	<b>550,367</b>	<b>978,920</b>	<b>9,071,640</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	2,093,393	-	481,458	-	-	-	328,746	2,903,597
Support services	1,354,065	521,743	26,192	-	295,480	131,041	152,529	2,481,050
Noninstructional services	69,360	-	-	-	-	-	312,949	382,309
Facilities acquisition and construction	-	-	-	-	249,140	-	8,100	257,240
Debt services	215,168	-	-	589,000	-	-	58,915	863,083
Nonprogrammed charges	371,946	-	-	-	-	-	39,502	411,448
Interfund loans	-	200,000	-	127,236	-	-	13,657	340,893
<b>Total disbursements</b>	<b>4,103,932</b>	<b>721,743</b>	<b>507,650</b>	<b>716,236</b>	<b>544,620</b>	<b>131,041</b>	<b>914,398</b>	<b>7,639,620</b>
Excess (deficiency) of receipts over disbursements	53,593	175,838	(360,426)	242,112	837,055	419,326	64,522	1,432,020
<b>Other financing sources (uses):</b>								
Sale of capital assets	-	-	-	-	-	-	852	852
Transfers in	29,791	-	-	-	-	-	22,074	51,865
Transfers out	(11,294)	-	-	(391)	-	-	(40,180)	(51,865)
<b>Total other financing sources (uses)</b>	<b>18,497</b>	<b>-</b>	<b>-</b>	<b>(391)</b>	<b>-</b>	<b>-</b>	<b>(17,254)</b>	<b>852</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	72,090	175,838	(360,426)	241,721	837,055	419,326	47,268	1,432,872
Cash and investments - beginning	837,596	158,663	360,426	113,549	195,742	102,606	139,364	1,907,946
Cash and investments - ending	\$ 909,686	\$ 334,501	\$ -	\$ 355,270	\$ 1,032,797	\$ 521,932	\$ 186,632	\$ 3,340,818
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 909,686	\$ 334,501	\$ -	\$ -	\$ 1,032,797	\$ 521,932	\$ 153,004	\$ 2,951,920
Restricted assets:								
Cash and investments	-	-	-	355,270	-	-	33,628	388,898
<b>Total cash and investment assets - ending</b>	<b>\$ 909,686</b>	<b>\$ 334,501</b>	<b>\$ -</b>	<b>\$ 355,270</b>	<b>\$ 1,032,797</b>	<b>\$ 521,932</b>	<b>\$ 186,632</b>	<b>\$ 3,340,818</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 355,270	\$ -	\$ -	\$ 33,628	\$ 388,898
Unrestricted	909,686	334,501	-	-	1,032,797	521,932	153,004	2,951,920
<b>Total cash and investment fund balance - ending</b>	<b>\$ 909,686</b>	<b>\$ 334,501</b>	<b>\$ -</b>	<b>\$ 355,270</b>	<b>\$ 1,032,797</b>	<b>\$ 521,932</b>	<b>\$ 186,632</b>	<b>\$ 3,340,818</b>

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
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 Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 16,043	
Investment earnings:			
Interest	-	1,426	
Total additions	-	17,469	
Deductions:			
Benefits	26,075	-	
Administrative and general	-	32,208	
Total deductions	26,075	32,208	
Deficiency of total additions over total deductions	(26,075)	(14,739)	
Cash and investment fund balance - beginning	247,258	84,306	
Cash and investment fund balance - ending	\$ 221,183	\$ 69,567	\$ 10,459
Net assets:			
Cash and investments	\$ 221,183	\$ 69,567	\$ 10,459

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2010

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 120,232	
Investment earnings:			
Interest	-	535	
Total additions	-	120,767	
Deductions:			
Benefits	219,442	-	
Administrative and general	-	28,951	
Total deductions	219,442	28,951	
Excess (deficiency) of total additions over total deductions	(219,442)	91,816	
Cash and investment fund balance - beginning	221,183	69,567	
Cash and investment fund balance - ending	\$ 1,741	\$ 161,383	\$ 8,650
Net assets:			
Cash and investments	\$ 1,741	\$ 161,383	\$ 8,650

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Southwestern Consolidated School District of Shelby County

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 in a joint venture to operate Special Services, Johnson County Schools which was created to provide instruction to handicapped children. Special Services, Johnson County Schools' continued existence depends on continued funding by the School Corporation. Complete financial statements for Special Services, Johnson County Schools can be obtained from the Special Services Johnson County Schools administration office at 500 Earlywood Drive, Franklin, IN 46131.

