

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MOUNT VERNON COMMUNITY
SCHOOL CORPORATION
HANCOCK COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
03/04/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beverly Baugh Daniel R. Kramer	07-01-10 to 07-31-12 08-01-12 to 12-31-13
Superintendent of Schools	Dr. William J. Riggs	07-01-10 to 12-31-13
President of the School Board	Kevin E. Burk Shelton Oakes Vernée J. Eads	07-01-10 to 06-30-11 07-01-11 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MOUNT VERNON COMMUNITY
SCHOOL CORPORATION, HANCOCK COUNTY, INDIANA

We have audited the accompanying financial statement of the Mount Vernon Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated February 14, 2013, 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.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 14, 2013



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE MOUNT VERNON COMMUNITY
SCHOOL CORPORATION, HANCOCK COUNTY, INDIANA

We have audited the financial statement of the Mount Vernon Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 14, 2013. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, 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.

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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

February 14, 2013

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ (4,105,884)	\$ 19,046,003	\$ 20,172,652	\$ 1,275	\$ (5,231,258)	\$ 25,976,126	\$ 23,386,161	\$ (1,000)	\$ (2,642,293)
Debt Service	3,455,643	17,689,469	19,719,623	(125,963)	1,299,526	13,191,297	12,077,240	1,033,913	3,447,496
Retirement/Severance Bond Debt Service	(12,215)	499,679	515,077	4,549	(23,064)	554,044	515,359	37,903	53,524
Capital Projects	38,213	5,573,261	4,207,421	(535,577)	868,476	2,620,326	3,082,235	(663,246)	(256,679)
School Transportation	125,936	2,070,073	1,689,696	(78,313)	428,000	1,550,212	1,928,600	(156,084)	(106,472)
School Bus Replacement	150,817	261,878	185,422	(30,417)	196,856	111,136	30,000	(252,486)	25,506
Rainy Day	20,379	-	936,000	936,000	20,379	-	-	-	20,379
Retirement/Severance Bond	3,464,279	-	295,763	-	3,168,516	-	323,435	-	2,845,081
Construction	35,071	3,504	14,445	-	24,130	1,855	5,060	-	20,925
School Lunch	(41,644)	1,546,239	1,393,035	-	111,560	1,530,225	1,359,330	-	282,455
Textbook Rental	(309,926)	366,001	168,823	(1,275)	(114,023)	401,836	253,412	-	34,401
Self-Insurance	288,618	4,880,121	4,878,182	-	290,557	3,633,782	3,873,029	-	51,310
Levy Excess	-	53,924	-	(53,924)	-	-	-	-	-
Educational License Plates	3,708	431	-	-	4,139	469	-	-	4,608
Jump Start Donation	-	1,000	3,868	2,868	-	-	-	-	-
Save Our Staff	-	-	-	-	-	54,358	44,333	-	10,025
Harvest Church Donation	500	-	25	-	475	-	-	-	475
Coca Cola Donation	9,548	16,725	14,650	-	11,623	12,690	12,809	-	11,504
Rotary & Realtors Donation	813	-	15	-	798	200	-	-	998
MCE PTO Donation	4,269	28,299	27,835	-	4,733	28,041	29,716	-	3,058
Summer School Elem PTO Donation	1,593	-	-	-	1,593	-	-	-	1,593
Covance Labs Donation	1,000	-	-	-	1,000	-	-	-	1,000
MV Ed Foundation Education Grants	-	13,408	15,663	-	(2,255)	2,872	2,299	-	(1,682)
MVEF Director	1,846	15,227	16,462	-	611	17,238	14,800	-	3,049
HCCF-MVHS Library 2012 Donation	-	-	-	-	-	758	680	-	78
HCCF-HS Real Care Infant Grant	2,853	-	2,853	-	-	-	-	-	-
HCCF-MVIS Bieda Instruments	-	6,300	6,300	-	-	-	-	-	-
Pay to Participate EFD	-	-	-	-	-	3,566	802	-	2,764
Pay to Participate	-	-	-	-	-	197,001	204,679	1,000	(6,678)
Accident Insurance	-	-	-	-	-	34,853	10,956	-	23,897
Gifted and Talented FY 10	20,933	-	20,933	-	-	-	-	-	-

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012
(Continued)

