

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

AUDIT REPORT  
OF  
SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION  
VERMILLION COUNTY, INDIANA  
July 1, 2004 to June 30, 2006



**FILED**  
03/05/2007



## 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 Cash and Investments – Fiduciary Funds.....	12-13
Statement of Receipts, Disbursements, and Changes in 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 Result and Comment:	
Extra-Curricular Disbursements.....	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
Notes to Schedule of Expenditures of Federal Awards .....	35
Schedule of Findings and Questioned Costs.....	36
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	37
Exit Conference.....	38

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Business Manager	Cindy Guinn	07-01-04 to 06-30-07
Superintendent of Schools	Steven E. Miller	07-01-04 to 06-30-07
President of the School Board	John Paul Roehm Edward S. Shew John Paul Roehm	01-01-04 to 12-31-04 01-01-05 to 12-31-05 01-01-06 to 12-31-07



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

TO: THE OFFICIALS OF THE SOUTH 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 South 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 January 16, 2007, 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.

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

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.

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

January 16, 2007



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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 SOUTH VERMILLION COMMUNITY  
SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

We have audited the financial statements of the South 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 January 16, 2007. 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

January 16, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,227,313
Restricted assets:	
Cash and investments	<u>352,973</u>
Total assets	<u>\$ 3,580,286</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 352,973
Unrestricted	<u>3,227,313</u>
Total net assets	<u>\$ 3,580,286</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,609,172
Restricted assets:	
Cash and investments	<u>135,552</u>
Total assets	<u>\$ 3,744,724</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 135,552
Unrestricted	<u>3,609,172</u>
Total net assets	<u>\$ 3,744,724</u>

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

SOUTH 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	\$ 6,650,452	\$ -	\$ 207,829	\$ (6,442,623)
Support services	9,240,839	554,892	793,046	(7,892,901)
Community services	184,038	-	-	(184,038)
Nonprogrammed charges	949,384	-	-	(949,384)
Debt service	5,682,654	-	-	(5,682,654)
Total governmental activities	\$ 22,707,367	\$ 554,892	\$ 1,000,875	(21,151,600)
General receipts:				
Property taxes				10,223,603
Other local sources				1,030,988
State aid				6,551,668
Grants and contributions not restricted				637,285
Bonds and loans				4,314,605
Sale of property, adjustments, and refunds				368
Investment earnings				44,046
Total general receipts				22,802,563
Change in cash and investments				1,650,963
Net assets - beginning				1,929,323
Net assets - ending				\$ 3,580,286

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

SOUTH 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	\$ 6,870,612	\$ -	\$ 326,623	\$ (6,543,989)
Support services	10,208,536	543,418	858,407	(8,806,711)
Community services	224,470	-	-	(224,470)
Nonprogrammed charges	1,312,426	-	-	(1,312,426)
Debt service	<u>4,503,262</u>	<u>-</u>	<u>-</u>	<u>(4,503,262)</u>
<b>Total governmental activities</b>	<u>\$ 23,119,306</u>	<u>\$ 543,418</u>	<u>\$ 1,185,030</u>	<u>(21,390,858)</u>
General receipts:				
Property taxes				9,161,980
Other local sources				934,174
State aid				7,487,087
Grants and contributions not restricted				584,909
Bonds and loans				3,253,628
Sale of property, adjustments, and refunds				1,940
Investment earnings				<u>131,578</u>
<b>Total general receipts</b>				<u>21,555,296</u>
Change in cash and investments				164,438
Net assets - beginning				<u>3,580,286</u>
Net assets - ending				<u>\$ 3,744,724</u>