The School Corporation is currently a participant in a joint venture to operate Blue River Career Programs which was created to provide vocational education to interested students. Blue River Career Programs' continued existence depends on continued funding by the School Corporation. Complete financial statements for Blue River Career Programs can be obtained from the Blue River Career Program administrative office at 801 St. Joseph Street, Shelbyville, IN 46176.

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.

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,

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 fiscal stabilization education 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 debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

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

Additionally, the School Corporation reports the following fund types:

The pension trust 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.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit kindergarten students and students enrolled in agricultural classes.

Agency funds account for assets held by the School Corporation as an agent for various payroll withholding authorities.

C. Measurement Focus and Basis of Accounting

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

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

D. Assets and Cash and Investment Balances

1. 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 or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as 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.

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund 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.

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Government-Wide Financial Statements

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

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

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

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following 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.

B. Cash Balances Deficits

At June 30, 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund	2010
Title I Grants to LEAs Stimulus	\$ 120
Special Ed Part B Preschool Stimulus	1,175

III. Detailed Notes on All Funds

A. Deposits

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. IC 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 \$3,512,592.

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.

B. Interfund Transfers

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

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ -	\$ 11,294
Debt Service Fund	Other Governmental Funds	8,353	391
Other Governmental Funds	General Fund	20,273	29,791
Other Governmental Funds	Other Governmental Funds	9,795	10,389
Totals		\$ 38,421	\$ 51,865

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; 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; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

During 1991, the School Corporation joined with other governmental entities in the South Central Indiana School Trust, a public entity risk pool currently operating as a common risk management and insurance program for 12 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of group health insurance plans. The School Corporation pays an annual premium to the risk pool to fund group health insurance plans coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$2,000,000 per lifetime per insured event. The risk pool obtains independent coverage for insured events in excess of the \$225,000 per person limit.

B. Holding Corporations

The School Corporation has entered into a capital lease with Southwestern Multi-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 years ending June 30, 2009 and 2010, totaled \$346,000 and \$346,000, respectively.

The School Corporation has entered into a capital lease with Southwestern Schools Improvement 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 years ending June 30, 2009 and 2010, totaled \$229,000 and \$243,000, respectively.

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:

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 \$88,144.

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

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 \$298,444.

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 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	Textbook Rental	Educational License Plates	Early Intervention Grant	High Ability Grant
<b>Receipts:</b>						
Local sources	\$ 6,160	\$ 210,331	\$ 90,054	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	188	-	-
State sources	9,073	4,252	16,945	-	500	28,484
Federal sources	-	87,975	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	265	663	-	-	-
<b>Total receipts</b>	<b>15,233</b>	<b>302,823</b>	<b>107,662</b>	<b>188</b>	<b>500</b>	<b>28,484</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	355	-	25,484
Support services	274	485	133,829	-	500	3,000
Noninstructional services	-	301,029	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	5,500	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>5,774</b>	<b>301,514</b>	<b>133,829</b>	<b>355</b>	<b>500</b>	<b>28,484</b>
Excess (deficiency) of receipts over disbursements	9,459	1,309	(26,167)	(167)	-	-
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	394	-	-	-
Transfers in	-	-	8,353	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>8,747</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,459	1,309	(17,420)	(167)	-	-
Cash and investments - beginning	36,834	17,681	37,830	676	-	-
Cash and investments - ending	<u>\$ 46,293</u>	<u>\$ 18,990</u>	<u>\$ 20,410</u>	<u>\$ 509</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 46,293	\$ 18,990	\$ 20,410	\$ 509	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 46,293</u>	<u>\$ 18,990</u>	<u>\$ 20,410</u>	<u>\$ 509</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	46,293	18,990	20,410	509	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 46,293</u>	<u>\$ 18,990</u>	<u>\$ 20,410</u>	<u>\$ 509</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 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)

