

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH VERMILLION COMMUNITY
SCHOOL CORPORATION
VERMILLION COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
08/24/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cindy Guinn	07-01-12 to 12-31-16
Superintendent of Schools	David Chapman	07-01-12 to 06-30-16
President of the School Board	Bruce W. West Ray Gilfoy John P. Roehm	01-01-12 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-16



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH VERMILLION COMMUNITY
SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the South Vermillion Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, 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.

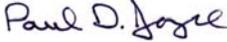
Other Information

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, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 June 8, 2016, 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

June 8, 2016



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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 SOUTH VERMILLION COMMUNITY
SCHOOL CORPORATION, VERMILLION 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 South Vermillion Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated June 8, 2016, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

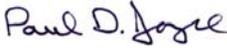
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

June 8, 2016

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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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SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments		Other Financing		Cash and Investments		Other Financing		Cash and Investments	
	07-01-12	Receipts	Disbursements	Sources (Uses)	06-30-13	Receipts	Disbursements	Sources (Uses)	06-30-14	
General	\$ 986,908	\$ 11,749,054	\$ 11,502,423	\$ -	\$ 1,233,539	\$ 11,460,273	\$ 11,613,833	\$ 1,970	\$ 1,081,949	
Debt Service	904,012	1,703,175	1,713,971	-	893,216	1,787,410	1,719,999	-	960,627	
Capital Projects	859,352	1,994,536	1,907,233	-	946,655	1,951,465	2,187,809	-	710,311	
School Transportation	518,148	899,466	936,938	-	480,676	799,573	977,110	-	303,139	
School Bus Replacement	353,346	251,084	234,785	-	369,645	247,677	369,383	-	247,939	
School Lunch	724,126	946,521	1,015,492	-	655,155	1,144,753	1,391,783	-	408,125	
Textbook Rental	179,631	185,006	80,553	-	284,084	180,986	214,902	-	250,168	
PVETI 2013-2014	98,608	1,192	77,247	(22,553)	-	709,112	637,944	26,709	97,877	
PVETI 2012-2013	-	638,096	566,169	22,553	94,480	(2,032)	65,739	(26,709)	-	
Educational License Plates	75	319	300	-	94	225	-	-	319	
Alternative Education	-	6,307	-	-	6,307	5,940	6,307	-	5,940	
Early Intervention Grant	6,358	5,997	12,355	-	-	-	-	-	-	
ISU Prof. Dev.	3,017	-	770	-	2,247	-	-	-	2,247	
Adult and Continuing Education	(9,879)	21,160	9,295	-	1,986	9,350	9,145	-	2,191	
Giacoletto Foundation	6,274	5,000	2,785	-	8,489	5,000	3,672	-	9,817	
High Ability 2013-14	4,424	-	4,424	-	-	31,280	30,143	-	1,137	
High Ability 2012-13	-	31,165	29,888	-	1,277	-	1,277	-	-	
Non-English Speaking Programs P.L. 273-1999	458	-	458	-	-	-	-	-	-	
School Technology	36,673	41,538	56,142	-	22,069	28,647	38,812	-	11,904	
Helt Township Preschool	-	-	-	-	-	11,908	12,753	-	(845)	
Wellness Program	6,571	200	6,668	-	103	3,990	3,911	-	182	
Alternative Suspension	10,551	-	6,405	-	4,146	6,307	9,543	-	910	
Wilson Education Center	-	99,672	80,112	41,809	61,369	-	6,301	(55,068)	-	
2012 Innovation Grant-UV	-	3,613	6,102	-	(2,489)	8,400	5,911	-	-	
PVETI Health Center	47,258	-	5,449	(41,809)	-	33,075	79,357	55,068	8,786	
Title I	-	240,671	262,195	-	(21,524)	68,135	46,611	-	-	
Title I 13-14	(26,176)	118,258	92,082	-	-	203,616	222,373	-	(18,757)	
Adult Comp.	(5,486)	7,492	2,006	-	-	76,740	100,848	-	(24,108)	
Adult Education	-	37,285	63,325	-	(26,040)	32,936	6,896	-	-	
ICJI ASAP Program	(5,000)	5,000	-	-	-	-	-	-	-	
Perkins 13-14	(14,463)	34,292	19,829	-	-	37,508	39,577	-	(2,069)	
Perkins 12-13	-	29,237	35,195	-	(5,958)	42,392	36,434	-	-	
Tech Prep/Career	(2,085)	2,085	-	-	-	-	-	-	-	
Medicaid Reimbursement - Federal	22,393	45,912	59,833	-	8,472	77,636	23,375	-	62,733	
Other Federal Programs	(611)	640	29	-	-	-	-	-	-	
CTE Resource Project 2013	-	-	10,987	-	(10,987)	14,742	3,755	-	-	
Title II, Part A 12-13	-	40,112	45,587	-	(5,475)	34,393	28,918	-	-	
Title II(A) Class Red 11-12	(6,459)	41,816	35,357	-	-	-	-	-	-	
Title II(A), Class Red 13-14	-	-	-	-	-	45,067	52,270	-	(7,203)	
Improving Teaching Quality, No Child Left, Title II, Part A	-	-	-	-	-	250	4,650	-	(4,400)	
Digital Learning Grant	-	-	-	-	-	-	1,230	-	(1,230)	
Education Jobs	(24,224)	122,130	97,906	-	-	-	-	-	-	
Payroll Clearing	48,354	3,035,552	3,046,965	-	36,941	3,143,316	3,142,011	-	38,246	
Totals	\$ 4,722,154	\$ 22,343,583	\$ 22,027,260	\$ -	\$ 5,038,477	\$ 22,200,070	\$ 23,094,582	\$ 1,970	\$ 4,145,935	

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

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

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

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

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:

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

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.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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.

