

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, 2013 to June 30, 2015



FILED
09/20/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Kinnett	07-01-13 to 05-17-17
	(Vacant)	05-18-17 to 06-01-17
	Glenda D. Small (interim)	06-02-17 to 12-31-17
Superintendent of Schools	Chris Stitzle	07-01-13 to 06-30-18
President of the School Board	Grant Bryant	01-01-13 to 12-31-13
	Jerry Wilson	01-01-14 to 12-31-14
	Barbara Rotramel	01-01-15 to 12-31-15
	Kevin Arnett	01-01-16 to 12-31-16
	Mitzie Badger	01-01-17 to 12-31-17



STATE OF INDIANA
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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, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 to 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, 2013 to June 30, 2015.

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, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.


Other Information

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 and Schedule of Leases and Debt, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2017, 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.


Paul D. Joyce, CPA
State Examiner

August 17, 2017



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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, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated August 17, 2017, 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 the 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 to be material weaknesses.

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)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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 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 2015-001.

Southwest School Corporation's Response to Findings

The School Corporation's response to the findings 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

August 17, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2014 and 2015

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-13	Receipts	Disbursements		06-30-14	Receipts	Disbursements		
General	\$ 2,542,303	\$ 11,619,511	\$ 12,676,039	\$ -	\$ 1,485,775	\$ 12,015,630	\$ 11,454,245	\$ (49,724)	\$ 1,997,436
Debt Service	1,089,337	2,557,541	2,275,826	-	1,371,052	2,426,167	2,466,869	-	1,330,350
Retirement/Severance Bond Debt Service	45,435	740,061	730,690	-	54,806	730,774	728,843	-	56,737
Capital Projects	549,676	2,189,479	2,324,218	(150,000)	264,937	2,134,568	1,867,748	(300,000)	231,757
School Transportation	719,960	1,761,303	1,451,418	(350,000)	679,845	1,606,780	1,478,555	(300,000)	508,070
School Bus Replacement	30,455	24,489	55,617	675	2	-	-	-	2
Rainy Day	1,644,786	197,914	967,735	424,325	1,299,290	-	400,430	534,581	1,433,441
Post-Retirement/Severance Future Benefits	-	80,034	154,927	75,000	107	-	74,832	74,724	(1)
Construction	-	-	-	-	-	-	-	70,000	70,000
School Lunch	221,965	870,403	912,168	-	180,200	974,279	1,030,234	-	124,245
Textbook Rental	159,162	155,526	33,857	-	280,831	224,410	313,434	-	191,807
Self-Insurance	-	-	-	-	-	200,000	-	-	200,000
Levy Excess	-	-	-	-	-	3,090	-	-	3,090
Educational License Plates	75	-	75	-	-	-	-	-	-
Donations - Beckler-Orr Memorial	350	-	350	-	-	-	-	-	-
Donations - High Ability, etc.	1,340	-	-	-	1,340	-	-	-	1,340
Donations - Pepsi	103	-	103	-	-	-	-	-	-
Donations - Lockers	-	-	-	-	-	900	-	-	900
Donations - Athletic Sound System	-	8,915	-	-	8,915	12,085	14,000	-	7,000
Donations - Lockers	-	-	-	-	-	1,000	-	-	1,000
Donations - Corporationwide	333	-	277	-	56	-	-	-	56
Donations - Summer Reading	102	300	300	-	102	-	-	-	102
Donations - Stuff the Bus	479	504	-	-	983	438	456	-	965
Donations - Youth Tobacco	250	-	-	-	250	-	-	-	250
Contributions/Donations - Private Sources	-	1,000	-	-	1,000	-	961	-	39
Scholarships and Awards	-	2,500	2,500	-	-	2,500	2,500	-	-
Comm Found Grant (Angels) SMS	935	232	206	-	961	622	-	-	1,583
Comm Found Grant (Angels) SHS	216	-	-	-	216	-	-	-	216
Comm Found Grant (Angels) SES	979	234	-	-	1,213	486	-	-	1,699
Community Foundation Grant - SHS	-	-	-	-	-	700	700	-	-
Walmart Foundation	250	-	-	-	250	-	-	-	250
Donations - Building Trades	-	-	-	-	-	30,000	13,962	-	16,038
Donations - SMS	-	-	-	-	-	619	-	-	619
High Ability Grant 12-13	13,499	-	13,500	-	(1)	-	-	-	(1)
High Ability Grant 13-14	-	30,114	21,865	-	8,249	-	8,250	-	(1)
High Ability Grant 14-15	-	-	-	-	-	30,356	18,919	-	11,437
Secured Schools Safety Grant	-	-	73,514	-	(73,514)	40,000	108,831	40,419	(101,926)
School Technology	66,913	18,092	59,618	-	25,387	50,812	42,056	-	34,143
Performance Based Awards	-	-	-	-	-	58,284	56,279	-	2,005
ISTA Settlement	-	1,276,982	193,753	-	1,083,229	6,400	230,177	-	859,452
Senator David Ford Technology	9,170	50,000	32,593	-	26,577	-	41,360	-	(14,783)
Title I 2012-13	-	123,811	123,812	-	(1)	-	-	-	(1)
Title I 2013-14	-	265,618	282,422	-	(16,804)	98,521	81,716	-	1
Title I 2014-15	-	-	-	-	-	151,438	304,156	-	(152,718)
Drug Free	-	-	-	-	-	700	-	-	700
Improving Teaching Quality, No Child Left, Title II, Part A	-	74,718	74,717	-	1	-	-	-	1
Title II, Part A 2013-14	-	1,956	5,968	-	(4,012)	69,725	67,759	-	(2,046)
Title II, Part A 2014-15	-	-	-	-	-	-	32,314	-	(32,314)
Prepaid Insurance - Anthem	1,068,466	1,257,207	1,927,388	-	398,285	1,964	25,752	-	374,497
Payroll Withholdings and Benefits	27,988	2,481,097	2,494,882	-	14,203	2,489,856	2,496,563	-	7,496
Totals	\$ 8,194,527	\$ 25,789,541	\$ 26,890,338	\$ -	\$ 7,093,730	\$ 23,363,104	\$ 23,361,901	\$ 70,000	\$ 7,164,933

