

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, 2008 to June 30, 2010



FILED

03/03/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Diana L. Crowder	07-01-08 to 06-30-11
Superintendent of Schools	Michael F. Turner	07-01-08 to 06-30-12
President of the School Board	Larry Bemis	07-01-08 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2009 and 2010, 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, 2009 and 2010, 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 17, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 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 Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 17, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS 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 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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 17, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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 17, 2011

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 3,600,920	\$ -	\$ 118,824	\$ (3,482,096)
Support services	3,638,940	234,112	212,857	(3,191,971)
Noninstructional services	582,421	-	-	(582,421)
Facilities acquisition and construction	179,105	-	-	(179,105)
Debt service	3,835,237	-	-	(3,835,237)
Nonprogrammed charges	<u>336,863</u>	<u>-</u>	<u>-</u>	<u>(336,863)</u>
Total governmental activities	<u>\$ 12,173,486</u>	<u>\$ 234,112</u>	<u>\$ 331,681</u>	<u>(11,607,693)</u>
General receipts:				
Property taxes				4,731,555
Other local sources				670,326
State aid				3,511,768
Bonds and loans				3,070,000
Grants and contributions not restricted to specific programs				883,694
Sale of property				7,602
Investment earnings				25,034
Other				<u>50,191</u>
Total general receipts				<u>12,950,170</u>
Change in net assets				1,342,477
Net assets - beginning				<u>1,571,978</u>
Net assets - ending				<u>\$ 2,914,455</u>
<u>Assets</u>				
Cash and investments				\$ 2,689,728
Restricted assets:				
Cash and investments				<u>224,727</u>
Total assets				<u>\$ 2,914,455</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 224,727
Unrestricted				<u>2,689,728</u>
Total net assets				<u>\$ 2,914,455</u>

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,516,523	\$ -	\$ 94,794	\$ (3,421,729)
Support services	3,175,808	195,441	240,696	(2,739,671)
Noninstructional services	530,936	-	-	(530,936)
Facilities acquisition and construction	112,277	-	-	(112,277)
Debt service	1,647,347	-	-	(1,647,347)
Nonprogrammed charges	348,302	-	-	(348,302)
Total governmental activities	<u>\$ 9,331,193</u>	<u>\$ 195,441</u>	<u>\$ 335,490</u>	<u>(8,800,262)</u>
General receipts:				
Property taxes				2,779,949
Other local sources				280,943
State aid				4,949,744
Grants and contributions not restricted to specific programs				687,562
Sale of property				10,582
Investment earnings				6,907
Other				<u>51,282</u>
Total general receipts				<u>8,766,969</u>
Change in net assets				(33,293)
Net assets - beginning				<u>2,914,461</u>
Net assets - ending				<u>\$ 2,881,168</u>
<u>Assets</u>				
Cash and investments				\$ 1,995,567
Restricted assets:				
Cash and investments				<u>885,601</u>
Total assets				<u>\$ 2,881,168</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 885,601
Unrestricted				<u>1,995,567</u>
Total net assets				<u>\$ 2,881,168</u>

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Transportation Operating	Levy Excess	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 2,192,207	\$ 565,251	\$ -	\$ 1,508,944	\$ 853,492	\$ 232,580	\$ 5,352,474
Intermediate sources	-	-	-	-	-	150	150
State sources	3,320,252	-	-	-	-	191,516	3,511,768
Federal sources	27,684	-	-	-	-	905,955	933,639
Temporary loans	1,160,000	-	-	875,000	1,035,000	-	3,070,000
Other	52,989	-	-	-	5,324	16,912	75,225
Total receipts	6,753,132	565,251	-	2,383,944	1,893,816	1,347,113	12,943,256
Disbursements:							
Current:							
Instruction	2,920,157	-	-	-	-	561,939	3,482,096
Support services	1,977,109	416,864	-	-	609,308	188,690	3,191,971
Noninstructional services	151,785	-	-	-	-	430,636	582,421
Facilities acquisition and construction	-	-	-	-	179,105	-	179,105
Debt services	1,160,000	-	-	2,138,756	536,481	-	3,835,237
Nonprogrammed charges	303,380	-	-	-	-	33,483	336,863
Total disbursements	6,512,431	416,864	-	2,138,756	1,324,894	1,214,748	11,607,693
Excess (deficiency) of receipts over disbursements	240,701	148,387	-	245,188	568,922	132,365	1,335,563
Other financing sources (uses):							
Sale of capital assets	7,602	-	-	-	-	-	7,602
Transfers in	-	-	-	-	2,399	72,257	74,656
Transfers out	(1,093)	-	-	-	-	(73,563)	(74,656)
Total other financing sources (uses)	6,509	-	-	-	2,399	(1,306)	7,602
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	247,210	148,387	-	245,188	571,321	131,059	1,343,165
Cash and investments - beginning	448,546	334,450	326,557	(20,461)	(68,531)	550,729	1,571,290
Cash and investments - ending	\$ 695,756	\$ 482,837	\$ 326,557	\$ 224,727	\$ 502,790	\$ 681,788	\$ 2,914,455
Cash and Investment Assets - Ending							
Cash and investments	\$ 695,756	\$ 482,837	\$ 326,557	\$ -	\$ 502,790	\$ 681,788	\$ 2,689,728
Restricted assets:							
Cash and investments	-	-	-	224,727	-	-	224,727
Total cash and investment assets - ending	\$ 695,756	\$ 482,837	\$ 326,557	\$ 224,727	\$ 502,790	\$ 681,788	\$ 2,914,455
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 224,727	\$ -	\$ -	\$ 224,727
Unrestricted	695,756	482,837	326,557	-	502,790	681,788	2,689,728
Total cash and investment fund balance - ending	\$ 695,756	\$ 482,837	\$ 326,557	\$ 224,727	\$ 502,790	\$ 681,788	\$ 2,914,455