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.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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, 2013, or June 30, 2014.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with South Vermillion 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 2013 and 2014 totaled \$1,713,971 and \$1,719,999, respectively.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Event

On January 4, 2016, the School Board of Trustees modified their original lease with South Vermilion School Building Corporation in order to procure funds for renovations and alterations to school facilities operated by the School Corporation. The cost of the renovations and alterations is not to exceed \$1,805,000.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. 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 Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	School Lunch	Textbook Rental	PVETI 2013-2014	PVETI 2012-2013
Cash and investments - beginning	\$ 986,908	\$ 904,012	\$ 859,352	\$ 518,148	\$ 353,346	\$ 724,126	\$ 179,631	\$ 98,608	\$ -
Receipts:									
Local sources	40,669	1,703,175	1,994,534	899,466	251,084	394,032	114,329	1,192	637,526
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	11,708,385	-	-	-	-	10,275	70,677	-	-
Federal sources	-	-	-	-	-	542,214	-	-	-
Other	-	-	2	-	-	-	-	-	570
Total receipts	11,749,054	1,703,175	1,994,536	899,466	251,084	946,521	185,006	1,192	638,096
Disbursements:									
Current:									
Instruction	7,692,684	-	-	-	-	-	-	54,424	431,444
Support services	3,576,618	-	1,028,018	936,938	234,785	-	80,553	22,827	133,592
Noninstructional services	233,121	-	-	-	-	1,015,492	-	-	-
Facilities acquisition and construction	-	-	879,215	-	-	-	-	-	-
Debt services	-	1,713,971	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	(4)	1,133
Total disbursements	11,502,423	1,713,971	1,907,233	936,938	234,785	1,015,492	80,553	77,247	566,169
Excess (deficiency) of receipts over disbursements	246,631	(10,796)	87,303	(37,472)	16,299	(68,971)	104,453	(76,055)	71,927
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	22,553
Transfers out	-	-	-	-	-	-	-	(22,553)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(22,553)	22,553
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	246,631	(10,796)	87,303	(37,472)	16,299	(68,971)	104,453	(98,608)	94,480
Cash and investments - ending	\$ 1,233,539	\$ 893,216	\$ 946,655	\$ 480,676	\$ 369,645	\$ 655,155	\$ 284,084	\$ -	\$ 94,480

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Educational License Plates	Alternative Education	Early Intervention Grant	ISU Prof. Dev.	Adult and Continuing Education	Giacoletto Foundation	High ability 2013-14	High ability 2012-13	Non-English Speaking Programs P.L. 273-1999
Cash and investments - beginning	\$ 75	\$ -	\$ 6,358	\$ 3,017	\$ (9,879)	\$ 6,274	\$ 4,424	\$ -	\$ 458
Receipts:									
Local sources	-	-	-	-	-	5,000	-	-	-
Intermediate sources	319	-	-	-	-	-	-	-	-
State sources	-	6,307	5,997	-	21,160	-	-	31,165	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	319	6,307	5,997	-	21,160	5,000	-	31,165	-
Disbursements:									
Current:									
Instruction	300	-	12,355	-	9,295	-	4,424	-	-
Support services	-	-	-	770	-	-	-	29,888	458
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	2,785	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	300	-	12,355	770	9,295	2,785	4,424	29,888	458
Excess (deficiency) of receipts over disbursements	19	6,307	(6,358)	(770)	11,865	2,215	(4,424)	1,277	(458)
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	19	6,307	(6,358)	(770)	11,865	2,215	(4,424)	1,277	(458)
Cash and investments - ending	\$ 94	\$ 6,307	\$ -	\$ 2,247	\$ 1,986	\$ 8,489	\$ -	\$ 1,277	\$ -

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	School Technology	Helt Township Preschool	Wellness Program	Alternative Suspension	Wilson Education Center	2012 Innovation Grant-UV	PVETI Health Center	Title I	Title I 13-14
Cash and investments - beginning	\$ 36,673	\$ -	\$ 6,571	\$ 10,551	\$ -	\$ -	\$ 47,258	\$ -	\$ (26,176)
Receipts:									
Local sources	-	-	200	-	412	3,613	-	-	-
Intermediate sources	-	-	-	-	99,260	-	-	-	-
State sources	41,538	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	240,671	118,258
Other	-	-	-	-	-	-	-	-	-
Total receipts	41,538	-	200	-	99,672	3,613	-	240,671	118,258
Disbursements:									
Current:									
Instruction	-	-	-	6,405	17,104	6,102	2,725	182,008	76,410
Support services	-	-	6,668	-	62,568	-	3,200	79,545	14,937
Noninstructional services	-	-	-	-	-	-	-	642	735
Facilities acquisition and construction	56,142	-	-	-	440	-	(475)	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	(1)	-	-
Total disbursements	56,142	-	6,668	6,405	80,112	6,102	5,449	262,195	92,082
Excess (deficiency) of receipts over disbursements	(14,604)	-	(6,468)	(6,405)	19,560	(2,489)	(5,449)	(21,524)	26,176
Other financing sources (uses):									
Transfers in	-	-	-	-	41,809	-	-	-	-
Transfers out	-	-	-	-	-	-	(41,809)	-	-
Total other financing sources (uses)	-	-	-	-	41,809	-	(41,809)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,604)	-	(6,468)	(6,405)	61,369	(2,489)	(47,258)	(21,524)	26,176
Cash and investments - ending	\$ 22,069	\$ -	\$ 103	\$ 4,146	\$ 61,369	\$ (2,489)	\$ -	\$ (21,524)	\$ -