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, the following: 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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans. Amounts 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. Amounts 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. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Interfund loans. Amounts 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.

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. Amounts received in relation to the issuance of bonds or other long-term debt issues.

Transfers in. Amounts 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. Amounts 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 amounts 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 amounts 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

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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, the following: 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 a cost-sharing 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.

SOUTHWEST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

Indiana Public Retirement System
One North Capitol, 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
One North Capitol, 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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2014 and 2015.

Note 8. 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 2014 and 2015 totaled \$2,254,500 and \$2,406,000, respectively.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports 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 other 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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 2,542,303	\$ 1,089,337	\$ 45,435	\$ 549,676	\$ 719,960	\$ 30,455	\$ 1,644,786	\$ -
Receipts:								
Local sources	164,681	2,557,541	740,061	2,189,479	1,761,303	24,489	983	80,034
Intermediate sources	441	-	-	-	-	-	-	-
State sources	11,454,389	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	196,931	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>11,619,511</u>	<u>2,557,541</u>	<u>740,061</u>	<u>2,189,479</u>	<u>1,761,303</u>	<u>24,489</u>	<u>197,914</u>	<u>80,034</u>
Disbursements:								
Instruction	7,527,980	-	-	-	-	-	127,194	58,181
Support services	2,976,276	-	-	1,359,485	1,451,418	55,617	463,536	83,218
Noninstructional services	171,783	-	-	-	-	-	-	13,528
Facilities acquisition and construction	-	-	-	964,733	-	-	312,863	-
Debt service	2,000,000	2,275,826	730,690	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	64,142	-
Total disbursements	<u>12,676,039</u>	<u>2,275,826</u>	<u>730,690</u>	<u>2,324,218</u>	<u>1,451,418</u>	<u>55,617</u>	<u>967,735</u>	<u>154,927</u>
Excess (deficiency) of receipts over disbursements	<u>(1,056,528)</u>	<u>281,715</u>	<u>9,371</u>	<u>(134,739)</u>	<u>309,885</u>	<u>(31,128)</u>	<u>(769,821)</u>	<u>(74,893)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	675	500,000	75,000
Transfers out	-	-	-	(150,000)	(350,000)	-	(75,675)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>(350,000)</u>	<u>675</u>	<u>424,325</u>	<u>75,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,056,528)</u>	<u>281,715</u>	<u>9,371</u>	<u>(284,739)</u>	<u>(40,115)</u>	<u>(30,453)</u>	<u>(345,496)</u>	<u>107</u>
Cash and investments - ending	<u>\$ 1,485,775</u>	<u>\$ 1,371,052</u>	<u>\$ 54,806</u>	<u>\$ 264,937</u>	<u>\$ 679,845</u>	<u>\$ 2</u>	<u>\$ 1,299,290</u>	<u>\$ 107</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, 2014
 (Continued)