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

SOUTH 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	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 5,327,199	\$ 875,937	\$ 2,330,044	\$ 2,384,979	\$ 220,867	\$ 575,747	\$ 11,714,773
Intermediate sources	-	-	-	-	-	138,756	138,756
State sources	6,659,688	-	-	-	-	161,208	6,820,896
Federal sources	-	-	-	-	-	1,368,932	1,368,932
Bonds and loans	2,003,633	161,556	949,416	1,200,000	-	-	4,314,605
Sale of property, adjustments and refunds	-	368	-	-	-	-	368
Intergovernmental transfers	11,944	-	-	-	-	733,729	745,673
<b>Total receipts</b>	<u>14,002,464</u>	<u>1,037,861</u>	<u>3,279,460</u>	<u>3,584,979</u>	<u>220,867</u>	<u>2,978,372</u>	<u>25,104,003</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	5,862,446	-	-	-	-	788,006	6,650,452
Support services	4,888,116	670,453	-	1,634,771	180,253	1,867,246	9,240,839
Community services	178,586	-	-	-	-	5,452	184,038
Nonprogrammed charges	1,175,217	100,000	300,000	-	-	119,840	1,695,057
Debt services	2,389,165	111,418	2,651,743	530,328	-	-	5,682,654
<b>Total disbursements</b>	<u>14,493,530</u>	<u>881,871</u>	<u>2,951,743</u>	<u>2,165,099</u>	<u>180,253</u>	<u>2,780,544</u>	<u>23,453,040</u>
Excess (deficiency) of total receipts over (under) total disbursements	(491,066)	155,990	327,717	1,419,880	40,614	197,828	1,650,963
Cash and investments - beginning	721,784	250,267	25,256	147,330	141,153	643,533	1,929,323
Cash and investments - ending	<u>\$ 230,718</u>	<u>\$ 406,257</u>	<u>\$ 352,973</u>	<u>\$ 1,567,210</u>	<u>\$ 181,767</u>	<u>\$ 841,361</u>	<u>\$ 3,580,286</u>

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

SOUTH 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
<b>Receipts:</b>							
Local sources	\$ 4,671,039	\$ 882,549	\$ 2,365,011	\$ 1,915,930	\$ 184,702	\$ 572,229	\$ 10,591,460
Intermediate sources	-	-	-	-	-	179,688	179,688
State sources	7,716,357	-	-	-	-	165,144	7,881,501
Federal sources	-	-	-	-	-	1,375,527	1,375,527
Bonds and loans	2,111,628	-	300,000	800,000	42,000	-	3,253,628
Sale of property, adjustments and refunds	-	1,940	-	-	-	-	1,940
Intergovernmental transfers	-	-	-	-	-	748,531	748,531
<b>Total receipts</b>	<u>14,499,024</u>	<u>884,489</u>	<u>2,665,011</u>	<u>2,715,930</u>	<u>226,702</u>	<u>3,041,119</u>	<u>24,032,275</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	5,860,209	-	-	-	-	1,010,403	6,870,612
Support services	4,994,916	704,098	-	2,126,654	408,126	1,974,742	10,208,536
Community services	198,641	-	-	-	-	25,829	224,470
Nonprogrammed charges	841,092	-	300,000	800,000	-	119,865	2,060,957
Debt services	1,717,274	161,556	2,582,432	42,000	-	-	4,503,262
<b>Total disbursements</b>	<u>13,612,132</u>	<u>865,654</u>	<u>2,882,432</u>	<u>2,968,654</u>	<u>408,126</u>	<u>3,130,839</u>	<u>23,867,837</u>
Excess (deficiency) of total receipts over (under) total disbursements	886,892	18,835	(217,421)	(252,724)	(181,424)	(89,720)	164,438
Cash and investments - beginning	230,718	406,257	352,973	1,567,210	181,767	841,361	3,580,286
Cash and investments - ending	<u>\$ 1,117,610</u>	<u>\$ 425,092</u>	<u>\$ 135,552</u>	<u>\$ 1,314,486</u>	<u>\$ 343</u>	<u>\$ 751,641</u>	<u>\$ 3,744,724</u>

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

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	\$ 600
State sources	36,664
Total additions	37,264
Deductions:	
Instruction	28,294
Support services	5,747
Nonprogrammed charges	550
Total deductions	34,591
Excess of total additions over total deductions	2,673
Cash and investments - beginning	5,239
Cash and investments - ending	\$ 7,912

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

SOUTH 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:	
State sources	\$ 37,706
Deductions:	
Instruction	27,883
Support services	6,248
Nonprogrammed charges	550
Total deductions	34,681
Excess of total additions over total deductions	3,025
Cash and investments - beginning	7,912
Cash and investments - ending	\$ 10,937

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

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

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 7,912	\$ 4,677
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 7,912	

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

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

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 10,937	\$ 5,048
 <u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 10,937	

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

SOUTH 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.

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

Joint Venture

The School Corporation is a participant with 5 other school corporations in a joint venture to operate Parke – Vermillion Education and Training Interlocal which was created to provide programs and services for vocational education. Complete financial statements for the Parke – Vermillion Education and Training Interlocal can be obtained from South Vermillion Community School Corporation, P.O. Box 387, Clinton, IN 47842

The School Corporation is a participant with 16 other school corporations in a joint venture to operate the Wabash Valley/West Central Indiana Insurance Trust, which was created 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 Wabash Valley/West Central Indiana Insurance Trust can be obtained from Logansport Community School Corporation, P.O. Box 21, Greencastle, IN 46135.