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Transportation Operating	Levy Excess	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 139,516	\$ 313,554	\$ -	\$ 1,907,994	\$ 793,898	\$ 255,403	\$ 3,410,365
Intermediate sources	-	-	-	-	-	244	244
State sources	4,868,143	-	-	-	-	81,601	4,949,744
Federal sources	26,418	-	-	-	-	848,576	874,994
Other	27,179	48	-	-	-	24,555	51,782
Total receipts	5,061,256	313,602	-	1,907,994	793,898	1,210,379	9,287,129
Disbursements:							
Current:							
Instruction	2,835,962	-	-	-	-	680,561	3,516,523
Support services	1,889,088	472,976	-	-	459,540	354,009	3,175,613
Noninstructional services	145,083	-	-	-	-	385,853	530,936
Facilities acquisition and construction	-	-	-	-	112,277	-	112,277
Debt services	-	-	-	1,247,120	400,227	-	1,647,347
Nonprogrammed charges	347,044	-	-	-	-	1,258	348,302
Total disbursements	5,217,177	472,976	-	1,247,120	972,044	1,421,681	9,330,998
Excess (deficiency) of receipts over disbursements	(155,921)	(159,374)	-	660,874	(178,146)	(211,302)	(43,869)
Other financing sources (uses)							
Sale of capital assets	10,082	-	-	-	-	500	10,582
Transfers in	355,949	-	-	-	-	25,511	381,460
Transfers out	(11,234)	-	(326,557)	-	-	(43,669)	(381,460)
Total other financing sources (uses)	354,797	-	(326,557)	-	-	(17,658)	10,582
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	198,876	(159,374)	(326,557)	660,874	(178,146)	(228,960)	(33,287)
Cash and investments - beginning	695,756	482,837	326,557	224,727	502,790	681,788	2,914,455
Cash and investments - ending	\$ 894,632	\$ 323,463	\$ -	\$ 885,601	\$ 324,644	\$ 452,828	\$ 2,881,168
Cash and Investment Assets - Ending							
Cash and investments	\$ 894,632	\$ 323,463	\$ -	\$ -	\$ 324,644	\$ 452,828	\$ 1,995,567
Restricted assets:							
Cash and investments	-	-	-	885,601	-	-	885,601
Total cash and investment assets - ending	\$ 894,632	\$ 323,463	\$ -	\$ 885,601	\$ 324,644	\$ 452,828	\$ 2,881,168
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 885,601	\$ -	\$ -	\$ 885,601
Unrestricted	894,632	323,463	-	-	324,644	452,828	1,995,567
Total cash and investment fund balance - ending	\$ 894,632	\$ 323,463	\$ -	\$ 885,601	\$ 324,644	\$ 452,828	\$ 2,881,168

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Other	\$ 4,000	
Deductions:		
Administrative and general	500	
Excess of total additions over total deductions	3,500	
Cash and investment fund balance - beginning	9,028	
Cash and investment fund balance - ending	\$ 12,528	\$ 28,835
Net assets:		
Cash and investments	\$ 12,528	
Total net assets - cash and investment basis held in trust	\$ 12,528	

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Investment earnings:		
Interest	\$ 343	
Deductions:		
Administrative and general	500	
Deficiency of total additions over total deductions	(157)	
Cash and investment fund balance - beginning	12,528	
Cash and investment fund balance - ending	\$ 12,371	\$ 15,629
Net assets:		
Cash and investments	\$ 12,371	
Total net assets - cash and investment basis held in trust	\$ 12,371	

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

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: North Vermillion Community School Corporation

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 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 the debts of the West Central Indiana Special Education Co-op. Complete financial statements for the West Central Indiana Special Education Co-op can be obtained from West Central Indiana Special Education Co-op at 1800 Ladoga Drive, Crawfordsville, IN 47933.

The School Corporation is a participant 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 the debts of the Parke-Vermillion Education and Training Interlocal. Complete financial statements for the Parke-Vermillion Education and Training Interlocal can be obtained from South Vermillion Community School Corporation at 800 West Wildcat Drive, Clinton, IN 47842.