	Construction	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Donations - Beckler-Orr Memorial	Donations - High Ability, etc.
Cash and investments - beginning	\$ -	\$ 221,965	\$ 159,162	\$ -	\$ -	\$ 75	\$ 350	\$ 1,340
Receipts:								
Local sources	-	363,790	83,452	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	7,175	72,074	-	-	-	-	-
Federal sources	-	499,438	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	870,403	155,526	-	-	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	75	350	-
Support services	-	190	33,857	-	-	-	-	-
Noninstructional services	-	911,978	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	912,168	33,857	-	-	75	350	-
Excess (deficiency) of receipts over disbursements	-	(41,765)	121,669	-	-	(75)	(350)	-
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	-	(41,765)	121,669	-	-	(75)	(350)	-
Cash and investments - ending	\$ -	\$ 180,200	\$ 280,831	\$ -	\$ -	\$ -	\$ -	\$ 1,340

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, 2014
 (Continued)

	Donations - Pepsi	Donations - Lockers	Donations - Athletic Sound System	Donations - Lockers	Donations - Corporationwide	Donations - Summer Reading	Donations - Stuff the Bus
Cash and investments - beginning	\$ 103	\$ -	\$ -	\$ -	\$ 333	\$ 102	\$ 479
Receipts:							
Local sources	-	-	8,915	-	-	300	504
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>8,915</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>504</u>
Disbursements:							
Instruction	103	-	-	-	277	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	300	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277</u>	<u>300</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(103)</u>	<u>-</u>	<u>8,915</u>	<u>-</u>	<u>(277)</u>	<u>-</u>	<u>504</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</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>(103)</u>	<u>-</u>	<u>8,915</u>	<u>-</u>	<u>(277)</u>	<u>-</u>	<u>504</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,915</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 102</u>	<u>\$ 983</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, 2014
 (Continued)

	Donations - Youth Tobacco	Contribution/ Donations - Private Sources	Scholarships and Awards	Comm Found Grant (Angels) SMS	Comm Found Grant (Angels) SHS	Comm Found Grant (Angels) SES	Communty Foundation Grant - SHS
Cash and investments - beginning	\$ 250	\$ -	\$ -	\$ 935	\$ 216	\$ 979	\$ -
Receipts:							
Local sources	-	1,000	2,500	232	-	234	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>1,000</u>	<u>2,500</u>	<u>232</u>	<u>-</u>	<u>234</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	206	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	2,500	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>206</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>234</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</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>-</u>	<u>1,000</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>234</u>	<u>-</u>
Cash and investments - ending	<u>\$ 250</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 961</u>	<u>\$ 216</u>	<u>\$ 1,213</u>	<u>\$ -</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, 2014
 (Continued)

	Walmart Foundation	Donations - Building Trades	Donations - SMS	High Ability Grant 12-13	High Ability Grant 13-14	High Ability Grant 14-15	Secured Schools Safety Grant
Cash and investments - beginning	\$ 250	\$ -	\$ -	\$ 13,499	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	30,114	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	-	30,114	-	-
Disbursements:							
Instruction	-	-	-	13,500	21,865	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	73,514
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	-	-	13,500	21,865	-	73,514
Excess (deficiency) of receipts over disbursements	-	-	-	(13,500)	8,249	-	(73,514)
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	-	-	-	(13,500)	8,249	-	(73,514)
Cash and investments - ending	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 8,249</u>	<u>\$ -</u>	<u>\$ (73,514)</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, 2014
 (Continued)

	School Technology	Performance Based Awards	ISTA Settlement	Senator David Ford Technology	Title I 2012-13	Title I 2013-14	Title I 2014-15
Cash and investments - beginning	\$ 66,913	\$ -	\$ -	\$ 9,170	\$ -	\$ -	\$ -
Receipts:							
Local sources	13,083	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	5,009	-	1,276,982	50,000	-	-	-
Federal sources	-	-	-	-	123,811	201,953	-
Interfund loans	-	-	-	-	-	63,665	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>18,092</u>	<u>-</u>	<u>1,276,982</u>	<u>50,000</u>	<u>123,811</u>	<u>265,618</u>	<u>-</u>
Disbursements:							
Instruction	59,618	-	-	-	43,460	175,552	-
Support services	-	-	193,753	32,593	4,218	43,205	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	76,134	63,665	-
Total disbursements	<u>59,618</u>	<u>-</u>	<u>193,753</u>	<u>32,593</u>	<u>123,812</u>	<u>282,422</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(41,526)</u>	<u>-</u>	<u>1,083,229</u>	<u>17,407</u>	<u>(1)</u>	<u>(16,804)</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</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>(41,526)</u>	<u>-</u>	<u>1,083,229</u>	<u>17,407</u>	<u>(1)</u>	<u>(16,804)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 25,387</u>	<u>\$ -</u>	<u>\$ 1,083,229</u>	<u>\$ 26,577</u>	<u>\$ (1)</u>	<u>\$ (16,804)</u>	<u>\$ -</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, 2014
 (Continued)