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Adult Comp.	Adult Education	ICJI ASAP Program	Perkins 13-14	Perkins 12-13	Tech Prep/ Career	Medicaid Reimbursement - Federal	Other Federal Programs	CTE Resource Project 2013
Cash and investments - beginning	\$ (5,486)	\$ -	\$ (5,000)	\$ (14,463)	\$ -	\$ (2,085)	\$ 22,393	\$ (611)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	640	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	7,492	37,285	-	34,292	29,237	2,085	45,912	-	-
Other	-	-	5,000	-	-	-	-	-	-
Total receipts	7,492	37,285	5,000	34,292	29,237	2,085	45,912	640	-
Disbursements:									
Current:									
Instruction	1,009	44,332	-	19,830	35,025	-	-	29	-
Support services	997	18,993	-	(1)	170	-	59,833	-	10,987
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	2,006	63,325	-	19,829	35,195	-	59,833	29	10,987
Excess (deficiency) of receipts over disbursements	5,486	(26,040)	5,000	14,463	(5,958)	2,085	(13,921)	611	(10,987)
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	5,486	(26,040)	5,000	14,463	(5,958)	2,085	(13,921)	611	(10,987)
Cash and investments - ending	\$ -	\$ (26,040)	\$ -	\$ -	\$ (5,958)	\$ -	\$ 8,472	\$ -	\$ (10,987)

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Title II Part A 12-13	Title II(A) Class Red 11-12	Title II(A) Class Red 13-14	Improving Teaching Quality, No Child Left, Title II, Part A	Digital Learning Grant	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (6,459)	\$ -	\$ -	\$ -	\$ (24,224)	\$ 48,354	\$ 4,722,154
Receipts:								
Local sources	-	-	-	-	-	-	-	6,045,872
Intermediate sources	-	-	-	-	-	-	-	99,579
State sources	-	-	-	-	-	-	-	11,895,504
Federal sources	40,112	41,816	-	-	-	122,130	-	1,261,504
Other	-	-	-	-	-	-	3,035,552	3,041,124
Total receipts	40,112	41,816	-	-	-	122,130	3,035,552	22,343,583
Disbursements:								
Current:								
Instruction	43,387	35,357	-	-	-	3,526	-	8,678,175
Support services	2,200	-	-	-	-	94,380	-	6,398,924
Noninstructional services	-	-	-	-	-	-	-	1,249,990
Facilities acquisition and construction	-	-	-	-	-	-	-	938,107
Debt services	-	-	-	-	-	-	-	1,713,971
Nonprogrammed charges	-	-	-	-	-	-	3,046,965	3,048,093
Total disbursements	45,587	35,357	-	-	-	97,906	3,046,965	22,027,260
Excess (deficiency) of receipts over disbursements	(5,475)	6,459	-	-	-	24,224	(11,413)	316,323
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	64,362
Transfers out	-	-	-	-	-	-	-	(64,362)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,475)	6,459	-	-	-	24,224	(11,413)	316,323
Cash and investments - ending	\$ (5,475)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,941	\$ 5,038,477

