

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

FINANCIAL STATEMENT AND FEDERAL SINGLE AUDIT REPORT

OF

SOUTHWEST SCHOOL CORPORATION

SULLIVAN COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

02/23/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to Financial Statement	10-14
Supplementary Information: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	16-23
Schedule of Capital Assets	24
Schedule of Long-Term Debt	25
Supplemental Audit of Federal Awards: 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	28-29
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34
Auditee Prepared Schedule: Summary Schedule of Prior Audit Findings	35
Exit Conference	36

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Kinnett	07-01-09 to 06-30-12
Superintendent of Schools	Walter Hoke Keith Brashear	07-01-09 to 06-30-11 07-01-11 to 06-30-12
President of the School Board	Jerry Wilson Jack Hamilton	01-01-09 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statement of the Southwest School Corporation (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 26, 2012, 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 THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, 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 financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 26, 2012



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AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the Southwest School Corporation (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated January 26, 2012. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
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 statement is 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, others within the entity, 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 26, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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SOUTHWEST SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 2,431,931	\$ 16,384,064	\$ 14,911,996	\$ 27,385	\$ 3,931,384	\$ 15,561,189	\$ 15,837,792	\$ 5,000	\$ 3,659,781
Debt Service	-	2,768,200	2,263,119	(652)	504,429	2,377,908	2,233,492	-	648,845
Retirement/Severance Bond Debt Service	-	903,003	878,502	114	24,615	728,784	729,971	-	23,428
Capital Projects	125,032	2,895,006	2,006,270	(200,000)	813,768	2,188,846	1,658,834	(348,263)	995,517
School Transportation	-	2,136,360	1,293,413	(150,000)	692,947	1,618,664	1,399,648	(322,786)	589,177
School Bus Replacement	279,625	210,571	125,698	(100,000)	264,498	152,469	90,807	(150,000)	176,160
Special Education Preschool	6,760	41,250	20,625	(27,385)	-	-	-	-	-
Rainy Day	1,048,867	-	185,354	25,626	889,139	-	306,378	582,845	1,165,606
Post-Retirement/Severance Future Benefits	-	-	387,413	387,413	-	-	264,337	275,000	10,663
Construction	-	154,106	154,106	-	-	-	-	-	-
School Lunch	130,155	808,789	760,337	-	178,607	826,848	784,823	-	220,632
Textbook Rental	44,948	138,096	145,523	24,652	62,173	124,388	54,878	-	131,683
Donations-Beckler-Orr Memorial	-	-	-	-	-	350	-	-	350
Donations (High Ability, etc)	1,340	-	-	-	1,340	-	-	-	1,340
Donations - Pepsi	-	-	-	-	-	1,000	897	-	103
Donations (Athletic Sound System)	-	1,737	-	-	1,737	-	-	(1,737)	-
Donations Corporationwide	-	-	-	-	-	525	-	-	525
Comm Found Grant (Music) - SMS	-	-	-	-	-	500	-	-	500
Comm Found Grant (Angels) - SMS	-	-	-	-	-	469	-	-	469
Comm Found Grant (Ag) - SHS	-	-	-	-	-	216	-	-	216
Comm Found Grant (Angels) - SES	-	-	-	-	-	208	-	-	208
Comm Found Grant (Music) - SES	-	-	-	-	-	500	-	-	500
High Ability Grant 08 - 09	4,767	-	4,767	-	-	-	-	-	-
High Ability Grant 09 - 10	-	32,526	20,776	-	11,750	-	11,750	-	-
High Ability Grant 10 - 11	-	-	-	-	-	32,039	17,158	-	14,881
Non-English Speaking Programs P.L. 273-1999	600	460	600	-	460	-	460	-	-
School Technology	59,565	27,817	35,542	-	51,840	59,095	16,493	-	94,442
Excess PTRC Distributions	-	-	-	-	-	27,214	-	(27,214)	-
Title I 2008 - 2009	85,506	29,002	65,109	(49,399)	-	-	-	-	-
Title I 2009 - 2010	-	299,339	285,926	49,399	62,812	15,094	36,715	(41,191)	-
Title I 2010 - 2011	-	-	-	-	-	278,495	286,410	41,191	33,276
Title V, Part A 2008 - 2009	1,106	-	1,106	-	-	-	-	-	-
Drug Free Schools 07 - 08	3,017	-	3,017	-	-	-	-	-	-
Drug Free Schools 08 - 09	4,662	-	3,242	-	1,420	-	1,420	-	-
Drug Free Schools 09 - 10	-	7,000	-	-	7,000	-	2,129	-	4,871
Improving Teaching Quality, No Child Left, Title II, Part A	14,897	88,734	103,631	-	-	52,365	52,365	-	-
Fiscal Stabilization - Education	970,660	348,448	1,319,108	-	-	-	-	-	-
Title I - Grants to LEAs	26,216	91,748	109,112	-	8,852	31,418	37,447	-	2,823
Special Education - Part B	-	145,491	155,399	9,908	-	223,992	124,663	(9,906)	89,423
Special Education - Part B - Preschool	-	8,006	8,006	-	-	4,550	4,550	-	-
Education Technology	-	90,160	93,099	2,939	-	36,065	33,126	(2,939)	-
Totals	\$ 5,239,654	\$ 27,609,913	\$ 25,340,796	\$ -	\$ 7,508,771	\$ 24,343,191	\$ 23,986,543	\$ -	\$ 7,865,419

