

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

AUDIT REPORT
OF

NORTH VERMILLION COMMUNITY
SCHOOL CORPORATION
VERMILLION COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
01/18/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	6-7
Statement of Cash Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	12-13
Statement of Cash and Investments – Fiduciary Funds	14-15
Notes to Financial Statements	16-25
Required Supplementary Information:	
Schedule of Funding Progress	26
Supplementary Information:	
Schedule of Capital Assets.....	27
Schedule of Long-Term Debt.....	28
Audit Results and Comments:	
Public Works Project.....	29
Compensation and Benefits.....	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	32-33
Schedule of Expenditures of Federal Awards.....	34-35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs.....	37
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	38
Exit Conference.....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Diana L. Crowder	07-01-04 to 06-30-07
Superintendent of Schools	Paul Roads	07-01-04 to 06-30-07
President of the School Board	Michael Clarey Lary Langley	07-01-04 to 06-30-06 07-01-06 to 06-30-07



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
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Vermillion Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 1, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 1, 2006



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
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the North Vermillion Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated November 1, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 1, 2006

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,508,341
Restricted assets:	
Cash and investments	<u>199,341</u>
Total assets	<u>\$ 1,707,682</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 199,341
Unrestricted	<u>1,508,341</u>
Total net assets	<u>\$ 1,707,682</u>

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,444,063
Restricted assets:	
Cash and investments	<u>196,626</u>
Total assets	<u>\$ 2,640,689</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 196,626
Unrestricted	<u>2,444,063</u>
Total net assets	<u>\$ 2,640,689</u>

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,713,626	\$ -	\$ 69,877	\$ (2,643,749)
Support services	3,666,637	223,348	153,116	(3,290,173)
Community services	135,020	-	-	(135,020)
Nonprogrammed charges	1,785,081	-	-	(1,785,081)
Debt service	3,536,910	-	-	(3,536,910)
Total governmental activities	\$ 11,837,274	\$ 223,348	\$ 222,993	(11,390,933)
General receipts:				
Property taxes				5,466,167
Other local sources				373,829
State aid				3,327,014
Grants and contributions not restricted				485,751
Sale of property, adjustments, and refunds				17,657
Investment earnings				66,102
Intergovernmental transfers				158,956
Total general receipts and intergovernmental transfers				9,895,476
Change in cash and investments				(1,495,457)
Net assets - beginning				3,203,139
Net assets - ending				\$ 1,707,682

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,646,988	\$ -	\$ 104,706	\$ (2,542,282)
Support services	3,688,160	230,977	169,950	(3,287,233)
Community services	131,896	-	-	(131,896)
Nonprogrammed charges	4,342,301	-	-	(4,342,301)
Debt service	<u>2,552,310</u>	<u>-</u>	<u>-</u>	<u>(2,552,310)</u>
Total governmental activities	<u>\$ 13,361,655</u>	<u>\$ 230,977</u>	<u>\$ 274,656</u>	<u>(12,856,022)</u>
General receipts:				
Property taxes				5,520,933
Other local sources				379,756
State aid				2,943,125
Grants and contributions not restricted				501,244
Sale of property, adjustments, and refunds				4,162,563
Investment earnings				62,916
Intergovernmental transfers				<u>218,492</u>
				Total general receipts and intergovernmental transfers
				<u>13,789,029</u>
				Change in cash and investments
				933,007
				Net assets - beginning
				<u>1,707,682</u>
				Net assets - ending
				<u>\$ 2,640,689</u>

