

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, 2011 to June 30, 2013



FILED
03/07/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Kinnett	07-01-11 to 06-30-14
Superintendent of Schools	Keith Brashear Chris Stitzle	07-01-11 to 06-30-12 07-01-12 to 06-30-14
President of the School Board	Jack Hamilton Randy Huff Grant Bryant Jerry Wilson	01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Southwest School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

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 period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 12, 2014, 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* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They 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.


Paul D. Joyce, CPA
State Examiner

February 12, 2014



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INDEPENDENT AUDITOR'S 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, 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, the financial statement of the Southwest School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 12, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

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

INDEPENDENT AUDITOR'S 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)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Southwest School Corporation's Response to Findings

The School Corporation's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 12, 2014

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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, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 3,659,781	\$ 15,572,592	\$ 14,792,386	\$ -	\$ 4,439,987	\$ 13,389,629	\$ 15,287,316	\$ -	\$ 2,542,300
Debt Service	648,845	2,437,467	2,325,201	-	761,111	2,670,941	2,342,714	-	1,089,338
Retirement/Severance Bond Debt Service	23,428	715,871	728,715	20,000	30,584	735,617	730,767	10,000	45,434
Capital Projects	995,517	1,947,500	1,891,737	(500,000)	551,280	2,017,241	1,643,843	(375,000)	549,678
School Transportation	589,177	1,676,215	1,397,816	(300,000)	567,576	1,747,563	1,420,179	(175,000)	719,960
School Bus Replacement	176,160	79,960	180,000	-	76,120	30,451	76,116	-	30,455
Rainy Day	1,165,606	-	-	417,005	1,582,611	5,858	498,907	555,224	1,644,786
Post-Retirement/Severance Future Benefits	10,663	-	219,168	215,000	6,495	-	84,409	77,914	-
School Lunch	220,632	841,576	816,580	-	245,628	827,734	851,397	-	221,965
Textbook Rental	131,683	155,827	286,478	54,857	55,889	152,365	49,093	-	159,161
Educational License Plates	-	-	-	-	-	75	-	-	75
Donations - Beckler-Orr Memorial	350	-	-	-	350	-	-	-	350
Donations - High Ability, etc.	1,340	-	-	-	1,340	-	-	-	1,340
Donations - Pepsi	103	-	-	-	103	-	-	-	103
Donations - Corporationwide	525	-	192	-	333	-	-	-	333
Donations - Summer Reading	-	300	188	-	112	300	310	-	102
Donations - Stuff the Bus	-	-	-	-	-	485	6	-	479
Donations - National Geographic	-	-	-	-	-	350	350	-	-
Donations - Youth Tobacco	-	-	-	-	-	250	-	-	250
Miscellaneous Programs	500	-	500	-	-	-	-	-	-
Comm Found Grant (Angels) SMS	469	328	215	-	582	353	-	-	935
Comm Found Grant (Ag) SHS	216	-	-	-	216	-	-	-	216
Comm Found Grant (Angels) SES	208	360	-	-	568	411	-	-	979
Comm Found Grant (Music) SES	500	-	500	-	-	-	-	-	-
Walmart Foundation	-	250	-	-	250	250	250	-	250
High Ability Grant 10-11	14,881	-	14,881	-	-	-	-	-	-
High Ability Grant 11-12	-	30,958	22,618	-	8,340	-	8,340	-	-
High Ability Grant 12-13	-	-	-	-	-	30,170	16,670	-	13,500
School Technology	94,442	29,982	12,924	-	111,500	29,839	74,425	-	66,914
eLearning Innovation Plan Grant 12-13	-	-	-	-	-	30,000	20,830	-	9,170
Title I 2011-2012	-	179,790	250,977	71,188	1	63,197	24,286	(38,912)	-
Title I 2012-2013	-	-	-	-	-	244,473	244,473	-	-
Title I 2010-2011	33,276	32,388	33,388	(32,276)	-	-	-	-	-
Drug Free Schools 09-10	4,871	-	4,871	-	-	-	-	-	-
Improving Teacher Quality, Title II, Part A	-	40,692	94,918	54,226	-	133,501	79,275	(54,226)	-
Title I Grants to LEAs	2,823	7,409	10,166	-	66	496	562	-	-
Special Education - Part B	89,423	-	89,423	-	-	-	-	-	-
Special Education - Part B - Preschool	-	8,984	8,984	-	-	-	-	-	-
Education Jobs	-	371,374	371,374	-	-	7,583	7,583	-	-
Prepaid Insurance - Anthem	1,750,749	3,646,695	4,541,641	-	855,803	3,251,608	3,038,945	-	1,068,466
Payroll Withholdings and Benefits	38,655	2,829,720	2,834,444	-	33,931	2,779,529	2,785,472	-	27,988
Totals	\$ 9,654,823	\$ 30,606,238	\$ 30,930,285	\$ -	\$ 9,330,776	\$ 28,150,269	\$ 29,286,518	\$ -	\$ 8,194,527