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

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day
Cash and investments - beginning	\$ 2,431,931	\$ -	\$ -	\$ 125,032	\$ -	\$ 279,625	\$ 6,760	\$ 1,048,867
Receipts:								
Local sources	270,091	2,768,200	903,003	2,895,006	2,136,360	210,571	-	-
Intermediate sources	637	-	-	-	-	-	-	-
State sources	11,300,262	-	-	-	-	-	41,250	-
Federal sources	14,547	-	-	-	-	-	-	-
Temporary loans	4,000,000	-	-	-	-	-	-	-
Interfund loans	798,527	-	-	-	-	-	-	-
Total receipts	<u>16,384,064</u>	<u>2,768,200</u>	<u>903,003</u>	<u>2,895,006</u>	<u>2,136,360</u>	<u>210,571</u>	<u>41,250</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	7,685,690	-	-	-	-	-	-	146,230
Support services	2,802,465	-	-	1,374,157	1,289,502	125,698	-	18,499
Noninstructional services	189,689	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	632,113	-	-	-	-
Debt services	4,000,000	1,894,249	729,403	-	-	-	-	-
Nonprogrammed charges	234,152	-	-	-	-	-	20,625	20,625
Interfund loans	-	368,870	149,099	-	3,911	-	-	-
Total disbursements	<u>14,911,996</u>	<u>2,263,119</u>	<u>878,502</u>	<u>2,006,270</u>	<u>1,293,413</u>	<u>125,698</u>	<u>20,625</u>	<u>185,354</u>
Excess (deficiency) of receipts over disbursements	<u>1,472,068</u>	<u>505,081</u>	<u>24,501</u>	<u>888,736</u>	<u>842,947</u>	<u>84,873</u>	<u>20,625</u>	<u>(185,354)</u>
Other financing sources (uses):								
Transfers in	27,385	-	114	-	-	-	-	450,000
Transfers out	-	(652)	-	(200,000)	(150,000)	(100,000)	(27,385)	(424,374)
Total other financing sources (uses)	<u>27,385</u>	<u>(652)</u>	<u>114</u>	<u>(200,000)</u>	<u>(150,000)</u>	<u>(100,000)</u>	<u>(27,385)</u>	<u>25,626</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,499,453</u>	<u>504,429</u>	<u>24,615</u>	<u>688,736</u>	<u>692,947</u>	<u>(15,127)</u>	<u>(6,760)</u>	<u>(159,728)</u>
Cash and investments - ending	<u>\$ 3,931,384</u>	<u>\$ 504,429</u>	<u>\$ 24,615</u>	<u>\$ 813,768</u>	<u>\$ 692,947</u>	<u>\$ 264,498</u>	<u>\$ -</u>	<u>\$ 889,139</u>