The School Corporation is a participant with three other school corporations in a joint venture to operate the Covered Bridge Special Education District, which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit payments annually to supplement the Covered Bridge Special Education District. Complete financial statements for the Covered Bridge Special Education District can be obtained from the District's Administrative office at 1320 Walnut Street, Terre Haute, IN.

The School Corporation is a participant with North Vermillion Community School Corporation in a joint venture to operate the Vermillion County Opportunity School which was created to provide at-risk students in grades 6 through 12 an alternative for success through educational programs, services and activities. The Opportunity School's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Vermillion County Opportunity School can be obtained from South Vermillion Community School Corporation, P.O. Box 387, Clinton, IN 47842.

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

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the Clinton – Clinton Township Public Library, Newport – Vermillion County Public Library, and the Indiana Cooperative Library Services Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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 and fiduciary funds, even though the latter 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.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust funds report trust arrangements under which principal and income benefit the children enrolled in the programs supported by these grants.

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

Agency funds account for assets held by the School Corporation as an agent for various state and federal agencies, insurance companies and benefit providers and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental 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.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at rates of 7 to 10 days per year based on years of service. Unused sick leave may be accumulated to a maximum of 90 days. Accumulated sick leave is paid to employees through cash payments upon retirement.

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

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 4 days per year based upon the number of years of service. Unused personal leave is added to accumulated sick days annually.

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.

E. Receipts and Disbursements

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.

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash Activities 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 Cash Activities.

II. Stewardship, Compliance and Accountability

A. 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 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.

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

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

Fund	2005	2006
Tech Prep	\$ -	\$ (5,112)
Adult Comprehensive	-	(3,375)
Perkins	(5,892)	(10,462)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to underestimate of current requirements.

III. Detailed Notes on All Funds

A. Deposits and Investments

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
Nonmajor governmental	General fund	\$ 11,944	\$ -
	Nonmajor governmental	<u>106,679</u>	<u>113,013</u>
Totals		<u>\$ 118,623</u>	<u>\$ 113,013</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

C. Restatements and Reclassifications

For the year ended June 30, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent a discrepancy in the beginning balance of an Extra-Curricular Fund presented in the corporation financial statements.

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

Opinion Unit	Balance as Reported June 30, 2004	Fund Reclassification	Prior Period Adjustments	Balance as Restated July 1, 2004
School lunch	\$ 221,676	\$ (221,676)	\$ -	\$ -
Other governmental	422,017	221,676	(160)	643,533

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 (excluding postemployment benefits)

During 1992, the School Corporation joined 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 medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Holding Corporations

The School Corporation has entered into capital leases with South Vermillion Middle School Holding Corporation and South Vermillion School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the two-year period totaled \$2,021,407 and \$1,341,000, respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment medical insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining a rule of 85 when age is combined with years of service.

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

Currently, 4 retirees meet these eligibility requirements. The School Corporation and retirees provide 50% each of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the two year period ended June 30, 2006, disbursements of \$40,000 were recognized for postemployment benefits.

D. Subsequent Events

The School Corporation entered into a contractual agreement with MSI Construction for the renovation of the high school locker rooms. The estimated project cost is \$415,000 and it is expected to be completed in the 2006-2007 school year.

E. 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.

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.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 70,355
Interest on net pension obligation	(8,633)
Adjustment to annual required contribution	9,837
Annual pension cost	71,559
Contributions made	99,663
Decrease in net pension obligation	(28,104)
Net pension obligation, beginning of year	(119,069)
Net pension obligation, end of year	\$ (147,173)
Contribution rates:	
School Corporation	6%
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

Actuarial Assumptions

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%

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

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 89,090	106%	\$ (102,833)
	06-30-04	75,516	122%	(119,069)
	06-30-05	71,559	132%	(147,173)

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 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.

Plan members are required to contribute 3% of their salary and 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, 2004, 2005, and 2006, were \$353,660, \$171,365, and \$204,672, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SOUTH 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 (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,563,157	\$ 1,524,862	\$ 38,295	103%	\$ 1,559,876	2%
07-01-04	1,596,909	1,561,556	35,353	102%	1,445,723	2%
07-01-05	1,676,522	1,727,887	(51,365)	97%	1,610,191	(3%)

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 739,500
Buildings	73,294,830
Improvements other than buildings	3,165,857
Machinery and equipment	<u>7,519,524</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 84,719,711</u>

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

Description of Debt	06-30-06 Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
Middle School Lease Rental	\$ 7,180,000	\$ 695,000
Van Duyn/Ernie Pyle Lease Rental	6,681,807	380,000
Notes and loans payable:		
Temporary Loans	1,507,047	1,507,047
Common School Fund Loan	<u>9,211</u>	<u>9,211</u>
Total governmental activities long-term debt	<u>\$ 15,378,065</u>	<u>\$ 2,591,258</u>

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

EXTRA-CURRICULAR DISBURSEMENTS

The following items were noted from the information presented for audit by South Vermillion Middle School:

- (1) Some disbursements lacked proper documentation.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (2) Some vouchers were not signed by the sponsor or other authorized person showing that the goods were ordered and received. None of the vouchers examined was signed by the Treasurer.