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.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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 basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are 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.

Federal sources include distributions from the federal government and are 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.

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)

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

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:

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 or highway use taxes are received 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.

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.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. *Holding Corporation*

The School Corporation has entered into a capital lease with Southwest Sullivan 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 2012 and 2013 totaled \$2,252,000 and \$2,253,000, respectively.

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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 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, 2012

	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	\$ 3,659,781	\$ 648,845	\$ 23,428	\$ 995,517	\$ 589,177	\$ 176,160	\$ 1,165,606	\$ 10,663	\$ 220,632
Receipts:									
Local sources	232,112	2,437,467	715,871	1,947,500	1,676,215	79,960	-	-	387,407
Intermediate sources	150	-	-	-	-	-	-	-	-
State sources	11,324,966	-	-	-	-	-	-	-	7,917
Federal sources	15,364	-	-	-	-	-	-	-	446,252
Temporary loans	4,000,000	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>15,572,592</u>	<u>2,437,467</u>	<u>715,871</u>	<u>1,947,500</u>	<u>1,676,215</u>	<u>79,960</u>	<u>-</u>	<u>-</u>	<u>841,576</u>
Disbursements:									
Current:									
Instruction	7,761,427	-	-	-	-	-	-	182,960	-
Support services	2,864,010	-	-	924,037	1,397,816	180,000	-	36,208	23,113
Noninstructional services	166,949	-	-	-	-	-	-	-	790,088
Facilities acquisition and construction	-	-	-	967,700	-	-	-	-	3,379
Debt services	4,000,000	2,325,201	728,715	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>14,792,386</u>	<u>2,325,201</u>	<u>728,715</u>	<u>1,891,737</u>	<u>1,397,816</u>	<u>180,000</u>	<u>-</u>	<u>219,168</u>	<u>816,580</u>
Excess (deficiency) of receipts over disbursements	<u>780,206</u>	<u>112,266</u>	<u>(12,844)</u>	<u>55,763</u>	<u>278,399</u>	<u>(100,040)</u>	<u>-</u>	<u>(219,168)</u>	<u>24,996</u>
Other financing sources (uses):									
Transfers in	-	-	20,000	-	-	-	800,000	215,000	-
Transfers out	-	-	-	(500,000)	(300,000)	-	(382,995)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>(500,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>417,005</u>	<u>215,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>780,206</u>	<u>112,266</u>	<u>7,156</u>	<u>(444,237)</u>	<u>(21,601)</u>	<u>(100,040)</u>	<u>417,005</u>	<u>(4,168)</u>	<u>24,996</u>
Cash and investments - ending	<u>\$ 4,439,987</u>	<u>\$ 761,111</u>	<u>\$ 30,584</u>	<u>\$ 551,280</u>	<u>\$ 567,576</u>	<u>\$ 76,120</u>	<u>\$ 1,582,611</u>	<u>\$ 6,495</u>	<u>\$ 245,628</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, 2012
 (Continued)