	Drug Free	Improving Teaching Quality, No Child Left, Title II, Part A	Title II, Part A 2013-14	Title II, Part A 2014-15	Prepaid Insurance Anthem -	Payroll Withholdings And Benefits	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 1,068,466	\$ 27,988	\$ 8,194,527
Receipts:							
Local sources	-	-	-	-	-	-	7,992,581
Intermediate sources	-	-	-	-	-	-	441
State sources	-	-	-	-	-	-	12,895,743
Federal sources	-	74,718	1,478	-	-	-	901,398
Interfund loans	-	-	478	-	-	-	261,074
Other receipts	-	-	-	-	1,257,207	2,481,097	3,738,304
Total receipts	-	74,718	1,956	-	1,257,207	2,481,097	25,789,541
Disbursements:							
Instruction	-	18,063	490	-	1,927,388	-	9,974,302
Support services	-	-	-	-	-	2,494,882	9,192,248
Noninstructional services	-	-	-	-	-	-	1,097,589
Facilities acquisition and construction	-	-	5,000	-	-	-	1,356,110
Debt service	-	-	-	-	-	-	5,006,516
Nonprogrammed charges	-	-	-	-	-	-	2,500
Interfund loans	-	56,654	478	-	-	-	261,073
Total disbursements	-	74,717	5,968	-	1,927,388	2,494,882	26,890,338
Excess (deficiency) of receipts over disbursements	-	1	(4,012)	-	(670,181)	(13,785)	(1,100,797)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	575,675
Transfers out	-	-	-	-	-	-	(575,675)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1	(4,012)	-	(670,181)	(13,785)	(1,100,797)
Cash and investments - ending	\$ -	\$ 1	\$ (4,012)	\$ -	\$ 398,285	\$ 14,203	\$ 7,093,730

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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,485,775	\$ 1,371,052	\$ 54,806	\$ 264,937	\$ 679,845	\$ 2	\$ 1,299,290	\$ 107
Receipts:								
Local sources	162,637	2,426,167	730,774	2,134,568	1,606,780	-	-	-
Intermediate sources	625	-	-	-	-	-	-	-
State sources	11,852,368	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>12,015,630</u>	<u>2,426,167</u>	<u>730,774</u>	<u>2,134,568</u>	<u>1,606,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	8,007,823	-	-	-	-	-	-	73,916
Support services	3,260,250	-	-	888,761	1,478,555	-	261,123	916
Noninstructional services	186,172	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	978,987	-	-	139,307	-
Debt service	-	2,466,869	728,843	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>11,454,245</u>	<u>2,466,869</u>	<u>728,843</u>	<u>1,867,748</u>	<u>1,478,555</u>	<u>-</u>	<u>400,430</u>	<u>74,832</u>
Excess (deficiency) of receipts over disbursements	<u>561,385</u>	<u>(40,702)</u>	<u>1,931</u>	<u>266,820</u>	<u>128,225</u>	<u>-</u>	<u>(400,430)</u>	<u>(74,832)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	600,000	74,724
Transfers out	<u>(49,724)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>(65,419)</u>	<u>-</u>
Total other financing sources (uses)	<u>(49,724)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>534,581</u>	<u>74,724</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>511,661</u>	<u>(40,702)</u>	<u>1,931</u>	<u>(33,180)</u>	<u>(171,775)</u>	<u>-</u>	<u>134,151</u>	<u>(108)</u>
Cash and investments - ending	<u>\$ 1,997,436</u>	<u>\$ 1,330,350</u>	<u>\$ 56,737</u>	<u>\$ 231,757</u>	<u>\$ 508,070</u>	<u>\$ 2</u>	<u>\$ 1,433,441</u>	<u>\$ (1)</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, 2015
 (Continued)

	Construction	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Educational License Plates	Donations - Beckler-Orr Memorial	Donations - High Ability, etc.
Cash and investments - beginning	\$ -	\$ 180,200	\$ 280,831	\$ -	\$ -	\$ -	\$ -	\$ 1,340
Receipts:								
Local sources	-	442,280	155,885	200,000	3,090	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	9,114	68,525	-	-	-	-	-
Federal sources	-	522,885	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	974,279	224,410	200,000	3,090	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	307	313,434	-	-	-	-	-
Noninstructional services	-	1,028,709	-	-	-	-	-	-
Facilities acquisition and construction	-	1,218	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	1,030,234	313,434	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	(55,955)	(89,024)	200,000	3,090	-	-	-
Other financing sources (uses):								
Proceeds of long-term debt	70,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	70,000	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	70,000	(55,955)	(89,024)	200,000	3,090	-	-	-
Cash and investments - ending	\$ 70,000	\$ 124,245	\$ 191,807	\$ 200,000	\$ 3,090	\$ -	\$ -	\$ 1,340