Signatures are required by the person authorized to purchase and the person acknowledging the receipt of the good or services. Additionally, the Extra-Curricular Treasurer is to sign the required certification on the form SA-7. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

- (3) There was no voucher for some disbursements examined.

The Purchase Order and Accounts Payable Voucher (SA-1) is to be used when a purchase is made for delivery at a later date. The form is to be executed in full and signed by the person authorized to purchase for the particular activity concerned. Before the activity is permitted to use the Purchase Order and Accounts Payable Voucher (SA-1), the Extra-Curricular Account Treasurer must determine if there is sufficient balance the fund of the activity to make payment upon receipt of the merchandise. The Treasurer is required to certify as to the unobligated balance. The sponsor must also know that approval for the purchase has been given the membership of the activity, as applicable, except in the case of athletic, school lunch, and textbook rental purchases. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

The Claim for Payment (SA-7) is to be printed and print ruled, original only, and gathered in pads of 50. The Claim for Payment (SA-7) shall be used for claiming payment by anyone in situations where purchase orders are not used; for example, purchases from delivery salesmen, services of officials at athletic events, etc. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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 SOUTH VERMILLION COMMUNITY  
SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

Compliance

We have audited the compliance of the South 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

January 16, 2007

SOUTH 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553			
		FY 04-05	\$ 88,177	\$ -
		FY 05-06	-	115,047
Total for program			<u>88,177</u>	<u>115,047</u>
National School Lunch Program	10.555			
		FY 04-05	295,108	-
		FY 05-06	-	367,342
Total for program			<u>295,108</u>	<u>367,342</u>
Total for cluster			<u>383,285</u>	<u>482,389</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education Adult Education - State Grant Program	84.002			
		FY 03-04	3,069	-
		FY 04-05	31,147	2,744
		FY 05-06	-	35,491
Total for program			<u>34,216</u>	<u>38,235</u>
Title I Grants to Local Educational Agencies	84.010			
		04-8020	59,842	-
		05-8020	190,143	71,754
		06-8020	-	211,613
Total for program			<u>249,985</u>	<u>283,367</u>
Vocational Education - Basic Grants to States	84.048			
		03-1353-8020	115,409	-
		04-4700-8020	21,058	-
		05-4700-8020	77,847	18,095
Total for program			<u>214,314</u>	<u>18,095</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		03-198	2,599	-
		04-151	9,089	-
		05-090	-	9,219
Total for program			<u>11,688</u>	<u>9,219</u>
Even Start - State Educational Agencies	84.213			
		FY 03-04	9,867	-
		FY 04-05	146,384	12,385
		FY 05-06	-	130,049
Total for program			<u>156,251</u>	<u>142,434</u>
State Grants for Innovative Programs	84.298			
		03-149	13,314	-
		04-194	5,207	5,350
		05-141	-	7,113
Total for program			<u>18,521</u>	<u>12,463</u>
Education Technology State Grants	84.318			
		FY 03-04	2,400	-
		FY 04-05	3,063	2,986
		FY 05-06	-	4,645
Total for program			<u>5,463</u>	<u>7,631</u>
Improving Teacher Quality State Grants	84.367			
		03-010	33,367	-
		04-050	56,097	29,881
		FY 05-06	-	61,144
Total for program			<u>89,464</u>	<u>91,025</u>
Total for federal grantor agency			<u>779,902</u>	<u>602,469</u>
Total federal awards expended			<u>\$ 1,163,187</u>	<u>\$ 1,084,858</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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the South 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
School Breakfast Program	10.553	\$ 8,061	\$ 8,676
National School Lunch Program	10.555	25,287	25,224

SOUTH 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:

CFDA Number	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.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2007, with Steven E. Miller, Superintendent of Schools; Cindy Guinn, Treasurer/Business Manager; and Nancy L. Smith, Extra-Curricular Treasurer, South Vermillion Middle School. The officials concurred with our audit findings.