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Post Retirement/ Severance Future Benefits	Construction	School Lunch	Textbook Rental	Donations (High Ability, etc)	Donations (Athletic Sound System)	High Ability Grant 08 - 09	High Ability Grant 09 - 10
Cash and investments - beginning	\$ -	\$ -	\$ 130,155	\$ 44,948	\$ 1,340	\$ -	\$ 4,767	\$ -
Receipts:								
Local sources	-	154,106	252,527	91,095	-	1,737	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	7,171	47,001	-	-	-	32,526
Federal sources	-	-	549,091	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total receipts	-	154,106	808,789	138,096	-	1,737	-	32,526
Disbursements:								
Current:								
Instruction	233,927	-	-	-	-	-	4,767	20,776
Support services	30,945	-	3,258	145,523	-	-	-	-
Noninstructional services	-	-	750,915	-	-	-	-	-
Facilities acquisition and construction	-	-	6,164	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	122,541	154,106	-	-	-	-	-	-
Total disbursements	387,413	154,106	760,337	145,523	-	-	4,767	20,776
Excess (deficiency) of receipts over disbursements	(387,413)	-	48,452	(7,427)	-	1,737	(4,767)	11,750
Other financing sources (uses):								
Transfers in	387,413	-	-	24,652	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	387,413	-	-	24,652	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	48,452	17,225	-	1,737	(4,767)	11,750
Cash and investments - ending	\$ -	\$ -	\$ 178,607	\$ 62,173	\$ 1,340	\$ 1,737	\$ -	\$ 11,750

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Title I 2008 - 2009	Title I 2009 - 2010	Title V, Part A 2008 - 2009	Drug Free Schools 07 - 08	Drug Free Schools 08 - 09	Drug Free Schools 09 - 10
Cash and investments - beginning	\$ 600	\$ 59,565	\$ 85,506	\$ -	\$ 1,106	\$ 3,017	\$ 4,662	\$ -
Receipts:								
Local sources	-	27,817	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	460	-	-	-	-	-	-	-
Federal sources	-	-	29,002	299,339	-	-	-	7,000
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total receipts	460	27,817	29,002	299,339	-	-	-	7,000
Disbursements:								
Current:								
Instruction	600	35,542	39,117	218,977	-	3,017	3,242	-
Support services	-	-	24,720	65,744	1,106	-	-	-
Noninstructional services	-	-	1,272	1,205	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	600	35,542	65,109	285,926	1,106	3,017	3,242	-
Excess (deficiency) of receipts over disbursements	(140)	(7,725)	(36,107)	13,413	(1,106)	(3,017)	(3,242)	7,000
Other financing sources (uses):								
Transfers in	-	-	-	49,399	-	-	-	-
Transfers out	-	-	(49,399)	-	-	-	-	-
Total other financing sources (uses)	-	-	(49,399)	49,399	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(140)	(7,725)	(85,506)	62,812	(1,106)	(3,017)	(3,242)	7,000
Cash and investments - ending	\$ 460	\$ 51,840	\$ -	\$ 62,812	\$ -	\$ -	\$ 1,420	\$ 7,000