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, 2015
 (Continued)

	Donations - Pepsi	Donations - Lockers	Donations - Athletic Sound System	Donations - Lockers	Donations - Corporationwide	Donations - Summer Reading	Donations - Stuff the Bus
Cash and investments - beginning	\$ -	\$ -	\$ 8,915	\$ -	\$ 56	\$ 102	\$ 983
Receipts:							
Local sources	-	900	12,085	1,000	-	-	438
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	900	12,085	1,000	-	-	438
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	456
Facilities acquisition and construction	-	-	14,000	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	14,000	-	-	-	456
Excess (deficiency) of receipts over disbursements	-	900	(1,915)	1,000	-	-	(18)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	900	(1,915)	1,000	-	-	(18)
Cash and investments - ending	\$ -	\$ 900	\$ 7,000	\$ 1,000	\$ 56	\$ 102	\$ 965

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, 2015
 (Continued)

	Donations - Youth Tobacco	Contribution/ Donations - Private Sources	Scholarships and Awards	Comm Found Grant (Angels) SMS	Comm Found Grant (Angels) SHS	Comm Found Grant (Angels) SES	Communt Foundation Grant - SHS
Cash and investments - beginning	\$ 250	\$ 1,000	\$ -	\$ 961	\$ 216	\$ 1,213	\$ -
Receipts:							
Local sources	-	-	2,500	622	-	486	700
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	2,500	622	-	486	700
Disbursements:							
Instruction	-	961	-	-	-	-	700
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	2,500	-	-	-	-
Total disbursements	-	961	2,500	-	-	-	700
Excess (deficiency) of receipts over disbursements	-	(961)	-	622	-	486	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(961)	-	622	-	486	-
Cash and investments - ending	\$ 250	\$ 39	\$ -	\$ 1,583	\$ 216	\$ 1,699	\$ -

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, 2015
 (Continued)

	Walmart Foundation	Donations - Building Trades	Donations - SMS	High Ability Grant 12-13	High Ability Grant 13-14	High Ability Grant 14-15	Secured Schools Safety Grant
Cash and investments - beginning	\$ 250	\$ -	\$ -	\$ (1)	\$ 8,249	\$ -	\$ (73,514)
Receipts:							
Local sources	-	30,000	619	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	30,356	40,000
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>30,000</u>	<u>619</u>	<u>-</u>	<u>-</u>	<u>30,356</u>	<u>40,000</u>
Disbursements:							
Instruction	-	13,962	-	-	6,685	18,919	-
Support services	-	-	-	-	1,565	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	108,831
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>13,962</u>	<u>-</u>	<u>-</u>	<u>8,250</u>	<u>18,919</u>	<u>108,831</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>16,038</u>	<u>619</u>	<u>-</u>	<u>(8,250)</u>	<u>11,437</u>	<u>(68,831)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	40,419
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,419</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>16,038</u>	<u>619</u>	<u>-</u>	<u>(8,250)</u>	<u>11,437</u>	<u>(28,412)</u>
Cash and investments - ending	<u>\$ 250</u>	<u>\$ 16,038</u>	<u>\$ 619</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 11,437</u>	<u>\$ (101,926)</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, 2015
 (Continued)

	School Technology	Performance Based Awards	ISTA Settlement	Senator David Ford Technology	Title I 2012-13	Title I 2013-14	Title I 2014-15
Cash and investments - beginning	\$ 25,387	\$ -	\$ 1,083,229	\$ 26,577	\$ (1)	\$ (16,804)	\$ -
Receipts:							
Local sources	45,751	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	5,061	58,284	6,400	-	-	-	-
Federal sources	-	-	-	-	-	98,521	151,438
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>50,812</u>	<u>58,284</u>	<u>6,400</u>	<u>-</u>	<u>-</u>	<u>98,521</u>	<u>151,438</u>
Disbursements:							
Instruction	42,056	56,279	-	-	-	69,111	224,167
Support services	-	-	230,177	41,360	-	11,567	75,979
Noninstructional services	-	-	-	-	-	1,038	4,010
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>42,056</u>	<u>56,279</u>	<u>230,177</u>	<u>41,360</u>	<u>-</u>	<u>81,716</u>	<u>304,156</u>
Excess (deficiency) of receipts over disbursements	<u>8,756</u>	<u>2,005</u>	<u>(223,777)</u>	<u>(41,360)</u>	<u>-</u>	<u>16,805</u>	<u>(152,718)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</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>8,756</u>	<u>2,005</u>	<u>(223,777)</u>	<u>(41,360)</u>	<u>-</u>	<u>16,805</u>	<u>(152,718)</u>
Cash and investments - ending	<u>\$ 34,143</u>	<u>\$ 2,005</u>	<u>\$ 859,452</u>	<u>\$ (14,783)</u>	<u>\$ (1)</u>	<u>\$ 1</u>	<u>\$ (152,718)</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, 2015
 (Continued)