	Textbook Rental	Donations - Beckler-Orr Memorial	Donations - High Ability, etc.	Donations - Pepsi	Donations - Corporationwide	Donations - Summer Reading	Miscellaneous Programs	Comm Found Grant (Angels) SMS	Comm Found Grant (Ag) SHS
Cash and investments - beginning	\$ 131,683	\$ 350	\$ 1,340	\$ 103	\$ 525	\$ -	\$ 500	\$ 469	\$ 216
Receipts:									
Local sources	89,958	-	-	-	-	300	-	328	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	65,869	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	155,827	-	-	-	-	300	-	328	-
Disbursements:									
Current:									
Instruction	-	-	-	-	192	-	-	215	-
Support services	286,478	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	188	500	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	286,478	-	-	-	192	188	500	215	-
Excess (deficiency) of receipts over disbursements	(130,651)	-	-	-	(192)	112	(500)	113	-
Other financing sources (uses):									
Transfers in	54,857	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	54,857	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(75,794)	-	-	-	(192)	112	(500)	113	-
Cash and investments - ending	\$ 55,889	\$ 350	\$ 1,340	\$ 103	\$ 333	\$ 112	\$ -	\$ 582	\$ 216

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, 2012
 (Continued)

	Comm Found Grant (Angels) SES	Comm Found Grant (Music) SES	Walmart Foundation	High Ability Grant 10-11	High Ability Grant 11-12	School Technology	Title I 2011-2012	Title I 2010-2011	Drug Free Schools 09-10
Cash and investments - beginning	\$ 208	\$ 500	\$ -	\$ 14,881	\$ -	\$ 94,442	\$ -	\$ 33,276	\$ 4,871
Receipts:									
Local sources	360	-	250	-	-	25,214	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	30,958	4,768	-	-	-
Federal sources	-	-	-	-	-	-	179,790	32,388	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	360	-	250	-	30,958	29,982	179,790	32,388	-
Disbursements:									
Current:									
Instruction	-	-	-	14,881	22,618	12,924	197,753	19,474	4,871
Support services	-	-	-	-	-	-	53,224	13,914	-
Noninstructional services	-	500	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	500	-	14,881	22,618	12,924	250,977	33,388	4,871
Excess (deficiency) of receipts over disbursements	360	(500)	250	(14,881)	8,340	17,058	(71,187)	(1,000)	(4,871)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	71,188	-	-
Transfers out	-	-	-	-	-	-	-	(32,276)	-
Total other financing sources (uses)	-	-	-	-	-	-	71,188	(32,276)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	360	(500)	250	(14,881)	8,340	17,058	1	(33,276)	(4,871)
Cash and investments - ending	\$ 568	\$ -	\$ 250	\$ -	\$ 8,340	\$ 111,500	\$ 1	\$ -	\$ -

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, 2012
 (Continued)

	Improving Teaching Quality, Title II, Part A	Title I Grants to LEAs	Special Education - Part B	Special Education - Part B - Preschool	Education Jobs	Prepaid Insurance - Anthem	Payroll Withholdings and Benefits	Totals
Cash and investments - beginning	\$ -	\$ 2,823	\$ 89,423	\$ -	\$ -	\$ 1,750,749	\$ 38,655	\$ 9,654,823
Receipts:								
Local sources	-	-	-	-	-	-	-	7,592,942
Intermediate sources	-	-	-	-	-	-	-	150
State sources	-	-	-	-	-	-	-	11,434,478
Federal sources	40,692	7,409	-	8,984	371,374	-	-	1,102,253
Temporary loans	-	-	-	-	-	-	-	4,000,000
Other	-	-	-	-	-	3,646,695	2,829,720	6,476,415
Total receipts	40,692	7,409	-	8,984	371,374	3,646,695	2,829,720	30,606,238
Disbursements:								
Current:								
Instruction	94,918	6,628	89,423	8,984	346,476	-	-	8,763,744
Support services	-	3,189	-	-	24,898	-	-	5,806,887
Noninstructional services	-	349	-	-	-	-	-	958,574
Facilities acquisition and construction	-	-	-	-	-	-	-	971,079
Debt services	-	-	-	-	-	-	-	7,053,916
Nonprogrammed charges	-	-	-	-	-	4,541,641	2,834,444	7,376,085
Total disbursements	94,918	10,166	89,423	8,984	371,374	4,541,641	2,834,444	30,930,285
Excess (deficiency) of receipts over disbursements	(54,226)	(2,757)	(89,423)	-	-	(894,946)	(4,724)	(324,047)
Other financing sources (uses):								
Transfers in	54,226	-	-	-	-	-	-	1,215,271
Transfers out	-	-	-	-	-	-	-	(1,215,271)
Total other financing sources (uses)	54,226	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,757)	(89,423)	-	-	(894,946)	(4,724)	(324,047)
Cash and investments - ending	\$ -	\$ 66	\$ -	\$ -	\$ -	\$ 855,803	\$ 33,931	\$ 9,330,776