SOUTH VERMILLION COMMUNITY 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	Capital Projects	School Transportation	School Bus Replacement	School Lunch	Textbook Rental	PVETI 2013-2014	PVETI 2012-2013
Cash and investments - beginning	\$ 1,233,539	\$ 893,216	\$ 946,655	\$ 480,676	\$ 369,645	\$ 655,155	\$ 284,084	\$ -	\$ 94,480
Receipts:									
Local sources	43,057	1,787,410	1,922,648	799,573	247,677	637,709	112,192	709,112	(2,032)
Intermediate sources	1,101	-	-	-	-	-	-	-	-
State sources	11,413,684	-	-	-	-	8,245	68,794	-	-
Federal sources	-	-	-	-	-	498,799	-	-	-
Other	2,431	-	28,817	-	-	-	-	-	-
Total receipts	<u>11,460,273</u>	<u>1,787,410</u>	<u>1,951,465</u>	<u>799,573</u>	<u>247,677</u>	<u>1,144,753</u>	<u>180,986</u>	<u>709,112</u>	<u>(2,032)</u>
Disbursements:									
Current:									
Instruction	7,813,352	-	-	-	-	-	-	454,874	52,829
Support services	3,644,527	-	1,159,225	977,110	369,383	-	214,902	182,445	12,910
Noninstructional services	155,814	-	-	-	-	1,391,783	-	-	-
Facilities acquisition and construction	-	-	1,028,584	-	-	-	-	-	-
Debt services	-	1,719,999	-	-	-	-	-	-	-
Nonprogrammed charges	140	-	-	-	-	-	-	625	-
Total disbursements	<u>11,613,833</u>	<u>1,719,999</u>	<u>2,187,809</u>	<u>977,110</u>	<u>369,383</u>	<u>1,391,783</u>	<u>214,902</u>	<u>637,944</u>	<u>65,739</u>
Excess (deficiency) of receipts over disbursements	<u>(153,560)</u>	<u>67,411</u>	<u>(236,344)</u>	<u>(177,537)</u>	<u>(121,706)</u>	<u>(247,030)</u>	<u>(33,916)</u>	<u>71,168</u>	<u>(67,771)</u>
Other financing sources (uses):									
Sale of capital assets	1,970	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	26,709	-
Transfers out	-	-	-	-	-	-	-	-	(26,709)
Total other financing sources (uses)	<u>1,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,709</u>	<u>(26,709)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(151,590)</u>	<u>67,411</u>	<u>(236,344)</u>	<u>(177,537)</u>	<u>(121,706)</u>	<u>(247,030)</u>	<u>(33,916)</u>	<u>97,877</u>	<u>(94,480)</u>
Cash and investments - ending	<u>\$ 1,081,949</u>	<u>\$ 960,627</u>	<u>\$ 710,311</u>	<u>\$ 303,139</u>	<u>\$ 247,939</u>	<u>\$ 408,125</u>	<u>\$ 250,168</u>	<u>\$ 97,877</u>	<u>\$ -</u>

SOUTH VERMILLION COMMUNITY 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)

	Educational License Plates	Alternative Education	Early Intervention Grant	ISU Prof. Dev.	Adult and Continuing Education	Giacoletto Foundation	High ability 2013-14	High ability 2012-13	Non-English Speaking Programs P.L. 273-1999
Cash and investments - beginning	\$ 94	\$ 6,307	\$ -	\$ 2,247	\$ 1,986	\$ 8,489	\$ -	\$ 1,277	\$ -
Receipts:									
Local sources	-	-	-	-	-	5,000	-	-	-
Intermediate sources	225	-	-	-	-	-	-	-	-
State sources	-	5,940	-	-	9,350	-	31,280	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	225	5,940	-	-	9,350	5,000	31,280	-	-
Disbursements:									
Current:									
Instruction	-	6,307	-	-	9,145	-	30,143	-	-
Support services	-	-	-	-	-	-	-	1,269	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	3,672	-	8	-
Total disbursements	-	6,307	-	-	9,145	3,672	30,143	1,277	-
Excess (deficiency) of receipts over disbursements	225	(367)	-	-	205	1,328	1,137	(1,277)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	225	(367)	-	-	205	1,328	1,137	(1,277)	-
Cash and investments - ending	\$ 319	\$ 5,940	\$ -	\$ 2,247	\$ 2,191	\$ 9,817	\$ 1,137	\$ -	\$ -

SOUTH VERMILLION COMMUNITY 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	Helt Township Preschool	Wellness Program	Alternative Suspension	Wilson Education Center	2012 Innovation Grant-UV	PVETI Health Center	Title I	Title I 13-14
Cash and investments - beginning	\$ 22,069	\$ -	\$ 103	\$ 4,146	\$ 61,369	\$ (2,489)	\$ -	\$ (21,524)	\$ -
Receipts:									
Local sources	-	11,908	3,990	-	-	8,400	1,000	-	-
Intermediate sources	-	-	-	-	-	-	32,075	-	-
State sources	28,647	-	-	6,307	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	68,135	203,616
Other	-	-	-	-	-	-	-	-	-
Total receipts	28,647	11,908	3,990	6,307	-	8,400	33,075	68,135	203,616
Disbursements:									
Current:									
Instruction	-	12,753	-	9,543	3,419	5,911	1,443	30,080	143,780
Support services	-	-	3,911	-	2,882	-	62,616	16,531	77,760
Noninstructional services	-	-	-	-	-	-	-	-	833
Facilities acquisition and construction	38,812	-	-	-	-	-	800	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	14,498	-	-
Total disbursements	38,812	12,753	3,911	9,543	6,301	5,911	79,357	46,611	222,373
Excess (deficiency) of receipts over disbursements	(10,165)	(845)	79	(3,236)	(6,301)	2,489	(46,282)	21,524	(18,757)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	55,068	-	-
Transfers out	-	-	-	-	(55,068)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(55,068)	-	55,068	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,165)	(845)	79	(3,236)	(61,369)	2,489	8,786	21,524	(18,757)
Cash and investments - ending	\$ 11,904	\$ (845)	\$ 182	\$ 910	\$ -	\$ -	\$ 8,786	\$ -	\$ (18,757)

SOUTH VERMILLION COMMUNITY 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)