The School Corporation is a participant 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 School Corporation is obligated for the debts of the Wabash Valley/West Central Indiana Insurance Trust. Complete financial statements for the Wabash Valley/West Central Indiana Insurance Trust can be obtained from Logansport Community School Corporation at 2829 George Street, Logansport, IN 46947.

The School Corporation is a participant with the South 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 six through twelve 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 at 800 West Wildcat Drive, Clinton, IN 47842.

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, 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 schoolchildren to and from school.

The Levy Excess Fund is used to account for property taxes received that are in excess of the School Corporation's property tax levy certified by the Department of Local Government Finance each year.

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 of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

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.

The agency fund accounts for assets held by the School Corporation as an agent for various payroll deductions.

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. Receipts are recorded when received and disbursements are recorded when paid.

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.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise or internal service funds.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become delinquent if

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

not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were not distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental 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 funds is not reported as a liability 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."

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 and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund 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 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.

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

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements 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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 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. Disbursements in Excess of Appropriations

For the years ended June 30, 2009 and 2010, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008
Pre-School Special Education	\$ 7,980

These disbursements were funded by available fund balance.

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

C. Cash Balance Deficits

At June 30 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	June 30, 2010
Education for Pre-School Handicapped	\$ 2,760
Title I - Stimulus	33,953

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

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. IC 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 School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$2,758,964.

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, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ 1,093	\$ 11,234
Levy Excess Fund	General Fund	-	326,557
Other Governmental Funds	General Fund	-	29,392
Other Governmental Funds	Capital Projects Fund	2,399	-
Other Governmental Funds	Other Governmental Funds	71,164	14,277
Totals		\$ 74,656	\$ 381,460

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

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

C. Restatements and Reclassifications

For the year ended June 30, 2008, 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.

Opinion Unit	Balance as Reported June 30, 2008	Fund Reclassification	Balance as Restated July 1, 2008
Other Governmental	\$ 551,417	\$ (688)	\$ 550,729
Fiduciary Funds	8,340	688	9,028

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; 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; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

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 19 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. The School Corporation pays an annual premium to the risk pool for its medical benefits to employees, retirees, and dependents coverage. 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 \$5,000,000 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 School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years 2008-2009 and 2009-2010 each totaled \$749,000.

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

C. Other 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 professional employees who retire from the School Corporation on or after attaining a rule of 85 when age is combined with years of service. Retirees must also have completed 10 years with the School Corporation and may not retire at an age no less than 63. Currently, 2 retirees meet these eligibility requirements. The School Corporation provides \$4,000 a year towards medical expenses for the 2 retirees, until the retirees become eligible for Medicare coverage. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the 2-year period ended June 30, 2010, disbursements of \$2,654 were recognized for postemployment benefits.

D. 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$102,407.

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

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

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.

The School Corporation's contributions to the plan during the period were \$195,477.

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 (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 884,093	\$ 851,769	\$ 32,324	104%	\$ 603,643	5%
07-01-08	916,101	898,472	17,629	102%	660,277	3%
07-01-09	944,848	1,054,714	(109,866)	90%	884,523	(12%)