	Drug Free	Improving Teaching Quality, No Child Left, Title II, Part A	Title II, Part A 2013-14	Title II, Part A 2014-15	Prepaid Insurance Anthem -	Payroll Withholdings And Benefits	Totals
Cash and investments - beginning	\$ -	\$ 1	\$ (4,012)	\$ -	\$ 398,285	\$ 14,203	\$ 7,093,730
Receipts:							
Local sources	-	-	-	-	-	-	7,957,282
Intermediate sources	-	-	-	-	-	-	625
State sources	-	-	-	-	-	-	12,070,108
Federal sources	700	-	69,725	-	-	-	843,269
Other receipts	-	-	-	-	1,964	2,489,856	2,491,820
Total receipts	700	-	69,725	-	1,964	2,489,856	23,363,104
Disbursements:							
Instruction	-	-	64,759	25,814	25,752	2,496,563	11,127,467
Support services	-	-	-	-	-	-	6,563,994
Noninstructional services	-	-	-	-	-	-	1,220,385
Facilities acquisition and construction	-	-	3,000	6,500	-	-	1,251,843
Debt service	-	-	-	-	-	-	3,195,712
Nonprogrammed charges	-	-	-	-	-	-	2,500
Total disbursements	-	-	67,759	32,314	25,752	2,496,563	23,361,901
Excess (deficiency) of receipts over disbursements	700	-	1,966	(32,314)	(23,788)	(6,707)	1,203
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	70,000
Transfers in	-	-	-	-	-	-	715,143
Transfers out	-	-	-	-	-	-	(715,143)
Total other financing sources (uses)	-	-	-	-	-	-	70,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	700	-	1,966	(32,314)	(23,788)	(6,707)	71,203
Cash and investments - ending	\$ 700	\$ 1	\$ (2,046)	\$ (32,314)	\$ 374,497	\$ 7,496	\$ 7,164,933

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SOUTHWEST SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Regions Bank	Energy Savings Contract	\$ 337,469	1/15/2012	1/13/2016
Southwest Sullivan School Building Corporation	Replacing of Roofs for SHS & Carlisle Elem/Jr High	186,000	7/15/2011	1/15/2027
Southwest Sullivan School Building Corporation	Renovations and Upgrades for SHS	240,000	1/15/2015	1/15/2025
Southwest Sullivan School Building Corporation	Refinancing of Construction Bond	2,065,000	7/15/2015	1/15/2025
Apple Financial Services	Computer Hardware	196,091	4/11/2014	1/10/2018
Apple	Computer Hardware	69,421	6/28/2013	1/5/2016
American Capital	Computer Hardware	31,291	6/5/2015	6/5/2017
Total governmental activities		<u>3,125,272</u>		
Total of annual lease payments		<u>\$ 3,125,272</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Retirement/Severance Bonds	<u>\$ 2,870,000</u>	<u>\$ 686,710</u>
Totals		<u>\$ 2,870,000</u>	<u>\$ 686,710</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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, 2013 to June 30, 2015. 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.

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

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, 2013 to June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-005, 2015-007, and 2015-008. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

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.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, and 2015-008 to be material weaknesses.

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

The School Corporation's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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

August 17, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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, 2014 and 2015

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 06-30-14	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY13-14 FY14-15	\$ 109,189 -	\$ - 113,711
Total - School Breakfast Program				109,189	113,711
National School Lunch Program	Indiana Department of Education	10.555	FY13-14 FY14-15	441,438 -	- 457,519
Total - National School Lunch Program				441,438	457,519
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY14-15	-	3,310
Total - Summer Food Service Program for Children				-	3,310
Total - Child Nutrition Cluster				550,627	574,540
Total - Department of Agriculture				550,627	574,540
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	SY12-13 SY13-14 SY14-15	123,811 201,953 -	- 98,521 151,438
Total - Title I Grants to Local Educational Agencies				325,764	249,959
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027	14212-024-PN01 14213-024-PN01 14214-024-PN01 99914-024-PN01 14215-024-PN01	15,967 147,015 258,298 7,179 -	- 1,602 171,140 - 285,764
Total - Special Education_Grants to States				428,459	458,506
Special Education_Preschool Grants	Indiana Department of Education	84.173	45713-024-PN01 45714-024-PN01 45715-024-PN01	8,709 12,238 -	- 9,568 7,405
Total - Special Education_Preschool Grants				20,947	16,973
Total - Special Education Cluster (IDEA)				449,406	475,479
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	SY12-13 SY13-14	74,718 1,478	- 69,725
Total - Improving Teacher Quality State Grants				76,196	69,725
Total - Department of Education				851,366	795,163
Total federal awards expended				\$ 1,401,993	\$ 1,369,703

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 3. Noncash Assistance

Program Title	Federal CFDA Number	2014	2015
National School Lunch Program	10.555	\$ 51,189	\$ 51,655

Note 4. Special Education Cooperative

The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative) which operates the Special Education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

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

Condition

The School Corporation did not have an effective system of internal control in place to prevent, or detect and correct, material errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation relied on one employee to prepare and submit the SEFA.