	Adult Comp.	Adult Education	ICJI ASAP Program	Perkins 13-14	Perkins 12-13	Tech Prep/ Career	Medicaid Reimbursement - Federal	Other Federal Programs	CTE Resource Project 2013
Cash and investments - beginning	\$ -	\$ (26,040)	\$ -	\$ -	\$ (5,958)	\$ -	\$ 8,472	\$ -	\$ (10,987)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	14,742
Federal sources	76,740	32,936	-	37,508	42,392	-	77,636	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>76,740</u>	<u>32,936</u>	<u>-</u>	<u>37,508</u>	<u>42,392</u>	<u>-</u>	<u>77,636</u>	<u>-</u>	<u>14,742</u>
Disbursements:									
Current:									
Instruction	86,520	6,268	-	35,990	36,434	-	-	-	-
Support services	14,328	628	-	3,587	-	-	22,898	-	3,755
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	477	-	-
Total disbursements	<u>100,848</u>	<u>6,896</u>	<u>-</u>	<u>39,577</u>	<u>36,434</u>	<u>-</u>	<u>23,375</u>	<u>-</u>	<u>3,755</u>
Excess (deficiency) of receipts over disbursements	<u>(24,108)</u>	<u>26,040</u>	<u>-</u>	<u>(2,069)</u>	<u>5,958</u>	<u>-</u>	<u>54,261</u>	<u>-</u>	<u>10,987</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<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>(24,108)</u>	<u>26,040</u>	<u>-</u>	<u>(2,069)</u>	<u>5,958</u>	<u>-</u>	<u>54,261</u>	<u>-</u>	<u>10,987</u>
Cash and investments - ending	<u><u>\$ (24,108)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,069)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,733</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SOUTH VERMILLION COMMUNITY 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)

	Title II Part A 12-13	Title II(A) Class Red 11-12	Title II(A) Class Red 13-14	Improving Teaching Quality, No Child Left, Title II, Part A	Digital Learning Grant	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (5,475)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,941	\$ 5,038,477
Receipts:								
Local sources	-	-	-	-	-	-	-	6,287,644
Intermediate sources	-	-	-	-	-	-	-	33,401
State sources	-	-	-	-	-	-	-	11,586,989
Federal sources	34,393	-	45,067	250	-	-	-	1,117,472
Other	-	-	-	-	-	-	3,143,316	3,174,564
Total receipts	34,393	-	45,067	250	-	-	3,143,316	22,200,070
Disbursements:								
Current:								
Instruction	28,918	-	50,208	-	-	-	-	8,817,917
Support services	-	-	2,062	4,650	-	-	-	6,777,379
Noninstructional services	-	-	-	-	-	-	-	1,548,430
Facilities acquisition and construction	-	-	-	-	1,230	-	-	1,069,426
Debt services	-	-	-	-	-	-	-	1,719,999
Nonprogrammed charges	-	-	-	-	-	-	3,142,011	3,161,431
Total disbursements	28,918	-	52,270	4,650	1,230	-	3,142,011	23,094,582
Excess (deficiency) of receipts over disbursements	5,475	-	(7,203)	(4,400)	(1,230)	-	1,305	(894,512)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	1,970
Transfers in	-	-	-	-	-	-	-	81,777
Transfers out	-	-	-	-	-	-	-	(81,777)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,970
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,475	-	(7,203)	(4,400)	(1,230)	-	1,305	(892,542)
Cash and investments - ending	\$ -	\$ -	\$ (7,203)	\$ (4,400)	\$ (1,230)	\$ -	\$ 38,246	\$ 4,145,935

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 95,040</u>	<u>\$ 58,612</u>

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Mercede's Benz Financial	School Bus Fleet	\$ 231,285	8/1/2012	8/1/2017
South Vermillion School Building Corporation	South Vermillion Middle School Building	1,056,200	1/15/2013	7/15/2016
South Vermillion School Building Corporation	Ernie Pyrie/Van Duyn Building Improvements	<u>670,750</u>	1/15/2005	6/30/2014
Total governmental activities		<u>1,958,235</u>		
Total of annual lease payments		<u>\$ 1,958,235</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2013 Guaranteed Energy Savings	\$ 3,255,000	\$ 296,036
Totals		<u>\$ 3,255,000</u>	<u>\$ 296,036</u>

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SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2014

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 739,500
Buildings	73,424,410
Improvements other than buildings	3,695,224
Machinery, equipment, and vehicles	6,538,271
 Total capital assets	 \$ 84,397,405

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE SOUTH VERMILLION COMMUNITY
SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the South Vermillion Community 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 its major federal program for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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 the School Corporation's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2014-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

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 2014-001, 2014-002, and 2014-003. Our opinion on the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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.

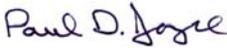
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that

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

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 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005 to be material weaknesses.