	Kindercare	Preschool	Educational Secretarial Work	Title I 2008-2009	Title I 2007-2008	Title V, Part A 2008-2009
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	111,411	10,000	1,121
Interfund loans	-	-	-	-	-	-
Other	19,136	-	-	-	-	-
<b>Total receipts</b>	<b>19,136</b>	<b>-</b>	<b>-</b>	<b>111,411</b>	<b>10,000</b>	<b>1,121</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	4,787	-	-	71,254	6,184	-
Support services	-	-	-	35,386	5,776	-
Noninstructional services	-	-	-	1,483	-	-
Facilities acquisition and construction	-	-	-	-	-	1,121
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>4,787</b>	<b>-</b>	<b>-</b>	<b>108,123</b>	<b>11,960</b>	<b>1,121</b>
Excess (deficiency) of receipts over disbursements	14,349	-	-	3,288	(1,960)	-
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	9,795	-	-
Transfers out	(20,273)	-	-	-	(9,795)	-
<b>Total other financing sources (uses)</b>	<b>(20,273)</b>	<b>-</b>	<b>-</b>	<b>9,795</b>	<b>(9,795)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,924)	-	-	13,083	(11,755)	-
Cash and investments - beginning	5,924	2,539	1,574	-	11,755	-
Cash and investments - ending	\$ -	\$ 2,539	\$ 1,574	\$ 13,083	\$ -	\$ -
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 2,539	\$ 1,574	\$ 13,083	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 2,539</b>	<b>\$ 1,574</b>	<b>\$ 13,083</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	2,539	1,574	13,083	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 2,539</b>	<b>\$ 1,574</b>	<b>\$ 13,083</b>	<b>\$ -</b>	<b>\$ -</b>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 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)

	Title IV Drug Free 2007-2008	Title IV Drug Free 2008-2009	Title IV, Part A 2008-2010	Title II, Part A 2008-2009	Retirement/ Severance Bond	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 71,602	\$ 378,147
Intermediate sources	-	-	-	-	-	188
State sources	-	-	-	-	-	59,254
Federal sources	-	2,982	1,500	53,189	-	268,178
Interfund loans	-	-	-	-	13,657	13,657
Other	-	-	-	-	-	20,064
<b>Total receipts</b>	<b>-</b>	<b>2,982</b>	<b>1,500</b>	<b>53,189</b>	<b>85,259</b>	<b>739,488</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	-	-	108,064
Support services	906	2,884	-	36,600	-	219,640
Noninstructional services	-	-	-	-	-	302,512
Facilities acquisition and construction	-	-	-	-	-	1,121
Debt services	-	-	-	-	60,541	60,541
Nonprogrammed charges	-	-	-	-	-	5,500
Interfund loans	-	-	-	-	11,320	11,320
<b>Total disbursements</b>	<b>906</b>	<b>2,884</b>	<b>-</b>	<b>36,600</b>	<b>71,861</b>	<b>708,698</b>
Excess (deficiency) of receipts over disbursements	(906)	98	1,500	16,589	13,398	30,790
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	394
Transfers in	-	-	-	-	-	18,148
Transfers out	-	-	-	-	-	(30,068)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,526)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(906)	98	1,500	16,589	13,398	19,264
Cash and investments - beginning	906	-	-	4,380	1	120,100
Cash and investments - ending	\$ -	\$ 98	\$ 1,500	\$ 20,969	\$ 13,399	\$ 139,364
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 98	\$ 1,500	\$ 20,969	\$ -	\$ 125,965
Restricted assets:						
Cash and investments	-	-	-	-	13,399	13,399
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 98</b>	<b>\$ 1,500</b>	<b>\$ 20,969</b>	<b>\$ 13,399</b>	<b>\$ 139,364</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 13,399	\$ 13,399
Unrestricted	-	98	1,500	20,969	-	125,965
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 98</b>	<b>\$ 1,500</b>	<b>\$ 20,969</b>	<b>\$ 13,399</b>	<b>\$ 139,364</b>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 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