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Pre-School Special Education	Rainy Day Fund	School Lunch	Textbook Rental	Educational License Plate	Alternative Education
Receipts:						
Local sources	\$ -	\$ -	\$ 177,543	\$ 39,574	\$ -	\$ -
Intermediate sources	-	-	-	-	150	-
State sources	18,841	-	93,483	21,885	-	-
Federal sources	-	-	97,489	-	-	-
Other	-	-	5,888	-	-	-
Total receipts	18,841	-	374,403	61,459	150	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	64,501	-	-
Noninstructional services	-	-	425,027	-	-	-
Nonprogrammed charges	22,281	-	-	-	-	-
Total disbursements	22,281	-	425,027	64,501	-	-
Excess (deficiency) of receipts over disbursements	(3,440)	-	(50,624)	(3,042)	150	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,440)	-	(50,624)	(3,042)	150	-
Cash and investments - beginning	33,089	53,491	160,902	24,795	1,350	7,846
Cash and investments - ending	<u>29,649</u>	<u>53,491</u>	<u>110,278</u>	<u>21,753</u>	<u>1,500</u>	<u>7,846</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 29,649	\$ 53,491	\$ 110,278	\$ 21,753	\$ 1,500	\$ 7,846
Total cash and investment assets - ending	<u>29,649</u>	<u>53,491</u>	<u>110,278</u>	<u>21,753</u>	<u>1,500</u>	<u>7,846</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 29,649	\$ 53,491	\$ 110,278	\$ 21,753	\$ 1,500	\$ 7,846
Total cash and investment fund balance - ending	<u>29,649</u>	<u>53,491</u>	<u>110,278</u>	<u>21,753</u>	<u>1,500</u>	<u>7,846</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Indiana Safe Haven	Gifted/Talented 2007-08	Gifted/Talented 2008-09	Drug-Free Communities	Scholarships and Awards	School Technology
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 11,202	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	1,000	28,603	-	-	-	25,423
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	11,024
Total receipts	<u>1,000</u>	<u>28,603</u>	<u>-</u>	<u>-</u>	<u>11,202</u>	<u>36,447</u>
Disbursements:						
Current:						
Instruction	-	23,457	19,183	1,106	-	-
Support services	2,587	-	-	-	-	49,348
Noninstructional services	-	-	-	424	-	-
Nonprogrammed charges	-	-	-	-	11,202	-
Total disbursements	<u>2,587</u>	<u>23,457</u>	<u>19,183</u>	<u>1,530</u>	<u>11,202</u>	<u>49,348</u>
Excess (deficiency) of receipts over disbursements	<u>(1,587)</u>	<u>5,146</u>	<u>(19,183)</u>	<u>(1,530)</u>	<u>-</u>	<u>(12,901)</u>
Other financing sources (uses):						
Transfers in	1,000	-	25,103	93	-	-
Transfers out	-	(25,233)	-	-	-	-
Total other financing sources (uses)	<u>1,000</u>	<u>(25,233)</u>	<u>25,103</u>	<u>93</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(587)</u>	<u>(20,087)</u>	<u>5,920</u>	<u>(1,437)</u>	<u>-</u>	<u>(12,901)</u>
Cash and investments - beginning	<u>1,625</u>	<u>20,087</u>	<u>-</u>	<u>1,437</u>	<u>-</u>	<u>28,690</u>
Cash and investments - ending	<u>\$ 1,038</u>	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,789</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,038	\$ -	\$ 5,920	\$ -	\$ -	\$ 15,789
Total cash and investment assets - ending	<u>\$ 1,038</u>	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,789</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 1,038	\$ -	\$ 5,920	\$ -	\$ -	\$ 15,789
Total cash and investment fund balance - ending	<u>\$ 1,038</u>	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,789</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Local Wellness	Title I 2005-06	Title I 2008-09	Title I 2007-08	Title V, Part A 2008-09	Title V, Part A 2007-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 368	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	150,887	9,812	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	150,887	10,180	-	-
Disbursements:						
Current:						
Instruction	-	-	106,707	34,773	-	-
Support services	-	-	3,790	2,041	5,260	6,548
Noninstructional services	-	-	717	302	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	111,214	37,116	5,260	6,548
Excess (deficiency) of receipts over disbursements	-	-	39,673	(26,936)	(5,260)	(6,548)
Other financing sources (uses):						
Transfers in	130	-	-	26,936	12,447	6,548
Transfers out	-	(22,070)	(3,856)	(12,447)	(6,548)	-
Total other financing sources (uses)	130	(22,070)	(3,856)	14,489	5,899	6,548
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	130	(22,070)	35,817	(12,447)	639	-
Cash and investments - beginning	-	22,070	-	12,447	-	-
Cash and investments - ending	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ 35,817</u>	<u>\$ -</u>	<u>\$ 639</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 130	\$ -	\$ 35,817	\$ -	\$ 639	\$ -
Total cash and investment assets - ending	\$ 130	\$ -	\$ 35,817	\$ -	\$ 639	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 130	\$ -	\$ 35,817	\$ -	\$ 639	\$ -
Total cash and investment fund balance - ending	\$ 130	\$ -	\$ 35,817	\$ -	\$ 639	\$ -

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Public Law 94-142 Handicapped	Education For Pre-School Handicapped	Drug-Free Schools	Title II, Pt. A - Improving Teacher Quality	Title II, Part D 2007-08
Receipts:					
Local sources	\$ -	\$ 3,893	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	2,281	-	-
Federal sources	157,921	7,904	-	57,066	-
Other	-	-	-	-	-
Total receipts	157,921	11,797	2,281	57,066	-
Disbursements:					
Current:					
Instruction	226,240	11,384	713	30,169	-
Support services	-	-	-	2,986	674
Noninstructional services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	226,240	11,384	713	33,155	674
Excess (deficiency) of receipts over disbursements	(68,319)	413	1,568	23,911	(674)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(1,010)	(2,399)
Total other financing sources (uses)	-	-	-	(1,010)	(2,399)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(68,319)	413	1,568	22,901	(3,073)
Cash and investments - beginning	101,472	7,217	384	978	3,260
Cash and investments - ending	<u>\$ 33,153</u>	<u>\$ 7,630</u>	<u>\$ 1,952</u>	<u>\$ 23,879</u>	<u>\$ 187</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 33,153	\$ 7,630	\$ 1,952	\$ 23,879	\$ 187
Total cash and investment assets - ending	\$ 33,153	\$ 7,630	\$ 1,952	\$ 23,879	\$ 187
Cash and Investment Fund Balance - Ending					
Unrestricted	\$ 33,153	\$ 7,630	\$ 1,952	\$ 23,879	\$ 187
Total cash and investment fund balance - ending	\$ 33,153	\$ 7,630	\$ 1,952	\$ 23,879	\$ 187