Context

The SEFA contained the following errors:

1. Federal expenditures were understated in total by \$248,201 and \$217,190 for the school years 2013-2014 and 2014-2015, respectively.
2. Several CFDA Numbers, Program Names, Pass-Through Entities, or Pass-Through identifying numbers were incorrectly reported or missing.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § _____.310. . . ."

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

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.
- (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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2015-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and receipts. One person was solely responsible for the preparation of the bank reconciliations and for all aspects of the receipts process, including issuing receipts, depositing the funds, and reconciling the transactions in the records. There was no segregation of duties, such as an oversight, review, approval process, or other compensating control.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Context

The deficiencies in the internal control system were present throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

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

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control related to cash and receipts.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Recommendation

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, over cash and receipts.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-003

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-024-PN01, 14213-024-PN01,
14214-024-PN01, 99914-024-PN01,
45713-024-PN01, 45714-024-PN01,
45715-024-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grants. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an internal control system to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation failed to keep the necessary documentation relating to Circular A-87 for time and effort reporting. For those employees that were paid entirely from the Special Education program, the Cooperative did not submit Semi-Annual Certifications.

Context

There were no Semi-Annual Certifications completed during the audit period.

Criteria

OMB Circular A-87, Attachment B, item 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

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

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement concerning time and effort reporting.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Non-compliance with the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants_

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Number): 14212-024-PN01, 14213-024-PN01,
14214-024-PN01, 99914-024-PN01,
45713-024-PN01, 45714-024-PN01,
45715-024-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Repeat Finding

This is not a repeat finding from the immediate prior year.

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

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grants. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an effective internal control system their Special Education program related to the Reporting compliance requirement. Reimbursement Requests were prepared and filed by the Cooperative Treasurer with no oversight, review, approval process, or other compensating control.

Context

Controls did not exist over the Reporting compliance requirement for Reimbursement Requests for the 2013-2014 school year.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system could have enabled noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to ensure the Cooperative's compliance with the Reporting requirements of the programs.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2015-005

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Number): 14213-024-PN01, 14214-024-PN01,
14215-024-PN01, 45714-024-PN01,
45715-024-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

Context

The School Corporation did not verify that vendors were not suspended or debarred prior to awarding the contracts with 100 percent of applicable vendors for the 2014-2015 school year.

Criteria

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Procurement and Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-006

Subject: Internal Controls over Child Nutrition Cluster

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Special Tests and Provisions - Verification of Free and
Reduced Price Applications (NSLP), Special Tests and Provisions - School
Food Accounts

Audit Findings: Material Weakness

Repeat Finding

This is not a repeat finding from the immediate prior year.

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

Condition

Cash Management (School Breakfast Program and National School Lunch Program)

The School Corporation did not have effective procedures in place to ensure that the food service account balance (net cash resources) did not exceed three months average expenditures.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The Food Service Director determined eligibility for free and reduced lunches and was also responsible for verification of those applications. There was no evidence that the work was reviewed or approved by anyone other than the Food Service Director.

Special Tests and Provisions - School Food Accounts (School Breakfast Program and National School Lunch Program)

Proper controls were not in place related to the school food accounts. There was no evidence that Management of the School Corporation monitored or reviewed the school food accounts to ensure its nonprofit school food service is in accordance with state requirements.

Context

Internal control issues were not present throughout the audit period. There were no internal controls in place over Cash Management, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that included segregating key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-007

Subject: School Breakfast Program and National School Lunch Program - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The former Food Service Director filed the required monthly Sponsor Claim (claims for reimbursement) and the NSLP Annual Financial Reports with the Indiana Department of Education. There was no evidence of oversight, review process, or other compensating control to ensure the reports were accurate and complete.

The NSLP Annual Financial Reports filed for the school years 2013-2014 and 2014-2015 did not agree with the School Corporation's financial records in several categories.

The totals of eligible students by classification were overstated in the eligibility information section of the monthly Sponsor Claim (claims for reimbursement). The total paid children classification was overstated by 22 students and the total free children classification was overstated by 13 students, when compared to the School Corporation's lists of paid, free, and reduced students for school year 2014-2015. The eligibility information section of the Sponsor Claim (claims for reimbursements) provided information about the total number of qualifying students in the School Corporation. Errors in this section did not affect the reimbursement amount, which is based on actual meals served.