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
Gifted and Talented 2010-11	-	40,154	37,117	-	3,037	-	3,037	-	-
Gifted and Talented 2011-12	-	-	-	-	-	39,126	31,859	-	7,267
Non-English Speaking Program	5,727	4,695	7,300	-	3,122	3,060	2,672	-	3,510
LEP-(ESL) from ECESC	-	-	-	-	-	930	-	-	930
State Connectivity 2010-11	-	8,714	-	-	8,714	9,206	19,908	-	(1,988)
Tech Planning Grant 1999-2003	102,020	26,148	89,229	-	38,939	49,900	54,504	-	34,335
Professional Development Grant	7,018	-	7,018	-	-	-	-	-	-
Project Lead the Way/MVHS	(18,107)	29,280	13,057	-	(1,884)	3,770	1,886	-	-
Excess PTRC/CAGIT Distributions	-	116,355	-	(116,355)	-	-	-	-	-
Title I, FY10	(4,816)	4,000	(816)	-	-	-	-	-	-
Title I, FY11	-	134,010	115,498	-	18,512	22,298	40,810	-	-
Title I, FY12	-	-	-	-	-	117,293	115,642	-	1,651
Title V	1,681	-	-	-	1,681	-	1,681	-	-
Title IV, Part A 2008-09	5,611	-	2,039	-	3,572	-	3,572	-	-
Title IV, Part A Drug Free FY10	7,169	-	3,285	-	3,884	-	3,884	-	-
Title II, Improving Teacher Quality	-	-	-	-	-	33,519	19,975	(13,601)	(57)
Title II, Improving Teacher Quality FY 08-09	3,472	-	3,472	-	-	-	-	-	-
Title II, Improving Teacher Quality FY 10-11	-	28,993	21,034	-	7,959	32,623	40,582	-	-
Title II, Improving Teacher Quality FY 11-12	-	-	-	-	-	-	13,601	13,601	-
Title II, Part D Inaccess Tech. Ed.	13,138	22,000	35,138	-	-	-	-	-	-
Tech LIT Challenge	22,000	(22,000)	-	-	-	-	-	-	-
Title II, Part D Tech. Ed. '10	16,894	36,477	20,592	-	32,779	-	22,842	-	9,937
TAH American History Grant	9,367	173,912	182,679	-	600	58,088	58,688	-	-
Special Education - Part B (Stimulus)	37,267	170,345	333,074	-	(125,462)	152,534	27,072	-	-
Special Education - Part B - Preschool (Stimulus)	1,454	-	1,454	-	-	-	-	-	-
Education Jobs	-	619,899	619,899	-	-	9,157	9,157	-	-
Energy Efficiency and Conservation Block Grant	-	387,587	387,587	-	-	-	-	-	-
Payroll Withholdings	181,124	4,444,641	4,454,011	-	171,754	4,148,014	4,225,610	-	94,158
Totals	\$ 3,547,369	\$ 58,296,752	\$ 60,617,410	\$ 2,868	\$ 1,229,579	\$ 54,602,403	\$ 51,851,917	\$ -	\$ 3,980,065

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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

E. Disbursements

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient and self-insurance payments.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

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

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

Note 7. Cash Balance Deficits

The financial statement contains funds with material deficits in cash. This is a result of a continued reduction in property tax revenues subsequent to substantial construction projects being started and debt being issued to cover these construction projects.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with Mt. Vernon CSC School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012 totaled \$942,635 and \$935,348, respectively. The capital lease was paid off during the 2011-2012 school year.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

The School Corporation has entered into capital leases with Mt. Vernon of Hancock County Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012 totaled \$4,275,000 and \$3,943,000, respectively.

The School Corporation has entered into capital leases with Mt. Vernon School Building Corporation of Hancock County (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012 totaled \$4,698,500 and \$4,134,500, respectively.