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Teaching Quality No Child Left Title II, Part A	Fiscal Stabilization Education	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Technology	Totals
Cash and investments - beginning	\$ 14,897	\$ 970,660	\$ 26,216	\$ -	\$ -	\$ -	\$ 5,239,654
Receipts:							
Local sources	-	-	-	-	-	-	9,710,513
Intermediate sources	-	-	-	-	-	-	637
State sources	-	-	-	-	-	-	11,428,670
Federal sources	88,734	348,448	91,748	145,491	8,006	90,160	1,671,566
Temporary loans	-	-	-	-	-	-	4,000,000
Interfund loans	-	-	-	-	-	-	798,527
Total receipts	88,734	348,448	91,748	145,491	8,006	90,160	27,609,913
Disbursements:							
Current:							
Instruction	103,631	608,788	66,313	155,399	1,072	-	9,327,088
Support services	-	347,511	41,894	-	6,934	25,472	6,303,428
Noninstructional services	-	-	905	-	-	-	943,986
Facilities acquisition and construction	-	-	-	-	-	67,627	705,904
Debt services	-	-	-	-	-	-	6,623,652
Nonprogrammed charges	-	362,809	-	-	-	-	638,211
Interfund loans	-	-	-	-	-	-	798,527
Total disbursements	103,631	1,319,108	109,112	155,399	8,006	93,099	25,340,796
Excess (deficiency) of receipts over disbursements	(14,897)	(970,660)	(17,364)	(9,908)	-	(2,939)	2,269,117
Other financing sources (uses):							
Transfers in	-	-	-	9,908	-	2,939	951,810
Transfers out	-	-	-	-	-	-	(951,810)
Total other financing sources (uses)	-	-	-	9,908	-	2,939	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,897)	(970,660)	(17,364)	-	-	-	2,269,117
Cash and investments - ending	\$ -	\$ -	\$ 8,852	\$ -	\$ -	\$ -	\$ 7,508,771

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	School Lunch
Cash and investments - beginning	\$ 3,931,384	\$ 504,429	\$ 24,615	\$ 813,768	\$ 692,947	\$ 264,498	\$ 889,139	\$ -	\$ 178,607
Receipts:									
Local sources	148,173	2,377,908	728,784	2,188,846	1,618,664	152,469	-	-	412,922
Intermediate sources	587	-	-	-	-	-	-	-	-
State sources	11,397,432	-	-	-	-	-	-	-	7,731
Federal sources	14,997	-	-	-	-	-	-	-	406,195
Temporary loans	4,000,000	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total receipts	<u>15,561,189</u>	<u>2,377,908</u>	<u>728,784</u>	<u>2,188,846</u>	<u>1,618,664</u>	<u>152,469</u>	<u>-</u>	<u>-</u>	<u>826,848</u>
Disbursements:									
Current:									
Instruction	8,202,781	-	-	-	-	-	262,287	231,926	-
Support services	3,096,653	11,548	-	1,197,495	1,399,648	90,807	38,233	32,411	2,738
Noninstructional services	189,075	-	-	-	-	-	-	-	759,596
Facilities acquisition and construction	-	-	-	461,339	-	-	-	-	22,489
Debt services	4,000,000	2,221,944	729,971	-	-	-	-	-	-
Nonprogrammed charges	349,283	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	5,858	-	-
Total disbursements	<u>15,837,792</u>	<u>2,233,492</u>	<u>729,971</u>	<u>1,658,834</u>	<u>1,399,648</u>	<u>90,807</u>	<u>306,378</u>	<u>264,337</u>	<u>784,823</u>
Excess (deficiency) of receipts over disbursements	<u>(276,603)</u>	<u>144,416</u>	<u>(1,187)</u>	<u>530,012</u>	<u>219,016</u>	<u>61,662</u>	<u>(306,378)</u>	<u>(264,337)</u>	<u>42,025</u>
Other financing sources (uses):									
Transfers in	5,000	-	-	1,737	27,214	-	862,845	275,000	-
Transfers out	-	-	-	(350,000)	(350,000)	(150,000)	(280,000)	-	-
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(348,263)</u>	<u>(322,786)</u>	<u>(150,000)</u>	<u>582,845</u>	<u>275,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(271,603)</u>	<u>144,416</u>	<u>(1,187)</u>	<u>181,749</u>	<u>(103,770)</u>	<u>(88,338)</u>	<u>276,467</u>	<u>10,663</u>	<u>42,025</u>
Cash and investments - ending	<u>\$ 3,659,781</u>	<u>\$ 648,845</u>	<u>\$ 23,428</u>	<u>\$ 995,517</u>	<u>\$ 589,177</u>	<u>\$ 176,160</u>	<u>\$ 1,165,606</u>	<u>\$ 10,663</u>	<u>\$ 220,632</u>