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title II, Part D 2008-09	Title II, Part D 2009-10	Fiscal Stabilization	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 232,580
Intermediate sources	-	-	-	-	150
State sources	-	-	-	-	191,516
Federal sources	-	8,942	415,934	-	905,955
Other	-	-	-	-	16,912
Total receipts	-	8,942	415,934	-	1,347,113
Disbursements:					
Current:					
Instruction	-	-	108,207	-	561,939
Support services	3,146	-	47,809	-	188,690
Noninstructional services	-	-	4,166	-	430,636
Nonprogrammed charges	-	-	-	-	33,483
Total disbursements	3,146	-	160,182	-	1,214,748
Excess (deficiency) of receipts over disbursements	(3,146)	8,942	255,752	-	132,365
Other financing sources (uses):					
Transfers in	-	-	-	-	72,257
Transfers out	-	-	-	-	(73,563)
Total other financing sources (uses)	-	-	-	-	(1,306)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,146)	8,942	255,752	-	131,059
Cash and investments - beginning	4,136	-	-	65,453	550,729
Cash and investments - ending	<u>\$ 990</u>	<u>\$ 8,942</u>	<u>\$ 255,752</u>	<u>\$ 65,453</u>	<u>\$ 681,788</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 990</u>	<u>\$ 8,942</u>	<u>\$ 255,752</u>	<u>\$ 65,453</u>	<u>\$ 681,788</u>
Total cash and investment assets - ending	<u>\$ 990</u>	<u>\$ 8,942</u>	<u>\$ 255,752</u>	<u>\$ 65,453</u>	<u>\$ 681,788</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 990</u>	<u>\$ 8,942</u>	<u>\$ 255,752</u>	<u>\$ 65,453</u>	<u>681,788</u>
Total cash and investment fund balance - ending	<u>\$ 990</u>	<u>\$ 8,942</u>	<u>\$ 255,752</u>	<u>\$ 65,453</u>	<u>\$ 681,788</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Pre-School Special Education	Rainy Day Fund	School Lunch	Textbook Rental	Educational License Plate	Alternative Education	Indiana Safe Haven
Receipts:							
Local sources	\$ -	\$ -	\$ 171,072	\$ 32,726	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	244	-	-
State sources	-	-	12,888	21,386	-	-	-
Federal sources	-	-	207,073	-	-	-	-
Other	-	-	491	-	-	-	-
Total receipts	-	-	391,524	54,112	244	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	8,022	-	56,842	-	-	524
Noninstructional services	-	-	369,985	-	-	-	-
Nonprogrammed charges	258	-	-	-	-	-	-
Total disbursements	258	8,022	369,985	56,842	-	-	524
Excess (deficiency) of receipts over disbursements	(258)	(8,022)	21,539	(2,730)	244	-	(524)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(29,391)	-	-	-	-	-	-
Total other financing sources (uses)	(29,391)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,649)	(8,022)	21,539	(2,730)	244	-	(524)
Cash and investments - beginning	29,649	53,491	110,278	21,753	1,500	7,846	1,038
Cash and investments - ending	<u>\$ -</u>	<u>\$ 45,469</u>	<u>\$ 131,817</u>	<u>\$ 19,023</u>	<u>\$ 1,744</u>	<u>\$ 7,846</u>	<u>\$ 514</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ -</u>	<u>\$ 45,469</u>	<u>\$ 131,817</u>	<u>\$ 19,023</u>	<u>\$ 1,744</u>	<u>\$ 7,846</u>	<u>\$ 514</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 45,469</u>	<u>\$ 131,817</u>	<u>\$ 19,023</u>	<u>\$ 1,744</u>	<u>\$ 7,846</u>	<u>\$ 514</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ -</u>	<u>\$ 45,469</u>	<u>\$ 131,817</u>	<u>\$ 19,023</u>	<u>\$ 1,744</u>	<u>\$ 7,846</u>	<u>\$ 514</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 45,469</u>	<u>\$ 131,817</u>	<u>\$ 19,023</u>	<u>\$ 1,744</u>	<u>\$ 7,846</u>	<u>\$ 514</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Gifted/Talented 2008-09	High Ability Grant 2009-10	Scholarships and Awards	School Technology	Local Wellness	Title I 2008-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	28,338	-	15,719	-	-
Federal sources	-	-	-	-	-	10,000
Other	-	-	500	1,751	-	-
	<u>-</u>	<u>-</u>	<u>500</u>	<u>1,751</u>	<u>-</u>	<u>-</u>
Total receipts	<u>-</u>	<u>28,338</u>	<u>500</u>	<u>17,470</u>	<u>-</u>	<u>10,000</u>
Disbursements:						
Current:						
Instruction	5,920	18,053	-	-	-	17,817
Support services	-	-	-	23,117	-	7,601
Noninstructional services	-	-	-	-	130	6,121
Nonprogrammed charges	-	-	1,000	-	-	-
	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>5,920</u>	<u>18,053</u>	<u>1,000</u>	<u>23,117</u>	<u>130</u>	<u>31,539</u>
Excess (deficiency) of receipts over disbursements	<u>(5,920)</u>	<u>10,285</u>	<u>(500)</u>	<u>(5,647)</u>	<u>(130)</u>	<u>(21,539)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	500	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(14,278)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,278)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>(14,278)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(5,920)</u>	<u>10,285</u>	<u>-</u>	<u>(5,647)</u>	<u>(130)</u>	<u>(35,817)</u>
Cash and investments - beginning	<u>5,920</u>	<u>-</u>	<u>-</u>	<u>15,789</u>	<u>130</u>	<u>35,817</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 10,285</u>	<u>\$ -</u>	<u>\$ 10,142</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 10,285</u>	<u>\$ -</u>	<u>\$ 10,142</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 10,285</u>	<u>\$ -</u>	<u>\$ 10,142</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 10,285</u>	<u>\$ -</u>	<u>\$ 10,142</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 10,285</u>	<u>\$ -</u>	<u>\$ 10,142</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title I 2009-10	Title V-A 2008-09	Public Law 94-142 2008-09	Special Ed. Grant 2009-10	Education For Pre-School Handicapped	Drug-Free Schools