	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plate Fees	High Ability Grant	Preschool	Excess PTRC Distribution
<b>Receipts:</b>							
Local sources	\$ -	\$ 200,459	\$ 81,205	\$ -	\$ -	\$ 11,704	\$ -
Intermediate sources	-	-	-	75	-	-	-
State sources	-	4,009	19,736	-	28,190	-	10,351
Federal sources	-	113,081	-	-	-	-	-
Other	-	404	809	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>317,953</b>	<b>101,750</b>	<b>75</b>	<b>28,190</b>	<b>11,704</b>	<b>10,351</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	25	22,190	784	-
Support services	-	436	94,177	-	5,263	-	-
Noninstructional services	-	307,146	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	16,502	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>16,502</b>	<b>307,582</b>	<b>94,177</b>	<b>25</b>	<b>27,453</b>	<b>784</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(16,502)	10,371	7,573	50	737	10,920	10,351
<b>Other financing sources (uses):</b>							
Sale of capital assets	-	-	852	-	-	-	-
Transfers in	-	-	391	-	-	-	11,294
Transfers out	(29,791)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(29,791)</b>	<b>-</b>	<b>1,243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,294</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(46,293)	10,371	8,816	50	737	10,920	21,645
Cash and investments - beginning	46,293	18,990	20,410	509	-	2,539	-
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ 29,361</b>	<b>\$ 29,226</b>	<b>\$ 559</b>	<b>\$ 737</b>	<b>\$ 13,459</b>	<b>\$ 21,645</b>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ 29,361	\$ 29,226	\$ 559	\$ 737	\$ 13,459	\$ 21,645
<b>Restricted assets:</b>							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 29,361</b>	<b>\$ 29,226</b>	<b>\$ 559</b>	<b>\$ 737</b>	<b>\$ 13,459</b>	<b>\$ 21,645</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	29,361	29,226	559	737	13,459	21,645
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 29,361</b>	<b>\$ 29,226</b>	<b>\$ 559</b>	<b>\$ 737</b>	<b>\$ 13,459</b>	<b>\$ 21,645</b>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 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)

	Educational Secretarial Work	Title I 2008-2009	Title I 2009-2010	Title V, Part A 2008-2009	Title IV Drug Free	Title IV 2008-2009	Title IV, Part A 2008-2010
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	9,438	131,022	437	1,700	-	821
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>9,438</b>	<b>131,022</b>	<b>437</b>	<b>1,700</b>	<b>-</b>	<b>821</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	6,866	128,938	437	-	-	-
Support services	-	5,266	-	-	1,445	98	2,321
Noninstructional services	-	-	1,421	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>12,132</b>	<b>130,359</b>	<b>437</b>	<b>1,445</b>	<b>98</b>	<b>2,321</b>
Excess (deficiency) of receipts over disbursements	-	(2,694)	663	-	255	(98)	(1,500)
<b>Other financing sources (uses):</b>							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	10,389	-	-	-	-
Transfers out	-	(10,389)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(10,389)</b>	<b>10,389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(13,083)	11,052	-	255	(98)	(1,500)
Cash and investments - beginning	1,574	13,083	-	-	-	98	1,500
Cash and investments - ending	<u>\$ 1,574</u>	<u>\$ -</u>	<u>\$ 11,052</u>	<u>\$ -</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 1,574	\$ -	\$ 11,052	\$ -	\$ 255	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 1,574</u>	<u>\$ -</u>	<u>\$ 11,052</u>	<u>\$ -</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,574	-	11,052	-	255	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 1,574</u>	<u>\$ -</u>	<u>\$ 11,052</u>	<u>\$ -</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 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)