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Textbook Rental	Donations- Beckler-Orr Memorial	Donations (High Ability, etc)	Donations Pepsi	Donations (Athletic Sound System)	Donations Corporationwide	Comm Found Grant (Music) - SMS	Comm Found Grant (Angels) - SMS	Comm Found Grant (Ag) - SHS
Cash and investments - beginning	\$ 62,173	\$ -	\$ 1,340	\$ -	\$ 1,737	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	78,965	350	-	1,000	-	525	500	469	216
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	45,423	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total receipts	<u>124,388</u>	<u>350</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>525</u>	<u>500</u>	<u>469</u>	<u>216</u>
Disbursements:									
Current:									
Instruction	-	-	-	897	-	-	-	-	-
Support services	54,878	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>54,878</u>	<u>-</u>	<u>-</u>	<u>897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>69,510</u>	<u>350</u>	<u>-</u>	<u>103</u>	<u>-</u>	<u>525</u>	<u>500</u>	<u>469</u>	<u>216</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,737)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>69,510</u>	<u>350</u>	<u>-</u>	<u>103</u>	<u>(1,737)</u>	<u>525</u>	<u>500</u>	<u>469</u>	<u>216</u>
Cash and investments - ending	<u>\$ 131,683</u>	<u>\$ 350</u>	<u>\$ 1,340</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 525</u>	<u>\$ 500</u>	<u>\$ 469</u>	<u>\$ 216</u>

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Comm Found Grant (Angels) - SES	Comm Found Grant (Music) - SES	High Ability Grant 09 - 10	High Ability Grant 10 - 11	Non-English Speaking Programs P.L. 273-1999	School Technology	Excess PTRC Distributions	Title I 2009 - 2010	Title I 2010 - 2011
Cash and investments - beginning	\$ -	\$ -	\$ 11,750	\$ -	\$ 460	\$ 51,840	\$ -	\$ 62,812	\$ -
Receipts:									
Local sources	208	500	-	-	-	54,656	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	32,039	-	4,439	27,214	-	-
Federal sources	-	-	-	-	-	-	-	15,094	278,495
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total receipts	<u>208</u>	<u>500</u>	<u>-</u>	<u>32,039</u>	<u>-</u>	<u>59,095</u>	<u>27,214</u>	<u>15,094</u>	<u>278,495</u>
Disbursements:									
Current:									
Instruction	-	-	11,750	17,158	460	11,396	-	18,811	224,625
Support services	-	-	-	-	-	5,097	-	14,609	61,785
Noninstructional services	-	-	-	-	-	-	-	3,295	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>11,750</u>	<u>17,158</u>	<u>460</u>	<u>16,493</u>	<u>-</u>	<u>36,715</u>	<u>286,410</u>
Excess (deficiency) of receipts over disbursements	<u>208</u>	<u>500</u>	<u>(11,750)</u>	<u>14,881</u>	<u>(460)</u>	<u>42,602</u>	<u>27,214</u>	<u>(21,621)</u>	<u>(7,915)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	41,191
Transfers out	-	-	-	-	-	-	(27,214)	(41,191)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,214)</u>	<u>(41,191)</u>	<u>41,191</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>208</u>	<u>500</u>	<u>(11,750)</u>	<u>14,881</u>	<u>(460)</u>	<u>42,602</u>	<u>-</u>	<u>(62,812)</u>	<u>33,276</u>
Cash and investments - ending	<u>\$ 208</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 14,881</u>	<u>\$ -</u>	<u>\$ 94,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,276</u>