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, 2013

	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	\$ 4,439,987	\$ 761,111	\$ 30,584	\$ 551,280	\$ 567,576	\$ 76,120	\$ 1,582,611	\$ 6,495	\$ 245,628
Receipts:									
Local sources	169,472	2,670,941	735,617	2,017,241	1,747,563	30,451	-	-	346,605
Intermediate sources	1,108	-	-	-	-	-	-	-	-
State sources	11,203,816	-	-	-	-	-	-	-	7,687
Federal sources	15,233	-	-	-	-	-	-	-	473,442
Temporary loans	2,000,000	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	5,858	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>13,389,629</u>	<u>2,670,941</u>	<u>735,617</u>	<u>2,017,241</u>	<u>1,747,563</u>	<u>30,451</u>	<u>5,858</u>	<u>-</u>	<u>827,734</u>
Disbursements:									
Current:									
Instruction	8,147,547	-	-	-	-	-	128,722	73,233	-
Support services	2,974,318	-	-	908,890	1,420,179	76,116	167,511	11,176	8,746
Noninstructional services	165,451	-	-	-	-	-	-	-	818,554
Facilities acquisition and construction	-	-	-	734,953	-	-	69,886	-	24,097
Debt services	4,000,000	2,342,714	730,767	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	132,788	-	-
Total disbursements	<u>15,287,316</u>	<u>2,342,714</u>	<u>730,767</u>	<u>1,643,843</u>	<u>1,420,179</u>	<u>76,116</u>	<u>498,907</u>	<u>84,409</u>	<u>851,397</u>
Excess (deficiency) of receipts over disbursements	<u>(1,897,687)</u>	<u>328,227</u>	<u>4,850</u>	<u>373,398</u>	<u>327,384</u>	<u>(45,665)</u>	<u>(493,049)</u>	<u>(84,409)</u>	<u>(23,663)</u>
Other financing sources (uses):									
Transfers in	-	-	10,000	-	-	-	643,138	77,914	-
Transfers out	-	-	-	(375,000)	(175,000)	-	(87,914)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(375,000)</u>	<u>(175,000)</u>	<u>-</u>	<u>555,224</u>	<u>77,914</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,897,687)</u>	<u>328,227</u>	<u>14,850</u>	<u>(1,602)</u>	<u>152,384</u>	<u>(45,665)</u>	<u>62,175</u>	<u>(6,495)</u>	<u>(23,663)</u>
Cash and investments - ending	<u>\$ 2,542,300</u>	<u>\$ 1,089,338</u>	<u>\$ 45,434</u>	<u>\$ 549,678</u>	<u>\$ 719,960</u>	<u>\$ 30,455</u>	<u>\$ 1,644,786</u>	<u>\$ -</u>	<u>\$ 221,965</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, 2013
 (Continued)

	Textbook Rental	Educational License Plates	Donations - Beckler-Orr Memorial	Donations - High Ability, etc.	Donations - Pepsi	Donations - Corporationwide	Donations - Summer Reading	Donations - Stuff the Bus	Donations - National Geographic
Cash and investments - beginning	\$ 55,889	\$ -	\$ 350	\$ 1,340	\$ 103	\$ 333	\$ 112	\$ -	\$ -
Receipts:									
Local sources	86,106	-	-	-	-	-	300	485	350
Intermediate sources	-	75	-	-	-	-	-	-	-
State sources	66,259	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	152,365	75	-	-	-	-	300	485	350
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	350
Support services	49,093	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	310	6	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	49,093	-	-	-	-	-	310	6	350
Excess (deficiency) of receipts over disbursements	103,272	75	-	-	-	-	(10)	479	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	103,272	75	-	-	-	-	(10)	479	-
Cash and investments - ending	\$ 159,161	\$ 75	\$ 350	\$ 1,340	\$ 103	\$ 333	\$ 102	\$ 479	\$ -

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, 2013
 (Continued)