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	151,450	-	22,092	151,808	10,475	-
Other	-	-	180	-	-	-
Total receipts	151,450	-	22,272	151,808	10,475	-
Disbursements:						
Current:						
Instruction	114,448	-	66,658	102,172	20,865	1,952
Support services	7,139	639	-	-	-	-
Noninstructional services	1,285	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	122,872	639	66,658	102,172	20,865	1,952
Excess (deficiency) of receipts over disbursements	28,578	(639)	(44,386)	49,636	(10,390)	(1,952)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	14,278	-	11,233	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	14,278	-	11,233	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	42,856	(639)	(33,153)	49,636	(10,390)	(1,952)
Cash and investments - beginning	-	639	33,153	-	7,630	1,952
Cash and investments - ending	<u>\$ 42,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,636</u>	<u>\$ (2,760)</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 42,856	\$ -	\$ -	\$ 49,636	\$ (2,760)	\$ -
Total cash and investment assets - ending	<u>\$ 42,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,636</u>	<u>\$ (2,760)</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 42,856	\$ -	\$ -	\$ 49,636	\$ (2,760)	\$ -
Total cash and investment fund balance - ending	<u>\$ 42,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,636</u>	<u>\$ (2,760)</u>	<u>\$ -</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Drug-Free Schools 2009-10	Title II - PTA - Improving Teacher Quality	Title II - A 2009-10	Title II, Part D 2007-08	Title II, Part D 2008-09	Title II, Part D 2009-10
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	3,270	-	-	-	-	-
Federal sources	-	22,352	44,874	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>3,270</u>	<u>22,352</u>	<u>44,874</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	1,281	34,042	-	-	-	-
Support services	-	9,336	-	187	990	8,573
Noninstructional services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>1,281</u>	<u>43,378</u>	<u>-</u>	<u>187</u>	<u>990</u>	<u>8,573</u>
Excess (deficiency) of receipts over disbursements	<u>1,989</u>	<u>(21,026)</u>	<u>44,874</u>	<u>(187)</u>	<u>(990)</u>	<u>(8,573)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,989</u>	<u>(21,026)</u>	<u>44,874</u>	<u>(187)</u>	<u>(990)</u>	<u>(8,573)</u>
Cash and investments - beginning	<u>-</u>	<u>23,879</u>	<u>-</u>	<u>187</u>	<u>990</u>	<u>8,942</u>
Cash and investments - ending	<u>\$ 1,989</u>	<u>\$ 2,853</u>	<u>\$ 44,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 1,989</u>	<u>\$ 2,853</u>	<u>\$ 44,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>
Total cash and investment assets - ending	<u>\$ 1,989</u>	<u>\$ 2,853</u>	<u>\$ 44,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 1,989</u>	<u>\$ 2,853</u>	<u>\$ 44,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>
Total cash and investment fund balance - ending	<u>\$ 1,989</u>	<u>\$ 2,853</u>	<u>\$ 44,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Fiscal Stabilization	Title I - Stimulus	Special Ed. - Stimulus	Special Ed. - Part B	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 51,605	\$ 255,403
Intermediate sources	-	-	-	-	-	244
State sources	-	-	-	-	-	81,601
Federal sources	157,701	29,219	38,248	3,284	-	848,576
Other	-	-	-	-	21,633	24,555
Total receipts	157,701	29,219	38,248	3,284	73,238	1,210,379
Disbursements:						
Current:						
Instruction	297,353	-	-	-	-	680,561
Support services	107,768	63,172	-	-	60,099	354,009
Noninstructional services	8,332	-	-	-	-	385,853
Nonprogrammed charges	-	-	-	-	-	1,258
Total disbursements	413,453	63,172	-	-	60,099	1,421,681
Excess (deficiency) of receipts over disbursements	(255,752)	(33,953)	38,248	3,284	13,139	(211,302)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	500
Transfers in	-	-	-	-	-	25,511
Transfers out	-	-	-	-	-	(43,669)
Total other financing sources (uses)	-	-	-	-	-	(17,658)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(255,752)	(33,953)	38,248	3,284	13,139	(228,960)
Cash and investments - beginning	255,752	-	-	-	65,453	681,788
Cash and investments - ending	<u>\$ -</u>	<u>\$ (33,953)</u>	<u>\$ 38,248</u>	<u>\$ 3,284</u>	<u>\$ 78,592</u>	<u>\$ 452,828</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ (33,953)</u>	<u>\$ 38,248</u>	<u>\$ 3,284</u>	<u>\$ 78,592</u>	<u>\$ 452,828</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ (33,953)</u>	<u>\$ 38,248</u>	<u>\$ 3,284</u>	<u>\$ 78,592</u>	<u>\$ 452,828</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ (33,953)</u>	<u>\$ 38,248</u>	<u>\$ 3,284</u>	<u>\$ 78,592</u>	<u>452,828</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (33,953)</u>	<u>\$ 38,248</u>	<u>\$ 3,284</u>	<u>\$ 78,592</u>	<u>\$ 452,828</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	Gifts, Bequests and Donations	CDH Scholarship	Totals
Additions:			
Contributions:			
Other	\$ -	\$ 4,000	\$ 4,000
Deductions:			
Administrative and general	-	500	500
Excess of total additions over total deductions	-	3,500	3,500
Cash and investment fund balance - beginning	688	8,340	9,028
Cash and investments - June 30	\$ 688	\$ 11,840	\$ 12,528
Net assets:			
Cash and investments	\$ 688	\$ 11,840	\$ 12,528