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

June 8, 2016

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.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY2013 FY2014	\$ 122,954 -	\$ - 129,255
National School Lunch Program	Indiana Department of Education	10.555	FY2013 FY2014	447,079 -	- 480,309
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY2013 FY2014	11,765 -	- 15,939
Total - Child Nutrition Cluster				<u>581,798</u>	<u>625,503</u>
Total - Department of Agriculture				<u>581,798</u>	<u>625,503</u>
<u>Department of Justice</u>					
Juvenile Justice and Delinquency Prevention_Allocation to States	Vermillion County	16.540	CJI 2012-2013	5,000	-
Total - Department of Justice				<u>5,000</u>	<u>-</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-8020 13-8020 14-8020	118,258 240,671 -	- 73,796 197,955
Total - Title I, Part A Cluster				<u>358,929</u>	<u>271,751</u>
Special Education Cluster (IDEA)					
Special Education_Grants to States	Indiana Department of Education	84.027	14211-008-PN01 14212-008-PN01 14213-008-PN01 14214-008-PN01 99999-008-PN01	28,071 143,256 310,229 - -	- 22,038 116,894 331,294 1,617
Total - Special Education_Grants to States				<u>481,556</u>	<u>471,843</u>
Special Education_ Pre-School Grants					
Special Education_ Pre-School Grants	Indiana Department of Education	84.173	45711-008-PN01 45712-008-PN01 45713-008-PN01 45714-008-PN01	206 5,185 11,781 -	- 2,154 4,477 12,598
Total - Special Education_ Pre-School Grants				<u>17,172</u>	<u>19,229</u>
Total - Special Education Cluster (IDEA)				<u>498,728</u>	<u>491,072</u>

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002			
Adult Ed. 2011-12			C1-2-AE-2-123	7,492	-
Adult Ed. 2012-13			C1-3-AE-2-123	15,350	12,835
Adult Ed. 2013-14			C1-4-AE-3-123	-	14,207
Total - Adult Education - Basic Grants to States				<u>22,842</u>	<u>27,042</u>
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048			
Perkins 2011-12			12-4700-8020	34,292	-
Perkins 2012-13			13-4700-8020	29,237	42,392
Perkins 2013-14			13-4700-8020	-	37,508
CTE Tech Resource			A58-3-13CI-1571	-	14,742
Total - Career and Technical Education - Basic Grants to States				<u>63,529</u>	<u>94,642</u>
Tech-Prep Education	Indiana Department of Education	84.243	V243A100014	2,085	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
Title II A 2011-12			FY 11/12	40,112	-
Title II A 2012-13			FY 12/13	41,816	34,393
Title II A 2013-14			FY 13/14	-	45,067
Title II A (eLearning)			FY 2014	-	250
Total - Improving Teacher Quality State Grants				<u>81,928</u>	<u>79,710</u>
Education Jobs Fund	Indiana Department of Education	84.410	S410A100015	122,130	-
Total - Department of Education				<u>1,028,041</u>	<u>964,217</u>
<u>Department of Health and Human Services</u>					
Medicaid Cluster					
Medical Assistance Program	Indiana Department of Health and Human Services	93.778			
Medicaid 2014			FY 12/13	45,912	-
			FY 13/14	-	77,636
Total - Medicaid Cluster				<u>45,912</u>	<u>77,636</u>
Total - Department of Health and Human Services				<u>45,912</u>	<u>77,636</u>
Total federal awards expended				<u>\$ 1,782,881</u>	<u>\$ 1,667,356</u>

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

SOUTH VERMILLION COMMUNITY 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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 72,090	\$ 67,623

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all programs except for Child Nutrition Cluster which was qualified.
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

No matters are reportable.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-001 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Pre-School Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14211-008-PN01, 14212-008-PN01,
14213-008-PN01, 14214-008-PN01,
99999-008-PN01, 45711-008-PN01,
45712-008-PN01, 45713-008-PN01,
45714-008-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation is a member of Covered Bridge Special Education District (District). The District operates the Special Education program and manages the Special Education grant funds.

Management of the District had not established an effective internal control system which includes segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements that have a direct and material effect on the programs.

Requests for reimbursement were prepared and filed by the District Treasurer with no review or approval process prior to the submission of the requests to the pass-through entity for reimbursement. The District has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and that the expenditures submitted for reimbursement were paid prior to the request.

Requests for reimbursement were not based on the actual amounts paid. Year to date expenses paid per the appropriation report less reimbursements already received was used by the District Treasurer to request reimbursement.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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. . . ."

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR 80.21 states in part:

" . . . (b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . .

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met . . . "

31 CFR 205.12(b) states in part:

" . . . (5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.20(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.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

The failure to establish internal controls would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management develop and implement procedures to establish controls to monitor the District.

**FINDING 2014-002 - SPECIAL TESTS AND PROVISIONS - VERIFICATION
OF FREE AND REDUCED PRICE APPLICATIONS**

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): FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to Verification of Free and Reduced Price Applications. As a result, the verification of the eligibility status of students was not determined using the recommended procedures. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Verification of the Free and Reduced Price Applications was not performed by an individual other than the individual who made the initial eligibility determination. The verification portion of the verified Applications for Free and Reduced Price Meals were not signed.

The "For School Use Only" portion the Free/Reduced Price Application completed annually has two sections. The first section is "Eligibility Determination." All applications had this part filled in and signed by the individual making the determination. The second section "Verification" is required to be completed for a percentage of the total applications. This verification portion of the application should be completed and signed by someone other than the person completing the eligibility determination portion. It also requires documentation of the verification process and the results in addition to the signature of the verifying official.

The August 2013 Eligibility Manual for School Meals Determining Eligibility and Verification (the Manual) issued by the USDA states on page 69: "CONFIRMATION REVIEWS Prior to any other verification activity, an LEA official, other than the official who made the initial eligibility determination, must review each approved application selected for verification to ensure that the initial determination was accurate."