	Donations - Youth Tobacco	Comm Found Grant (Angels) SMS	Comm Found Grant (Ag) SHS	Comm Found Grant (Angels) SES	Walmart Foundation	High Ability Grant 11-12	High Ability Grant 12-13	School Technology	eLearning Innovation Plan Grant 12-13
Cash and investments - beginning	\$ -	\$ 582	\$ 216	\$ 568	\$ 250	\$ 8,340	\$ -	\$ 111,500	\$ -
Receipts:									
Local sources	250	353	-	411	250	-	-	25,000	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	30,170	4,839	30,000
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	250	353	-	411	250	-	30,170	29,839	30,000
Disbursements:									
Current:									
Instruction	-	-	-	-	250	8,340	16,670	74,425	-
Support services	-	-	-	-	-	-	-	-	20,830
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	250	8,340	16,670	74,425	20,830
Excess (deficiency) of receipts over disbursements	250	353	-	411	-	(8,340)	13,500	(44,586)	9,170
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	250	353	-	411	-	(8,340)	13,500	(44,586)	9,170
Cash and investments - ending	\$ 250	\$ 935	\$ 216	\$ 979	\$ 250	\$ -	\$ 13,500	\$ 66,914	\$ 9,170

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, 2013
 (Continued)

	Title I 2011-2012	Title I 2012-2013	Improving Teacher Quality, Title II, Part A	Title I Grants to LEAs	Education Jobs	Prepaid Insurance - Anthem	Payroll Withholdings and Benefits	Totals
Cash and investments - beginning	\$ 1	\$ -	\$ -	\$ 66	\$ -	\$ 855,803	\$ 33,931	\$ 9,330,776
Receipts:								
Local sources	-	-	-	-	-	-	-	7,831,395
Intermediate sources	-	-	-	-	-	-	-	1,183
State sources	-	-	-	-	-	-	-	11,342,771
Federal sources	63,197	168,339	76,847	496	7,583	-	-	805,137
Temporary loans	-	-	-	-	-	-	-	2,000,000
Interfund loans	-	76,134	56,654	-	-	-	-	138,646
Other	-	-	-	-	-	3,251,608	2,779,529	6,031,137
Total receipts	<u>63,197</u>	<u>244,473</u>	<u>133,501</u>	<u>496</u>	<u>7,583</u>	<u>3,251,608</u>	<u>2,779,529</u>	<u>28,150,269</u>
Disbursements:								
Current:								
Instruction	24,143	198,879	73,417	562	7,583	-	-	8,754,121
Support services	143	45,594	-	-	-	-	-	5,682,596
Noninstructional services	-	-	-	-	-	-	-	984,321
Facilities acquisition and construction	-	-	-	-	-	-	-	828,936
Debt services	-	-	-	-	-	-	-	7,073,481
Nonprogrammed charges	-	-	-	-	-	3,038,945	2,785,472	5,824,417
Interfund loans	-	-	5,858	-	-	-	-	138,646
Total disbursements	<u>24,286</u>	<u>244,473</u>	<u>79,275</u>	<u>562</u>	<u>7,583</u>	<u>3,038,945</u>	<u>2,785,472</u>	<u>29,286,518</u>
Excess (deficiency) of receipts over disbursements	<u>38,911</u>	<u>-</u>	<u>54,226</u>	<u>(66)</u>	<u>-</u>	<u>212,663</u>	<u>(5,943)</u>	<u>(1,136,249)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	731,052
Transfers out	<u>(38,912)</u>	<u>-</u>	<u>(54,226)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731,052)</u>
Total other financing sources (uses)	<u>(38,912)</u>	<u>-</u>	<u>(54,226)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(66)</u>	<u>-</u>	<u>212,663</u>	<u>(5,943)</u>	<u>(1,136,249)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,068,466</u>	<u>\$ 27,988</u>	<u>\$ 8,194,527</u>

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Regions Bank	Energy Savings Contract	\$ 251,430	01-15-12	01-15-21
Total of annual lease payments		<u>\$ 251,430</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Pension Bonds		\$ 3,945,000	\$ 733,528
Temporary Loan		2,000,000	2,021,326
Holding Corporation Bonds		<u>21,660,000</u>	<u>2,067,000</u>
Totals		<u>\$ 27,605,000</u>	<u>\$ 4,821,854</u>