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	<u>Gifts, Bequests and Donations</u>	<u>CDH Scholarship</u>	<u>Totals</u>
Additions:			
Investment earnings:			
Interest	\$ -	\$ 343	\$ 343
Deductions:			
Administrative and general	<u>-</u>	<u>500</u>	<u>500</u>
Deficiency of total additions over total deductions	-	(157)	(157)
Cash and investment fund balance - beginning	<u>688</u>	<u>11,840</u>	<u>12,528</u>
Cash and investments - June 30	<u>\$ 688</u>	<u>\$ 11,683</u>	<u>\$ 12,371</u>
Net assets:			
Cash and investments	<u>\$ 688</u>	<u>\$ 11,683</u>	<u>\$ 12,371</u>

**THE NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
5551 NORTH FALCON DRIVE
CAYUGA, INDIANA 47928**

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**Michael F. Turner
SUPERINTENDENT**

**Diana Crowder
TREASURER**

**Shelly Harrison
SECRETARY**

**Pamela Carli
TECHNOLOGY DIRECTOR**

**NORTH VERMILLION COMMUNITY
SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

FOR THE YEAR ENDED JUNE 30, 2010

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.

Board of School Trustees

**Larry A. Bemis
PRESIDENT**

**Roger P. Lewis
VICE PRESIDENT**

**John R. Garner
SECRETARY**

David W. Bailey

Michael D. Smith

Rick O. Weir

Larry D. Wickens

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 52,500
Buildings	\$ 9,228,622
Improvements other than buildings	\$ 1,175,099
Machinery and equipment	<u>\$ 2,704,547</u>
Total governmental activities, capital Assets not being depreciated	\$13,160,768

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
North Vermillion Elementary School	\$ 1,297,500	\$ 749,000
Energy Savings Project	1,026,255	395,472
Notes and Loans Payable:		
Bank of Indiana - Temporary Loan	300,000	300,000
Common School Fund Loan	166,410	81,000
Total governmental activities debt	<u>\$ 2,790,165</u>	<u>\$ 1,525,472</u>

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Pre-School Special Education	2008	\$ 7,980

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

The cash balances of the Education For Pre-School Handicapped Fund and Title I - Stimulus Fund were overdrawn as of June 30, 2010.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SEGREGATION OF DUTIES

Control activities were not selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to the following areas of the financial statements. The failure to establish these controls could enable material misstatements to be undetected.