The Manual further states on pages 75 and 76: "INDIVIDUAL APPLICATIONS For each application, the LEA must keep records of the source of information used to verify the application such as wage stubs or names and titles of collateral contacts. The LEA must retain: . . . Any change in eligibility as a result of verification procedures, the reason for the change and the date the household was notified, if necessary, and the date it became effective; and records of follow-up attempts and results. LEAs should also record: Any additional information necessary to show the efforts made by the LEA to meet the verification requirements; Title and signature of the verifying official . . ."

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 failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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, and to comply with the Verification of Free and Reduced Price Applications requirement.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES

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): FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement that have a direct and material effect to the Child Nutrition Cluster. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Costs/Cost Principles compliance requirement related to its School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (Child Nutrition Cluster).

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Time and Effort records for their employees paid from the Child Nutrition Cluster were prepared. School Corporation officials did not prepare the required Semi-Annual Certification Activity Reports for employees paid solely from the Child Nutrition Cluster, nor did they prepare Personnel Activity Reports or equivalent documentation, for their employees paid from various cost objectives including the Child Nutrition Cluster. Records documenting the time worked were not prepared for the entire audit period. However, Allowable Costs pertaining to employees compensation related to the Child Nutrition Cluster were verified.

OMB A-87, Attachment B, Item 8h, states in part:

" . . . (3) 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.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. . . ."

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 failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles. We also recommended that the School Corporation maintain Personnel Activity Reports and Semi-Annual Certifications Activity Reports for all employees paid from these federal programs.

FINDING 2014-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

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): FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement that have a direct and material effect to the Child Nutrition Cluster. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation did not maintain records that identify equipment and other property acquired with School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children monies. Equipment purchases during the audit period totaled \$204,722 or 9 percent of the Child Nutrition Cluster expenditures. These purchases, made at the individual schools with extracurricular lunch funds, were not included with the School Corporation records. A physical inventory of equipment was done in March of 2014 at the individual school cafeterias, but these inventories did not include the date of purchase, cost of purchase, or serial numbers. The School Corporation did not identify whether items were acquired with federal or nonfederal funds.

7 CFR 3016.32(d) states:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

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 failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Equipment and Real Property compliance requirement. We also recommended that the School Corporation design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained for food service equipment and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with Federal Funds must be designated as such so that they are not disposed of improperly.

FINDING 2014-005 - REPORTING

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 12-8020, 13-8020, 14-8020
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and reporting for the Title I program.

The School Corporation Treasurer was solely responsible for the preparation and submission of the Annual Expenditure Reports and the monthly Reimbursement Forms for the 2012-2013 and 2013-2014 grant years. There were no controls in place to ensure that the submitted reports were accurate.

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 failure to establish internal controls would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could result in the loss of federal funds to the School Corporation.

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

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



South Vermillion Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-2

Original Assigned SBA Audit Report Number: B41987
Report Period: 07/01/2010 to 06/30/2012
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Farrington
Contact Phone Number: 765-832-2426

Status of Audit Finding:

Subsequent reports of the South Vermillion Annual Financial Report with the Indiana Department of Education have included investments in the School Lunch Fund. In addition, the School Lunch Fund is now controlled at the Corporation Office and all investments have been cashed in and deposited into the School Lunch Fund.

FINDING 2012-3

Original Assigned SBA Audit Report Number: B41987
Report Period: 07/01/2010 to 06/30/2012
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Farrington
Contact Phone Number: 765-832-2426

Status of Audit Finding:

Subsequent meal/textbook applications were entered in the Harmony Student Management System by the building secretary and then sent to the Food Service Director. The Food Service Director checks for accuracy by manually calculating with an adding machine to ensure the applications were calculated correctly and what was entered in the Harmony Student Management System is correct and matches the application.

David A. Chapen
(Signature)

Superintendent
(Title)

3/9/16
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



South Vermillion Community School Corporation

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-2

Original Assigned SBA Audit Report Number: B41987
Report Period: 07/01/2010 to 06/30/2012
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Farrington
Contact Phone Number: 765-832-2426

Status of Audit Finding:

Subsequent reports of the South Vermillion Annual Financial Report with the Indiana Department of Education have included investments in the School Lunch Fund. In addition, the School Lunch Fund is now controlled at the Corporation Office and all investments have been cashed in and deposited into the School Lunch Fund.

FINDING 2012-3

Original Assigned SBA Audit Report Number: B41987
Report Period: 07/01/2010 to 06/30/2012
Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Farrington
Contact Phone Number: 765-832-2426

Status of Audit Finding:

Subsequent meal/textbook applications were entered in the Harmony Student Management System by the building secretary and then sent to the Food Service Director. The Food Service Director checks for accuracy by manually calculating with an adding machine to ensure the applications were calculated correctly and what was entered in the Harmony Student Management System is correct and matches the application.

Stephanie Farrington
(Signature)

Former Food Service Director
(Title)

3/9/2016
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b).)