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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>Ending Balance</u>
Governmental activities:	
Land	\$ 396,500
Buildings	45,914,214
Improvements other than buildings	10,145,693
Machinery, equipment, and vehicles	<u>3,086,628</u>
Total capital assets	<u>\$ 59,543,035</u>

SOUTHWEST SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

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

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

BANK ACCOUNT RECONCILIATIONS

Monthly depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations included 11 adjustments for Non-Sufficient-Funds (NSF) checks written from 2007 to 2011. These checks were written to the schools but returned by the banks for insufficient funds. The old NSF checks totaled \$629.07.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Southwest School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

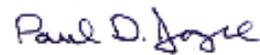
Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 12, 2014

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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.

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SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553		\$ 108,299	\$ -
				<u>-</u>	<u>112,911</u>
Total - School Breakfast Program				<u>108,299</u>	<u>112,911</u>
National School Lunch Program	Indiana Department of Education	10.555		337,953	-
				<u>-</u>	<u>360,531</u>
Total - National School Lunch Program				<u>337,953</u>	<u>360,531</u>
Total - Child Nutrition Cluster				<u>446,252</u>	<u>473,442</u>
Total - Department of Agriculture				<u>446,252</u>	<u>473,442</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010		32,388	-
				179,790	63,197
				<u>-</u>	<u>168,339</u>
Total - Title I Grants to Local Educational Agencies				<u>212,178</u>	<u>231,536</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389		7,409	496
				<u>-</u>	<u>496</u>
Total - Title I, Part A Cluster				<u>219,587</u>	<u>232,032</u>
Special Education Cluster					
ARRA - Special Education - Preschool Grants, Recovery Act	Indiana Department of Education	84.173		8,984	-
				<u>-</u>	<u>-</u>
Total - Special Education Cluster				<u>8,984</u>	<u>-</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367		40,692	76,847
				<u>-</u>	<u>76,847</u>
Education Jobs Fund	Indiana Department of Education	84.410		371,374	7,583
				<u>-</u>	<u>7,583</u>
Total - Department of Education				<u>640,637</u>	<u>316,462</u>
Total federal awards expended				<u>\$ 1,086,889</u>	<u>\$ 789,904</u>

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

SOUTHWEST SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 12,225	\$ 11,915
National School Lunch Program	10.555	38,149	38,045

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.367	Title I, Part A Cluster Improving Teacher Quality State Grants
84.410	Education Jobs Fund

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 2013-001 - INTERNAL CONTROLS OVER REPORTING

We noted the following deficiency in the internal control system of the School Corporation related to reporting. We believe the deficiency constitutes a material weakness:

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, we noted the following errors: The SEFA did not include the total amount of federal awards of \$1,876,793 for the fiscal years 2011-2012 and 2012-2013. Also, many required sections of the SEFA were incomplete. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTHWEST SCHOOL CORPORATION



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CHRIS STITZLE, Superintendent
JON STUCKEY, Asst. Superintendent, Transp. Dir.
AMY KINNETT, Treasurer-Bookkeeper
TRACY VANDERGRIFF, Payroll Clerk, Personnel
BRIAN IRWIN, Technology Coordinator

BOARD OF SCHOOL TRUSTEES
KEVIN ARNETT
MITZIE BADGER
GRANT BRYANT
BARBARA ROTRAMEL
JERRY D. WILSON

February 12, 2014

Indiana State Board of Accounts
302 West Washington Street
Room 418
Indianapolis, IN 46204-2765

RE: Official Response to Finding 2013-001

FINDING 2013-001 – INTERNAL CONTROLS OVER REPORTING

In order to improve procedures in the preparation of the Schedule of Expenditures of Federal Awards (SEFA), we agree to obtain a better understanding of what information is to be reported on the SEFA, including CFDA numbers, official grant titles, and grant award amounts, to ensure accuracy and completeness.


Chris Stitzle, Superintendent


Amy Kinnett, Treasurer

Dated: 2-12-2014

Dated: 2-12-2014

SOUTHWEST SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2014, with Chris Stitzle, Superintendent of Schools; Jon Stuckey, Assistant Superintendent of Schools; Amy Kinnett, Treasurer; and Jerry Wilson, President of the School Board.