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Energy Savings Project	Other	Totals
Receipts:								
Local sources	\$ 2,863,253	\$ 636,426	\$ 1,631,674	\$ 671,068	\$ 91,041	\$ 3,704	\$ 231,925	\$ 6,129,091
Intermediate sources	356	-	-	-	-	-	-	356
State sources	3,387,965	-	-	-	-	-	235,736	3,623,701
Federal sources	44,692	1,000	-	-	-	-	366,365	412,057
Sale of property, adjustments and refunds	546	5,201	-	5,989	2,566	-	3,354	17,656
Intergovernmental transfers	68,984	-	-	50,000	-	-	39,972	158,956
Total receipts	6,365,796	642,627	1,631,674	727,057	93,607	3,704	877,352	10,341,817
Disbursements:								
Current:								
Instruction	2,284,961	-	-	-	-	-	428,665	2,713,626
Support services	2,054,357	417,603	-	677,556	65,000	-	452,121	3,666,637
Community services	132,183	-	-	-	-	-	2,837	135,020
Nonprogrammed charges	257,895	11,807	5,377	3,047	329	1,473,082	33,544	1,785,081
Debt services	1,750,000	137,752	1,550,721	98,437	-	-	-	3,536,910
Total disbursements	6,479,396	567,162	1,556,098	779,040	65,329	1,473,082	917,167	11,837,274
Excess (deficiency) of total receipts over (under) total disbursements	(113,600)	75,465	75,576	(51,983)	28,278	(1,469,378)	(39,815)	(1,495,457)
Cash and investments - beginning	1,266,949	1,675	123,765	74,581	14,330	1,469,378	252,461	3,203,139
Cash and investments - ending	\$ 1,153,349	\$ 77,140	\$ 199,341	\$ 22,598	\$ 42,608	\$ -	\$ 212,646	\$ 1,707,682

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,585,078	\$ 756,665	\$ 898,220	\$ 683,191	\$ 31,381	\$ 239,633	\$ 6,194,168
Intermediate sources	-	-	-	-	-	413	413
State sources	3,070,245	-	-	-	-	248,624	3,318,869
Federal sources	47,476	1,500	-	-	-	351,181	400,157
Sale of property, adjustments and refunds	2,721,979	250,000	792,000	386,877	-	11,707	4,162,563
Intergovernmental transfers	106,927	-	-	-	-	111,565	218,492
Total receipts	<u>9,531,705</u>	<u>1,008,165</u>	<u>1,690,220</u>	<u>1,070,068</u>	<u>31,381</u>	<u>963,123</u>	<u>14,294,662</u>
Disbursements:							
Current:							
Instruction	2,356,007	-	-	-	-	290,981	2,646,988
Support services	2,213,413	446,784	-	564,409	-	463,554	3,688,160
Community services	130,909	-	-	-	-	987	131,896
Nonprogrammed charges	3,116,640	257,098	840,625	56,165	49,138	22,635	4,342,301
Debt services	1,700,000	-	852,310	-	-	-	2,552,310
Total disbursements	<u>9,516,969</u>	<u>703,882</u>	<u>1,692,935</u>	<u>620,574</u>	<u>49,138</u>	<u>778,157</u>	<u>13,361,655</u>
Excess (deficiency) of total receipts over (under) total disbursements	14,736	304,283	(2,715)	449,494	(17,757)	184,966	933,007
Cash and investments - beginning	1,153,349	77,140	199,341	22,598	42,608	212,646	1,707,682
Cash and investments - ending	<u>\$ 1,168,085</u>	<u>\$ 381,423</u>	<u>\$ 196,626</u>	<u>\$ 472,092</u>	<u>\$ 24,851</u>	<u>\$ 397,612</u>	<u>\$ 2,640,689</u>

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 9,380
Deductions:	
Instruction	339
Nonprogrammed charges	500
Total deductions	839
Excess of total additions over total deductions	8,541
Cash and investments - beginning	339
Cash and investments - ending	\$ 8,880

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 314
Deductions:	
Nonprogrammed charges	500
Deficiency of total additions under total deductions	(186)
Cash and investments - beginning	8,880
Cash and investments - ending	\$ 8,694

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>8,880</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>8,880</u>

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>8,694</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>8,694</u>

The accompanying notes are an integral part of the financial statements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Ventures

The School Corporation is a participant with Attica Consolidated School Corporation, Covington Community School Corporation, North Montgomery Community School Corporation, Southeast Fountain School Corporation, Turkey Run Community School Corporation, South Montgomery Community School Corporation, and Metropolitan School District of Warren County in a joint venture to operate the West Central Indiana Special Education Co-op which was created to provide instruction for handicapped children. The School Corporation is obligated for its share of the debts of the joint venture. Complete financial statements for the West Central Indiana Special Education Co-op can be obtained from the West Central Indiana Special Education Co-op, 1800 Ladoga Drive, Crawfordsville, IN 47933.