Due to the small size of the School Corporation, the same person is responsible for collecting money, receipting that money, writing checks, and posting all transactions to the ledger. The same person also receives the bank statement and reconciles the book balance to the bank balance on a monthly basis. There is currently not enough oversight by the Superintendent or School Board to provide any control over the financial activities.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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, 2009 and 2010. 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 of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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, 2009 and 2010.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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 17, 2011

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553			
		FY 08-09	\$ 51,537	\$ -
		FY 09-10	-	67,728
National School Lunch Program	10.555			
		FY 08-09	155,747	-
		FY 09-10	-	173,241
Total for federal grantor agency			<u>207,284</u>	<u>240,969</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants To Local Educational Agencies	84.010			
		06-8010	22,070	-
		08-8010	31,552	-
		09-8010	115,070	45,817
		10-8010	-	122,872
Total for program			<u>168,692</u>	<u>168,689</u>
ARRA - Title I Grants To Local Educational Agencies	84.389		-	63,172
Total for cluster			<u>168,692</u>	<u>231,861</u>
Pass-Through Crawfordsville Community School Corporation Special Education Cluster Special Education - Grants to States	84.027			
		FY 07-08	101,472	-
		FY 08-09	124,768	33,505
		FY 09-10	-	102,172
Total for program			<u>226,240</u>	<u>135,677</u>
Special Education - Preschool Grants	84.173		11,384	20,865
Total for cluster			<u>237,624</u>	<u>156,542</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, 2009 and 2010
(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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education Educational Technology State Grants Cluster Education Technology State Grants	84.318			
		FY 07-08	3,073	187
		FY 08-09	3,147	989
		FY 09-10	-	8,573
			<u>6,220</u>	<u>9,749</u>
Total for cluster				
State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394		<u>160,182</u>	<u>413,453</u>
Impact Aid	84.041			
		FY 08-09	27,684	-
		FY 09-10	-	26,418
			<u>27,684</u>	<u>26,418</u>
Total for program				
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		SY 07-08	384	-
		SY 08-09	329	1,952
		SY 09-10	-	1,281
			<u>713</u>	<u>3,233</u>
Total for program				
State Grants For Innovative Programs	84.298			
		FY 07-08	6,548	-
		FY 08-09	11,808	639
			<u>18,356</u>	<u>639</u>
Total for program				
Improving Teacher Quality State Grants	84.367			
		06-8010	16,260	-
		07-8010	17,905	25,747
		08-8010	-	17,631
			<u>34,165</u>	<u>43,378</u>
Total for program				
Total for federal grantor agency			<u>631,566</u>	<u>885,273</u>
Total federal awards expended			<u>\$ 860,920</u>	<u>\$ 1,126,242</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 811	\$ 7,294
National School Lunch Program	10.555	19,801	17,950

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?	yes
Significant deficiencies 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
Significant deficiencies 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
Title I, Part A Cluster
State Fiscal Stabilization Fund 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

FINDING 2010-1, INTERNAL CONTROL

Control activities were not selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to the following areas of the financial statements. The failure to establish these controls could enable material misstatements to be undetected.

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

Due to the small size of the School Corporation, the same person is responsible for collecting money, receipting that money, writing checks, and posting all transactions to the ledger. The same person also receives the bank statement and reconciles the book balance to the bank balance on a monthly basis. There is currently not enough oversight by the Superintendent or School Board to provide any control over the financial activities.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations, Chapter 9)

The governing body of a governmental unit should have a written policy concerning a procedure for . . . any adjustments to record balances.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations, Chapter 9)

We recommended the Superintendent or a School Board member review, initial, and approve the bank reconciliations on a monthly basis. Additionally, we recommended the School Board should have a written policy concerning a procedure for any adjustments to record balances.

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.

THE NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
5551 NORTH FALCON DRIVE
CAYUGA, INDIANA 47928

Office (765) 492-4033
Office (765) 492-3002
Fax (765) 492-7001

January 17, 2011

Michael F. Turner
SUPERINTENDENT

Diana Crowder
TREASURER

Shelly Harrison
SECRETARY

Pamela Carli
TECHNOLOGY DIRECTOR

State Board of Accounts
302 Washing Street, Room E418
Indianapolis, IN 46204-2765

We are providing this letter in connection with your audit of the financial statements of North Vermillion Community School Corporation as of June 30, 2010, and for the two year period then ended, for the purpose of providing a corrective action plan for Finding 2010-1, Segregation of Duties.

Board of School Trustees

Larry A. Bemis
PRESIDENT

Roger P. Lewis
VICE PRESIDENT

John R. Garner
SECRETARY

David W. Bailey

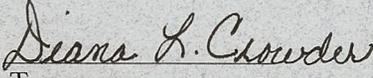
Michael D. Smith

Rick O. Weir

Larry D. Wickens

In order to improve the segregation of duties, thereby strengthening internal controls, we agree to have either the Superintendent or a School Board member review, initial, and approve the monthly bank reconcilements or to re-delegate the responsibilities for performing the reconciling function to an appropriate individual. We also agree to assign a responsible official to review and approve any future adjustments to the ledger.

Signed: 
Title: Superintendent
Date: January 17, 2011

Signed: 
Title: Treasurer
Date: January 17, 2011

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2011, with Michael F. Turner, Superintendent of Schools, and Diana L. Crowder, Treasurer. The officials concurred with our audit findings.