SOUTHWEST SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Drug Free Schools 08 - 09	Drug Free Schools 09 - 10	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Technology	Totals
Cash and investments - beginning	\$ 1,420	\$ 7,000	\$ -	\$ 8,852	\$ -	\$ -	\$ -	\$ 7,508,771
Receipts:								
Local sources	-	-	-	-	-	-	-	7,765,155
Intermediate sources	-	-	-	-	-	-	-	587
State sources	-	-	-	-	-	-	-	11,514,278
Federal sources	-	-	46,507	31,418	223,992	4,550	36,065	1,057,313
Temporary loans	-	-	-	-	-	-	-	4,000,000
Interfund loans	-	-	5,858	-	-	-	-	5,858
Total receipts	-	-	52,365	31,418	223,992	4,550	36,065	24,343,191
Disbursements:								
Current:								
Instruction	1,420	2,129	52,365	18,687	124,663	4,550	-	9,185,905
Support services	-	-	-	17,010	-	-	20,508	6,043,420
Noninstructional services	-	-	-	1,750	-	-	-	953,716
Facilities acquisition and construction	-	-	-	-	-	-	12,618	496,446
Debt services	-	-	-	-	-	-	-	6,951,915
Nonprogrammed charges	-	-	-	-	-	-	-	349,283
Interfund loans	-	-	-	-	-	-	-	5,858
Total disbursements	1,420	2,129	52,365	37,447	124,663	4,550	33,126	23,986,543
Excess (deficiency) of receipts over disbursements	(1,420)	(2,129)	-	(6,029)	99,329	-	2,939	356,648
Other financing sources (uses):								
Transfers in	-	-	-	2,823	-	-	-	1,215,810
Transfers out	-	-	-	(2,823)	(9,906)	-	(2,939)	(1,215,810)
Total other financing sources (uses)	-	-	-	-	(9,906)	-	(2,939)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,420)	(2,129)	-	(6,029)	89,423	-	-	356,648
Cash and investments - ending	\$ -	\$ 4,871	\$ -	\$ 2,823	\$ 89,423	\$ -	\$ -	\$ 7,865,419

SOUTHWEST SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2011

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	\$ 396,500
Buildings	45,914,214
Improvements other than buildings	10,145,693
Machinery and equipment	1,567,104
Transportation	<u>1,519,524</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 59,543,035</u></u>

SOUTHWEST SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
SHS Football Lighting Lease	\$ 88,256	\$ 31,931	Capital Projects
Sullivan Elementary Building Lease	19,925,000	2,066,500	Debt Service
Carlisle/SHS Roof Repair	2,000,000	186,000	Debt Service
Notes and loans payable	4,000,000	4,000,000	General
Energy Savings	2,000,000	125,715	Capital Projects
Bonds payable:			
General obligation bonds:			
Retirement/Severance Bond	<u>4,920,000</u>	<u>728,715</u>	Retirement/Severance Bond Debt Service
Total debt	<u>\$ 32,933,256</u>	<u>\$ 7,138,861</u>	

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

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

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

Compliance

We have audited the compliance of the Southwest School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. 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, 2010 and 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 26, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

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 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 91,859	\$ 97,359
National School Lunch Program	10.555		310,025	308,836
Total for cluster			401,884	406,195
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579		-	19,689
Total for federal grantor agency			401,884	425,884
<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	09-7715	65,107	-
		10-7715	285,926	36,715
		11-7715	-	286,408
Total for program			351,033	323,123
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389		109,113	37,446
Total for cluster			460,146	360,569
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants, Recovery Act	84.386		93,099	33,125
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391		155,399	124,662
ARRA - Special Education - Preschool Grants, Recovery Act	84.392		8,006	4,550
Total for cluster			163,405	129,212
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		1,319,108	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	09-7715	3,017	-
		10-7715	3,242	1,420
		11-7715	-	2,129
Total for program			6,259	3,549
State Grants for Innovative Programs	84.298	07-7715	1,106	-
Improving Teacher Quality State Grants	84.367	10-7715	103,630	-
		11-7715	-	52,365
Total for program			103,630	52,365
Total for federal grantor agency			2,146,753	578,820
Total federal awards expended			\$ 2,548,637	\$ 1,004,704

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

SOUTHWEST SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southwest School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009-2010	2010-2011
School Breakfast Program	10.553	\$ 9,004	\$ 9,832
National School Lunch Program	10.555	30,483	31,190

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	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
Child Nutrition 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? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTHWEST SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTHWEST SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2012, with Keith Brashear, Superintendent of Schools; Jack Hamilton, President of the School Board; and Amy Kinnett, Treasurer. Our audit disclosed no material items that warrant comment at this time.