The School Corporation is a participant with Turkey Run Community School Corporation, Rockville School Corporation, Southwest Parke School Corporation, South Vermillion School Corporation, Indiana State University, and Ivy Tech State College, in a joint venture to operate the Parke-Vermillion Education and Training Interlocal which was created to provide vocational instruction for handicapped and regular education students. The School Corporation is obligated for its share of the debts of the joint venture. Complete financial statements for the Parke-Vermillion Interlocal can be obtained from the South Vermillion School Corporation office, 800 West Wildcat Drive, Clinton, IN 47933.

The School Corporation is a participant with Metropolitan School District of Warren County, Cloverdale Community, Hamilton Heights, Logansport Community, Marion Adams, North Putman, Benton Community, Northwestern, Rockville Community, Turkey Run Community, South Vermillion, Southwest Parke Community, Tipton Community, Western Boone School Corporations, Wabash Valley Education Center, and West Central Indiana Educational Service Center in the Wabash Valley/West Central Indiana Insurance Trust, in a joint venture to provide a common and unified program of group health insurance. The Trustees of the plan shall determine the rate of contributions to be required from each participant covered by the plan. Complete financial statements for the trust may be obtained from the Logansport Community School Corporation.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

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

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

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

The energy savings project fund accounts for planned construction, repair, replacement or remodeling of school buildings in order to provide reduced utility expenditures.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the student body.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. Due to the property tax reassessment, property taxes for 2004 were due in one installment on November 11, 2004.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 days per year based on months of service. Unused sick leave may be accumulated to a maximum of 205 days for certified personnel. Unused sick leave may not be accumulated for non-certified personnel.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Certified personnel (teachers) do not earn vacation leave because they are contracted for less than a full year. Administrators on extended contracts are authorized 15 days each school year. Other noncertified covered personnel are authorized 10 days each school year. These days are not cumulative.

c. Personal Leave

Certified personnel are authorized 3 days per school year. Noncertified personnel are authorized 2 days per school year. Unused personal days will be credited toward sick days up to the respective sick day maximums.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

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

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

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
General Fund	Capital Project	\$ 50,000	\$ -
General Fund	Other governmental	7,669	35,443
Debt Service	General Fund	58,984	39,966
Debt Service	Other governmental	5,377	8,659
Capital Project	General Fund	10,000	50,000
Capital Project	Other governmental	1,980	6,165
Transportation Operating	Other governmental	1,807	7,098
School Bus Replacement	Other governmental	329	49,138
Other governmental	General Fund	-	16,961
	Other governmental	22,810	5,062
Totals		<u>\$ 158,956</u>	<u>\$ 218,492</u>

The School Corporation typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

During 1992, the School Corporation joined together with other governmental entities to form the Wabash Valley/West Central Indiana Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for 17 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of group insurance plans for the benefit of member employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per year. The risk pool obtains independent coverage for insured events in excess of the \$150,000 annual limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with North Vermillion 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 government. Lease payments for each fiscal year totaled \$749,000

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 16,880
Interest on net pension obligation	(4,391)
Adjustment to annual required contribution	5,004
Annual pension cost	17,493
Contributions made	26,654
Decrease in net pension obligation	(9,161)
Net pension obligation, beginning of year	(60,567)
Net pension obligation, end of year	\$ (69,728)
Contribution rates:	
School Corporation	4%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 35,995	110%	\$ (49,125)
	06-30-04	22,929	150%	(60,567)
	06-30-05	17,493	116%	(69,728)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$80,246, \$66,711, and \$58,454, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 861,385	\$ 754,040	\$ 107,345	114%	\$ 629,350	17%
07-01-04	867,866	761,919	105,947	114%	527,544	20%
07-01-05	889,104	715,551	173,553	124%	576,728	30%

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

<u>Primary Government</u>	<u>Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 52,500
Buildings	18,328,053
Machinery and equipment	<u>2,456,030</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 20,836,583</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases: (Elementary School Building)	\$ 4,200,000	\$ 445,000
Operating Lease-Wilson Center	120,000	20,000
Notes and loans payable		
Common School	562,275	66,150
Energy Savings	2,699,656	395,472
Total governmental activities long-term debt	<u>\$ 7,581,931</u>	<u>\$ 926,622</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PUBLIC WORKS PROJECT

North Vermillion Community School Corporation during the 2005-2006 school year contracted with Garmong Construction Services for the construction of a press box at the football field. The total amount paid by the School Corporation's insurance company directly to Garmong Construction Services was \$126,702.39. There was no evidence presented for audit that sealed bids were requested or received.