South Vermillion Community School Corporation

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CORRECTIVE ACTION PLAN

SECTION III – Federal Award Findings and Questioned Costs

FINDING 2014-001

Federal Agency: U.S. Dept. of Education
 Federal Program: Special Education Cluster
 CFDA: 84.027, 84.173
 Federal Award Number(s): 14211-008-PN01, 14212-008-PN01, 14213-008-PN01
 14214-008-PN01, 99999-008-PN01, 45711-008-PN01
 45712-008-PN01, 45713-008-PN01, 45714-008-PN01

Auditee Contact Person: Cindy Guinn
 Title of Contact Person: Business Manager
 Phone Number: 765-832-2426

Briefly describe action to be taken to correct finding:

The Covered Bridge Cooperative Treasurer will no longer submit requests for reimbursement based on the appropriation report, but will calculate actual expenses incurred for the period of reimbursement.

The School Corporation Business Manager (Treasurer) will review all reimbursement requests prior to the submission of the requests to the pass-through entity. The Covered Bridge Cooperative Treasurer will provide the School Corporation with adequate proof of expenditures from Cooperative records to ensure the proper reimbursement is being requested.

Estimated Date of Completion: April 1, 2016

Signed: Cindy Guinn Cindy Guinn, South Vermillion Business Manager

Signed: David A. Chapman David Chapman, South Vermillion Superintendent

Signed: Jeffery Blake Jeffery Blake, Covered Bridge Cooperative Director

800 W. Wildcat Drive - P.O. Box 387, Clinton IN 47842-0387

765-832-2426

Fax 765-832-7391

David Chapman, Superintendent
 Jennifer Fossi, Director of Instructional Technology
 Cindy Guinn, Business Manager - Finance
 Stephanie Farrington, Corporation Secretary - Payroll - Personnel



South Vermillion Community School Corporation

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CORRECTIVE ACTION PLAN

SECTION III – Federal Award Findings and Questioned Costs

FINDING 2014-002 FINDING 2014-003 FINDING 2014-004

Federal Agency:	U.S. Dept. of Agriculture
Federal Program:	School Breakfast Program National School Lunch Program Summer Food Service Program for Children
CFDA:	10.553, 10.555 and 10.559
Federal Award Number and Year:	FY 2013 and FY 2014
Pass-Through Entity:	Indiana Department of Education
Auditee Contact Person:	Cindy Guinn
Title of Contact Person:	Business Manager
Phone Number:	765-832-2426

Briefly describe action to be taken to correct finding:

South Vermillion Community School Corporation's internal control system (segregation of duties) for Free/Reduced Price Applications will be certified by the Food Service Supervisor. The South Vermillion High School Treasurer will be responsible for the annual meal verification. This procedure will begin October 2016 - annual verification start time.

The Food Service Supervisor will ensure that time and effort records for employees paid from the Child Nutrition programs are prepared each six-month period and submitted to the Central Office for documentation of said wages. Those employees paid from other funding sources (Transportation) will have payroll documentation attached to the bi-annual activity report.

South Vermillion cafeterias will provide annual inventory of all major equipment. All current equipment with a value over \$5,000 will be included in South Vermillion's fixed asset inventory report for the period ending June 30, 2016.

Estimated Date of Completion: #002 – October 1, 2016 #003 - May 1, 2016 #004 - June 30, 2016

Signed: Cindy Guinn Cindy Guinn, South Vermillion Business Manager

Signed: David Chapman David Chapman, South Vermillion Superintendent

Signed: Debbie Ballock Debbie Ballock, Food Service Supervisor

800 W. Wildcat Drive - P.O. Box 387, Clinton IN 47842-0387 765-832-2426 Fax 765-832-7391

David Chapman, Superintendent
Jennifer Fossi, Director of Instructional Technology
Cindy Guinn, Business Manager - Finance
Stephanie Farrington, Corporation Secretary – Payroll - Personnel



South Vermillion Community School Corporation

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CORRECTIVE ACTION PLAN

SECTION III – Federal Award Findings and Questioned Costs

FINDING 2014-005

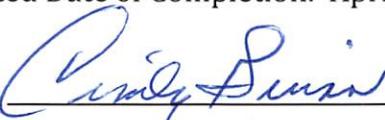
Federal Agency: U.S. Dept. of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA: 84.010
Federal Award Number and Year: FY12-13 and FY13-14

Auditee Contact Person: Cindy Guinn
Title of Contact Person: Business Manager
Phone Number: 765-832-2426

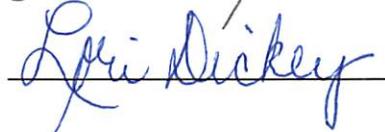
Briefly describe action to be taken to correct finding:

South Vermillion Community School Corporation's internal control system (segregation of duties) for the Title I program will require the Title I Director to approve monthly reimbursement requests, as well as the annual expenditure report prior to submission. The Title I Director will sign and date each report and return to the Business Manager for safekeeping.

Estimated Date of Completion: April 1, 2016

Signed:  Cindy Guinn, *South Vermillion Business Manager*

Signed:  David Chapman, *South Vermillion Superintendent*

Signed:  Lori Dickey, *Title I Director*

David Chapman, Superintendent

Jennifer Fossi, Director of Instructional Technology

Cindy Guinn, Business Manager - Finance

Stephanie Farrington, Corporation Secretary – Payroll - Personnel

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/>.