	Title II, Part A 2008-2009	Title II, Part A 2009-2011	Title I Grants to LEAs Stimulus	Special Ed Part B Stimulus	Special Ed Part B Preschool Stimulus	Retirement/ Severance Bond	Totals
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,801	\$ 386,169
Intermediate sources	-	-	-	-	-	-	75
State sources	-	-	-	-	-	-	62,286
Federal sources	37,344	17,000	57,839	156,150	4,345	-	529,177
Other	-	-	-	-	-	-	1,213
<b>Total receipts</b>	<b>37,344</b>	<b>17,000</b>	<b>57,839</b>	<b>156,150</b>	<b>4,345</b>	<b>92,801</b>	<b>978,920</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	53,577	110,409	5,520	-	328,746
Support services	28,882	-	-	14,641	-	-	152,529
Noninstructional services	-	-	4,382	-	-	-	312,949
Facilities acquisition and construction	-	-	-	8,100	-	-	8,100
Debt services	-	-	-	-	-	58,915	58,915
Nonprogrammed charges	-	-	-	23,000	-	-	39,502
Interfund loans	-	-	-	-	-	13,657	13,657
<b>Total disbursements</b>	<b>28,882</b>	<b>-</b>	<b>57,959</b>	<b>156,150</b>	<b>5,520</b>	<b>72,572</b>	<b>914,398</b>
Excess (deficiency) of receipts over disbursements	8,462	17,000	(120)	-	(1,175)	20,229	64,522
<b>Other financing sources (uses):</b>							
Sale of capital assets	-	-	-	-	-	-	852
Transfers in	-	-	-	-	-	-	22,074
Transfers out	-	-	-	-	-	-	(40,180)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,254)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,462	17,000	(120)	-	(1,175)	20,229	47,268
Cash and investments - beginning	20,969	-	-	-	-	13,399	139,364
Cash and investments - ending	\$ 29,431	\$ 17,000	\$ (120)	\$ -	\$ (1,175)	\$ 33,628	\$ 186,632
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 29,431	\$ 17,000	\$ (120)	\$ -	\$ (1,175)	\$ -	\$ 153,004
Restricted assets:							
Cash and investments	-	-	-	-	-	33,628	33,628
<b>Total cash and investment assets - ending</b>	<b>\$ 29,431</b>	<b>\$ 17,000</b>	<b>\$ (120)</b>	<b>\$ -</b>	<b>\$ (1,175)</b>	<b>\$ 33,628</b>	<b>\$ 186,632</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,628	\$ 33,628
Unrestricted	29,431	17,000	(120)	-	(1,175)	-	153,004
<b>Total cash and investment fund balance - ending</b>	<b>\$ 29,431</b>	<b>\$ 17,000</b>	<b>\$ (120)</b>	<b>\$ -</b>	<b>\$ (1,175)</b>	<b>\$ 33,628</b>	<b>\$ 186,632</b>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2009

	Cape Grant Elementary	Gifts and Donations	Special Ag Clark Estate	Totals
Additions:				
Contributions:				
Other	\$ 12,323	\$ 3,310	\$ 410	\$ 16,043
Investment earnings:				
Interest	-	-	1,426	1,426
Total additions	<u>12,323</u>	<u>3,310</u>	<u>1,836</u>	<u>17,469</u>
Deductions:				
Administrative and general	<u>23,558</u>	<u>2,503</u>	<u>6,147</u>	<u>32,208</u>
Excess (deficiency) of total additions over total deductions	(11,235)	807	(4,311)	(14,739)
Cash and investment fund balance - beginning	<u>14,153</u>	<u>1,178</u>	<u>68,975</u>	<u>84,306</u>
Cash and investments - June 30	<u>\$ 2,918</u>	<u>\$ 1,985</u>	<u>\$ 64,664</u>	<u>\$ 69,567</u>
Net assets:				
Cash and investments	<u>\$ 2,918</u>	<u>\$ 1,985</u>	<u>\$ 64,664</u>	<u>\$ 69,567</u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2010