Note 9. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: a maximum amount of \$31,500 of transition funding; and a \$7,200 annual credit towards health, dental, vision, and life insurances. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding these benefits can be obtained by contacting the School Corporation.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ (4,105,884)	\$ 3,455,643	\$ (12,215)	\$ 38,213	\$ 125,936	\$ 150,817	\$ 20,379	\$ 3,464,279	\$ 35,071	\$ (41,644)
Receipts:										
Local sources	(23,876)	9,023,173	499,679	2,704,645	1,256,595	261,878	-	-	3,504	1,095,718
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	19,069,879	427,514	-	-	-	-	-	-	-	23,224
Federal sources	-	-	-	-	-	-	-	-	-	427,127
Temporary loans	-	8,238,782	-	2,868,616	813,478	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	170
Total receipts	<u>19,046,003</u>	<u>17,689,469</u>	<u>499,679</u>	<u>5,573,261</u>	<u>2,070,073</u>	<u>261,878</u>	<u>-</u>	<u>-</u>	<u>3,504</u>	<u>1,546,239</u>
Disbursements:										
Current:										
Instruction	15,093,237	-	-	-	-	-	936,000	295,763	-	-
Support services	4,862,327	-	-	1,271,079	1,282,957	185,422	-	-	-	2,776
Noninstructional services	216,542	-	-	-	-	-	-	-	-	1,390,259
Facilities acquisition and construction	546	-	-	1,002,034	-	-	-	-	14,445	-
Debt services	-	19,719,623	515,077	1,934,308	406,739	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>20,172,652</u>	<u>19,719,623</u>	<u>515,077</u>	<u>4,207,421</u>	<u>1,689,696</u>	<u>185,422</u>	<u>936,000</u>	<u>295,763</u>	<u>14,445</u>	<u>1,393,035</u>
Excess (deficiency) of receipts over disbursements	<u>(1,126,649)</u>	<u>(2,030,154)</u>	<u>(15,398)</u>	<u>1,365,840</u>	<u>380,377</u>	<u>76,456</u>	<u>(936,000)</u>	<u>(295,763)</u>	<u>(10,941)</u>	<u>153,204</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	1,275	74,037	4,549	24,423	64,687	2,583	936,000	-	-	-
Transfers out	-	(200,000)	-	(560,000)	(143,000)	(33,000)	-	-	-	-
Total other financing sources (uses)	<u>1,275</u>	<u>(125,963)</u>	<u>4,549</u>	<u>(535,577)</u>	<u>(78,313)</u>	<u>(30,417)</u>	<u>936,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,125,374)</u>	<u>(2,156,117)</u>	<u>(10,849)</u>	<u>830,263</u>	<u>302,064</u>	<u>46,039</u>	<u>-</u>	<u>(295,763)</u>	<u>(10,941)</u>	<u>153,204</u>
Cash and investments - ending	<u>\$ (5,231,258)</u>	<u>\$ 1,299,526</u>	<u>\$ (23,064)</u>	<u>\$ 868,476</u>	<u>\$ 428,000</u>	<u>\$ 196,856</u>	<u>\$ 20,379</u>	<u>\$ 3,168,516</u>	<u>\$ 24,130</u>	<u>\$ 111,560</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Jump Start Donation	Harvest Church Donation	Coca Cola Donation	Rotary & Realtors Donation	MCE PTO Donation	Summer School Elem PTO Donation
Cash and investments - beginning	\$ (309,926)	\$ 288,618	\$ -	\$ 3,708	\$ -	\$ 500	\$ 9,548	\$ 813	\$ 4,269	\$ 1,593
Receipts:										
Local sources	305,754	4,880,121	53,924	-	1,000	-	16,725	-	28,299	-
Intermediate sources	-	-	-	431	-	-	-	-	-	-
State sources	60,247	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	366,001	4,880,121	53,924	431	1,000	-	16,725	-	28,299	-
Disbursements:										
Current:										
Instruction	-	-	-	-	3,868	25	-	-	27,835	-
Support services	168,823	-	-	-	-	-	14,650	15	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	4,878,182	-	-	-	-	-	-	-	-
Total disbursements	168,823	4,878,182	-	-	3,868	25	14,650	15	27,835	-
Excess (deficiency) of receipts over disbursements	197,178	1,939	53,924	431	(2,868)	(25)	2,075	(15)	464	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	2,868	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(1,275)	-	(53,924)	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,275)	-	(53,924)	-	2,868	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	195,903	1,939	-	431	-	(25)	2,075	(15)	464	-
Cash and investments - ending	\$ (114,023)	\$ 290,557	\$ -	\$ 4,139	\$ -	\$ 475	\$ 11,623	\$ 798	\$ 4,733	\$ 1,593