Context

Both of the NSLP Annual Financial Reports filed during the audit period contained errors.

The monthly Sponsor Claim (claims for reimbursement) during the 2014-2015 year contained errors in the eligibility information section.

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

Cause

Management had not developed a system of internal controls over the NSLP Annual Financial Report and Sponsor Claim (claims for reimbursement) that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to remain undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2015-008

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to Special Tests and Provisions - Paid Lunch Equity compliance requirement and the grant agreement.

The School Corporation did not have documentation that the weighted average price calculations had been completed by the former the Food Service Director for either school year.

Context

The School Corporation was required to perform the weighted-average calculation for both school years in the audit period. The weighted-average paid lunch price calculation was not presented for audit for either school year as required.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

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

- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e) (1) (i) of this section to the difference between reimbursement rates under paragraph (e) (1) (ii) of this section. . . .

Cause

Management had not developed and followed an effective system of internal controls that would have ensured that the Special Tests and Provisions - Paid Lunch Equity requirements were met.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

SOUTHWEST SCHOOL CORPORATION

P.O. Box 510 – 1502 N. Section St., Sullivan, Indiana 47882-1225
Phone: 812-268-6311 Fax: 812-268-6312



CHRIS STITZLE, Superintendent
JON STUCKEY, Assistant Superintendent, Transp. Dir.
DARLENE SMALL, Treasurer-Bookkeeper
TRACY VANDERGRIF, Payroll Clerk, Personnel
BRIAN IRWIN, Technology Coordinator

BOARD OF SCHOOL TRUSTEES
MITZIE BADGER
JON BOBBITT
GRANT BRYANT
BARBARA ROTRAMEL
JERRY D. WILSON

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

Federal expenditure reports will be obtained and verified by Treasurer and Superintendent for each school year reported. Each grant will be identified by corresponding CFDA and program identifying information as required by SEFA reporting.

Anticipated Completion Date: July 2018

FINDING 2015-002

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

Any incoming items for deposit are received by Central Office personnel – Superintendent, Assistant Superintendent, Treasurer, Deputy Treasurer and Administrative Assistant and are forwarded to the Treasurer who makes out deposit and posts the ledger. Deposits are reviewed with supporting documentation and initialed by the Deputy Treasurer or Superintendent and deposited in a timely manner by Central Office personnel/employees. Receipts will be maintained with supporting documentation for audit purposes.

Bank reconciliations will be prepared monthly by the Treasurer and provided to the Board and Superintendent for review.

Anticipated Completion Date: June 30, 2017

FINDING 2015-003

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

Management of the Southwest School Corporation will work with the Greene-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with "Allowable Costs/Cost Principals" compliance requirements concerning time and effort reporting.

Anticipated Completion Date: August 17, 2017

FINDING 2015-004

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

Management of the Southwest School Corporation will work with the Greene-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with the Reporting compliance requirement concerning reimbursement requests.

Anticipated Completion Date: August 17, 2017

FINDING 2015-005

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

Management of the Southwest School Corporation will work with the Greene-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with Procurement and Suspension and Debarment requirement concerning the approval of contracts only after verifying the vendors were not suspended or debarred.

Anticipated Completion Date: August 17, 2017

FINDING 2015-006

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

Prepaid food balances have been established in a separate "prepaid" lunch account. Food Service Director will monitor the cash balance. This should reflect a more accurate food service account balance for comparison with the three-month average expenditures. This process will be reviewed by the Superintendent or Treasurer.

A secondary verification will be reviewed and approved by the Superintendent or Assistant Superintendent for the monthly free and reduced application.

Monthly food reports will be reviewed by the Superintendent or Assistant Superintendent for comparison of expenditures and revenue and non-profit food service compliance.

Anticipated Completion Date: June 30, 2017

FINDING 2015-007

Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

The Food Service Director will prepare all reports. The Superintendent or Deputy Treasurer will check to insure accurate reporting for all federal food service funding and compliance requirements.

Anticipated Completion Date: September 2017

FINDING 2015-008

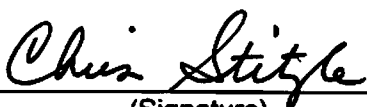
Contact Person Responsible for Corrective Action: Chris Stitzle
Contact Phone Number: 812-268-6311

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

School lunch prices will be established in accordance with grant program requirements. The Food Service Director will use the lunch price equity tool to determine if the Southwest School Corporation is complaint. The Superintendent or Deputy Treasurer will check the calculations to insure accuracy.

Anticipated Completion Date: June 2019



(Signature)

Superintendent

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.