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be:

- (1) at least seventy-five thousand dollars (\$75,000) in:
 - (A) a consolidated city or second class city;
 - (B) a county containing a consolidated city or second class city; or
 - (C) a regional water or sewage district established under IC 13-26; or
- (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1).

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indian Public School Corporation, Chapter 9)

COMPENSATION AND BENEFITS

The Maintenance Director received \$41,775.79 and the Assistant Maintenance Director received \$38,647.86 in payments for the year 2005 which were not included on the salary schedule.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

(This page intentionally left blank.)

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
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Compliance

We have audited the compliance of the North Vermillion Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 1, 2006

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
		FY 04-05	\$ 35,001	\$ -
		FY 05-06	-	43,472
Total for program			<u>35,001</u>	<u>43,472</u>
National School Lunch Program	10.555			
		FY 04-05	114,537	-
		FY 05-06	-	137,194
Total for program			<u>114,537</u>	<u>137,194</u>
Total for federal grantor agency			<u>149,538</u>	<u>180,666</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Crawfordsville Community School Corporation				
Special Education Cluster				
Special Education - Grants to States	84.027			
P.L. 94-142 Handicapped		C62-04-1	196,031	22,628
P.L. 94-142 Handicapped		C62-05-1	-	134,694
Total for program			<u>196,031</u>	<u>157,322</u>
Special Education Pre-School Grants	84.173			
P.L. 99-457 Pre-School Handicapped		PS 03-62	586	-
P.L. 99-457 Pre-School Handicapped		PS 04-62	8,166	-
P.L. 99-457 Pre-School Handicapped		PS 05-62	10,736	2,098
P.L. 99-457 Pre-School Handicapped		PS 06-62	-	3,734
Total for program			<u>19,488</u>	<u>5,832</u>
Total for cluster			<u>215,519</u>	<u>163,154</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Education Agencies	84.010			
		03-04-8010	31,120	-
		04-05-8010	125,762	24,974
		05-06-8010	-	103,362
Total for program			<u>156,882</u>	<u>128,336</u>

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Impact Aid	84.041			
Title VIII of ESEA		FY 05	40,781	-
Title VIII of ESEA		FY 06	-	47,476
Total for program			<u>40,781</u>	<u>47,476</u>
Safe and Drug Free Schools and Communities-State Grants	84.186			
		PN-03-069	1,671	-
		PN-04-094	4,503	470
		PN-05-095	-	2,892
Total for program			<u>6,174</u>	<u>3,362</u>
Eisenhower Professional Development State Grants	84.281			
Title II, Part B of ESEA		01-02 Project 00-114	1,882	1,347
Innovative Education Program Strategies	84.298			
Title V, Part A		02-03 Project 02-247	4,760	-
Title V, Part A		04-05 Project 04-272	3,159	440
Title V, Part A		03-04 Project 03-267	-	2,969
Total for program			<u>7,919</u>	<u>3,409</u>
Education Technology State Grant	84.318			
Title II Part D		03-04	5,740	-
Improving Teacher Quality State grant	84.367			
Title II, Part A		02-215	4,472	-
Title II, Part A		03-273	31,500	4,095
Title II, Part A		04-197	-	29,824
Total for program			<u>35,972</u>	<u>33,919</u>
Total for federal grantor agency			<u>470,869</u>	<u>381,003</u>
Total federal awards expended			<u>\$ 620,407</u>	<u>\$ 561,669</u>

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Vermillion Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
Child Nutrition Cluster	10.555	\$ 17,331	\$ 15,768

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2006, with Paul Roads, Superintendent of Schools; and Diana L. Crowder, Treasurer. The officials concurred with our audit findings.