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Covance Labs Donation	MV Ed Foundation Education Grants	MVEF Director	HCCF-HS Real Care Infant Grant	HCCF-MVIS Bieda Instruments	Gifted and Talented FY 10	Gifted and Talented 2010-11	Non-English Speaking Program	State Connectivity 2010-11	Tech Planning Grant 1999-2003
Cash and investments - beginning	\$ 1,000	\$ -	\$ 1,846	\$ 2,853	\$ -	\$ 20,933	\$ -	\$ 5,727	\$ -	\$ 102,020
Receipts:										
Local sources	-	13,408	15,227	-	6,300	-	-	-	-	26,148
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	40,154	4,695	8,714	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	13,408	15,227	-	6,300	-	40,154	4,695	8,714	26,148
Disbursements:										
Current:										
Instruction	-	15,663	-	2,853	6,300	20,933	37,117	7,300	-	-
Support services	-	-	16,462	-	-	-	-	-	-	89,229
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	15,663	16,462	2,853	6,300	20,933	37,117	7,300	-	89,229
Excess (deficiency) of receipts over disbursements	-	(2,255)	(1,235)	(2,853)	-	(20,933)	3,037	(2,605)	8,714	(63,081)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,255)	(1,235)	(2,853)	-	(20,933)	3,037	(2,605)	8,714	(63,081)
Cash and investments - ending	\$ 1,000	\$ (2,255)	\$ 611	\$ -	\$ -	\$ -	\$ 3,037	\$ 3,122	\$ 8,714	\$ 38,939

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Professional Development Grant	Project Lead the Way/MVHS	Excess PTRC/CAGIT Distributions	Title I, FY10	Title I, FY11	Title V	Title IV Part A, 2008-09	Title IV, Part A Drug Free FY10	Title II Improving Teacher Quality FY 08-09	Title II Improving Teacher Quality FY 10-11
Cash and investments - beginning	\$ 7,018	\$ (18,107)	\$ -	\$ (4,816)	\$ -	\$ 1,681	\$ 5,611	\$ 7,169	\$ 3,472	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	29,280	116,355	-	-	-	-	-	-	-
Federal sources	-	-	-	4,000	134,010	-	-	-	-	28,993
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	29,280	116,355	4,000	134,010	-	-	-	-	28,993
Disbursements:										
Current:										
Instruction	7,018	13,057	-	(865)	113,972	-	-	-	-	20,051
Support services	-	-	-	49	1,000	-	2,039	3,285	3,472	983
Noninstructional services	-	-	-	-	526	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	7,018	13,057	-	(816)	115,498	-	2,039	3,285	3,472	21,034
Excess (deficiency) of receipts over disbursements	(7,018)	16,223	116,355	4,816	18,512	-	(2,039)	(3,285)	(3,472)	7,959
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(116,355)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(116,355)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,018)	16,223	-	4,816	18,512	-	(2,039)	(3,285)	(3,472)	7,959
Cash and investments - ending	\$ -	\$ (1,884)	\$ -	\$ -	\$ 18,512	\$ 1,681	\$ 3,572	\$ 3,884	\$ -	\$ 7,959

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title II, Part D Inaccess Tech. Ed.	Tech LIT Challenge	Title II, Part D Tech. Ed. '10	TAH American History Grant	Special Education Part B (Stimulus)	Special Education Part B Preschool (Stimulus)	Education Jobs	Energy Efficiency and Conservation Block Grant	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 13,138	\$ 22,000	\$ 16,894	\$ 9,367	\$ 37,267	\$ 1,454	\$ -	\$ -	\$ 181,124	\$ 3,547,369
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	20,168,222
Intermediate sources	-	-	-	-	-	-	-	-	-	431
State sources	-	-	-	-	-	-	-	-	-	19,780,062
Federal sources	22,000	(22,000)	36,477	173,912	170,345	-	619,899	387,587	-	1,982,350
Temporary loans	-	-	-	-	-	-	-	-	-	11,920,876
Other	-	-	-	-	-	-	-	-	4,444,641	4,444,811
Total receipts	22,000	(22,000)	36,477	173,912	170,345	-	619,899	387,587	4,444,641	58,296,752
Disbursements:										
Current:										
Instruction	-	-	-	-	291,805	1,454	576,028	-	-	17,469,414
Support services	35,138	-	20,592	165,679	41,269	-	43,871	387,587	-	8,598,704
Noninstructional services	-	-	-	-	-	-	-	-	-	1,607,327
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	1,017,025
Debt services	-	-	-	-	-	-	-	-	-	22,575,747
Nonprogrammed charges	-	-	-	17,000	-	-	-	-	4,454,011	9,349,193
Total disbursements	35,138	-	20,592	182,679	333,074	1,454	619,899	387,587	4,454,011	60,617,410
Excess (deficiency) of receipts over disbursements	(13,138)	(22,000)	15,885	(8,767)	(162,729)	(1,454)	-	-	(9,370)	(2,320,658)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	2,868
Transfers in	-	-	-	-	-	-	-	-	-	1,107,554
Transfers out	-	-	-	-	-	-	-	-	-	(1,107,554)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	2,868
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,138)	(22,000)	15,885	(8,767)	(162,729)	(1,454)	-	-	(9,370)	(2,317,790)
Cash and investments - ending	\$ -	\$ -	\$ 32,779	\$ 600	\$ (125,462)	\$ -	\$ -	\$ -	\$ 171,754	\$ 1,229,579