	<u>Cape Grant Elementary</u>	<u>Gifts and Donations</u>	<u>Special Ag Clark Estate</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ -	\$ 115,828	\$ 4,404	\$ 120,232
Investment earnings:				
Interest	-	-	535	535
Total additions	-	115,828	4,939	120,767
Deductions:				
Administrative and general	796	18,704	9,451	28,951
Excess (deficiency) of total additions over total deductions	(796)	97,124	(4,512)	91,816
Cash and investment fund balance - beginning	2,918	1,985	64,664	69,567
Cash and investments - June 30	<u>\$ 2,122</u>	<u>\$ 99,109</u>	<u>\$ 60,152</u>	<u>\$ 161,383</u>
Net assets:				
Cash and investments	<u>\$ 2,122</u>	<u>\$ 99,109</u>	<u>\$ 60,152</u>	<u>\$ 161,383</u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009

	<u>Payroll Clearing Accounts</u>
Additions: Agency fund additions	\$ <u>998,912</u>
Deductions: Agency fund deductions	<u>1,000,450</u>
Deficiency of total additions over total deductions	(1,538)
Cash and investment fund balance - beginning	<u>11,997</u>
Cash and investment fund balance - ending	<u><u>\$ 10,459</u></u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2010

	Payroll Clearing Accounts
Additions:	
Agency fund additions	<u>\$ 945,757</u>
Deductions:	
Agency fund deductions	<u>947,566</u>
Deficiency of total additions over total deductions	(1,809)
Cash and investment fund balance - beginning	<u>10,459</u>
Cash and investment fund balance - ending	<u><u>\$ 8,650</u></u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2010

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	\$ 59,424
Buildings	7,391,456
Improvements other than buildings	1,172,795
Machinery and equipment	<u>844,579</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 9,468,254</u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 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:		
Capital leases:		
Southwestern Multi-School Building Corporation (1998)	\$ 2,160,000	\$ 346,000
Southwestern Schools Improvement Building Corporation (2004)	1,485,000	244,000
Bonds payable:		
Revenue bonds:		
Pension/Severance Bond of 2003	<u>345,000</u>	<u>57,165</u>
Total governmental activities debt	<u>\$ 3,990,000</u>	<u>\$ 647,165</u>

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SOUTHWESTERN CONSOLIDATED SCHOOL  
DISTRICT OF SHELBY COUNTY, SHELBY COUNTY, INDIANA

Compliance

We have audited the compliance of the Southwestern Consolidated School District of Shelby County (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, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-2.

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

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)

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in item 2010-2 of the accompanying Schedule of Questioned Costs to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

January 25, 2011

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
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 08-09	\$ 13,568	\$ 20,888
National School Lunch Program	10.555	FY 09-10	89,298	106,365
Total for cluster			<u>102,866</u>	<u>127,253</u>
Total for federal grantor agency			<u>102,866</u>	<u>127,253</u>
<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				
FY 08-09	84.010	FY 08-09	108,125	-
FY 09-10		FY 09-10	-	130,358
ARRA - Title I Grants to Local Educational Agencies, Recovery Act				
FY 09-10	84.389	FY 09-10	-	57,959
Total for cluster			<u>108,125</u>	<u>188,317</u>
Special Education Cluster				
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act				
FY 09-10	84.391	33310-005-SN01	-	156,150
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act				
FY 09-10	84.392	44410-005-SN01	-	5,520
Total for cluster			<u>-</u>	<u>161,670</u>
Safe and Drug-Free Schools and Communities - State Grants				
FY 08-09	84.186	08-7360	2,884	-
FY 09-10		09-7360	-	3,766
Total for program			<u>2,884</u>	<u>3,766</u>
State Grants for Innovative Programs				
FY 06-07	84.298	07-7360	1,121	-
FY 08-09		07-7360	-	437
Total for program			<u>1,121</u>	<u>437</u>
Improving Teacher Quality State Grants				
FY 08-09	84.367	08-7360	33,341	-
FY 09-10		09-7360	-	21,663
Total for program			<u>33,341</u>	<u>21,663</u>
State Fiscal Stabilization Cluster				
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act				
FY 09-10	84.394	FY 09-10	-	507,650
Total for federal grantor agency			<u>145,471</u>	<u>883,503</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance				
Disaster # 1766	97.036		31,348	-
Total for federal grantor agency			<u>31,348</u>	<u>-</u>
Total federal awards expended			<u>\$ 279,685</u>	<u>\$ 1,010,756</u>

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

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
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 Southwestern Consolidated School District of Shelby County (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. 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	2009	2010
School Breakfast Program	10.553	\$ 1,964	\$ 2,328
National School Lunch Program	10.555	12,927	11,853

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
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?	yes
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?	yes

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? yes

Identification of Major Programs:

Name of Federal Program or Cluster	
Special Education Cluster	
Title I, Part A 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

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT - CASH MANAGEMENT

Federal Program: Special Education - Grants to States, Recovery Act  
CFDA Number: 84.391  
Pass-Through Entity: Indiana Department of Education

Amounts received by the School Corporation for the Special Education - Grants to States, Recovery Act grant were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant funds. The cash balance of the grant exceeded the allowable cash balance based on estimated future requirements for three of the twelve months during the audit period.

EDGAR 80.20 (b)(7) states:

"Cash Management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Dr. Terry R. Sargent  
*Superintendent*

Ms. Salli S. Rooks  
*Treasurer*

Mrs. Lyvonne Rowe  
*Deputy Treasurer*

Mr. John E. Tarplee  
*Facilities Manager*

Mrs. Susan G. Neville  
*Technology Coordinator*

January 17, 2011

## Finding 2010-1 Internal Controls Over Financial Transactions and Reporting

Contact Person: Salli S. Rooks

Southwestern Consolidated School District is aware of the risks associated with a limited staff and has determined the benefits of hiring additional staff in order that account functions are performed by different individuals are not sufficient to justify the increase in cost to the taxpayers of hiring additional staff.

The District Treasurer and Deputy Treasurer currently have set in place a cross-reference for all financial duties regarding receipting deposits, preparing claims for disbursements and banking procedures. What one person inputs the other is responsible for proofing and verifying prior to any final process. This includes payroll, claims, purchase orders, bank deposits, reconciliations, and more.

The District has compensating controls including oversight of the School Board of Trustees provided on a monthly basis through reviewing monthly financial statement of funds.

The Treasurer provides each of the seven School Board Members at the monthly Board Meeting a Statement of Funds report which shows the Beginning of Year Cash Balance, Month-To-Date Revenue and Expenses, Year to Date Revenue and Expenses and the Current Balance for all Funds. At each monthly meeting the Treasurer also provides the Board with any activities which affect the funds in any way during the month. In the event that there is an issue which requires Board approval it is taken to the Board at their monthly meetings. The Board is kept current and up-to-date monthly with all financial details that the corporation is involved with.

Salli S. Rooks  
Treasurer

Jerry Drake  
Board President

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January 17, 2011

### Finding 2010-2-Cash Management

Contact Person: Salli S. Rooks

Southwestern Consolidated School District's personnel reviewed and re-evaluated the timing of cash requests for Special Ed Stimulus Grant funds as these requests relate to spending patterns. These funds were distributed to the individual school districts through our local special education cooperative. In some months prior to the December requests, the amounts received were less than the amounts requested. Therefore leaving the fund with less than was needed to mail out checks for invoices due. The November 30, 2009 report/cash request noted that checks were being held until the distribution was received and also that \$64,000 in orders were held to ensure the funds were available to pay upon arrival. Once the monies were received the purchase orders were mailed. Due to backorders and timeliness of receiving the items the amounts paid out went past the month end date leaving larger than minimal balances in the funds. These funds had to be spent prior to the Cooperative disbanding on June 30, 2010. We no longer have these funds through the cooperative.

Our goal with funds requiring cash requests will be to minimize the amount of cash on hand at the end of each month by processing purchase orders prior to submitting cash requests.

Salli S. Rooks  
Treasurer

Terry R. Sargent  
Superintendent

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SOUTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2011, with Dr. Terry R. Sargent, Superintendent of Schools; Salli S. Rooks, Treasurer; and Jerry D. Drake, President of the School Board.