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ (5,231,258)	\$ 1,299,526	\$ (23,064)	\$ 868,476	\$ 428,000	\$ 196,856	\$ 20,379	\$ 3,168,516	\$ 24,130	\$ 111,560
Receipts:										
Local sources	330,014	11,691,786	554,044	2,144,772	1,164,212	111,136	-	-	1,855	1,058,657
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	18,845,695	-	-	-	-	-	-	-	-	24,595
Federal sources	-	-	-	-	-	-	-	-	-	446,973
Temporary loans	6,800,417	1,499,511	-	475,554	386,000	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>25,976,126</u>	<u>13,191,297</u>	<u>554,044</u>	<u>2,620,326</u>	<u>1,550,212</u>	<u>111,136</u>	<u>-</u>	<u>-</u>	<u>1,855</u>	<u>1,530,225</u>
Disbursements:										
Current:										
Instruction	14,846,329	-	-	-	-	-	-	323,435	-	-
Support services	4,360,966	13,281	-	1,119,100	1,135,861	30,000	-	-	-	10,232
Noninstructional services	78,221	-	-	-	-	-	-	-	-	1,349,098
Facilities acquisition and construction	645	-	-	553,273	-	-	-	-	5,060	-
Debt services	4,100,000	12,063,959	515,359	1,409,862	792,739	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>23,386,161</u>	<u>12,077,240</u>	<u>515,359</u>	<u>3,082,235</u>	<u>1,928,600</u>	<u>30,000</u>	<u>-</u>	<u>323,435</u>	<u>5,060</u>	<u>1,359,330</u>
Excess (deficiency) of receipts over disbursements	<u>2,589,965</u>	<u>1,114,057</u>	<u>38,685</u>	<u>(461,909)</u>	<u>(378,388)</u>	<u>81,136</u>	<u>-</u>	<u>(323,435)</u>	<u>(3,205)</u>	<u>170,895</u>
Other financing sources (uses):										
Transfers in	-	1,033,913	37,903	-	-	-	1,071,816	-	-	5,672
Transfers out	(1,000)	-	-	(663,246)	(156,084)	(252,486)	(1,071,816)	-	-	(5,672)
Total other financing sources (uses)	<u>(1,000)</u>	<u>1,033,913</u>	<u>37,903</u>	<u>(663,246)</u>	<u>(156,084)</u>	<u>(252,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,588,965</u>	<u>2,147,970</u>	<u>76,588</u>	<u>(1,125,155)</u>	<u>(534,472)</u>	<u>(171,350)</u>	<u>-</u>	<u>(323,435)</u>	<u>(3,205)</u>	<u>170,895</u>
Cash and investments - ending	<u>\$ (2,642,293)</u>	<u>\$ 3,447,496</u>	<u>\$ 53,524</u>	<u>\$ (256,679)</u>	<u>\$ (106,472)</u>	<u>\$ 25,506</u>	<u>\$ 20,379</u>	<u>\$ 2,845,081</u>	<u>\$ 20,925</u>	<u>\$ 282,455</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Textbook Rental	Self- Insurance	Educational License Plates	Save Our Staff	Harvest Church Donation	Coca Cola Donation	Rotary & Realtors Donation	MCE PTO Donation	Summer School Elem PTO Donation	Covance Labs Donation
Cash and investments - beginning	\$ (114,023)	\$ 290,557	\$ 4,139	\$ -	\$ 475	\$ 11,623	\$ 798	\$ 4,733	\$ 1,593	\$ 1,000
Receipts:										
Local sources	325,719	3,558,044	-	54,358	-	12,690	200	28,041	-	-
Intermediate sources	-	-	469	-	-	-	-	-	-	-
State sources	76,117	-	-	-	-	-	-	-	-	-
Federal sources	-	75,738	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>401,836</u>	<u>3,633,782</u>	<u>469</u>	<u>54,358</u>	<u>-</u>	<u>12,690</u>	<u>200</u>	<u>28,041</u>	<u>-</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	-	-	-	44,333	-	-	-	29,716	-	-
Support services	253,412	3,203	-	-	-	12,809	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	3,869,826	-	-	-	-	-	-	-	-
Total disbursements	<u>253,412</u>	<u>3,873,029</u>	<u>-</u>	<u>44,333</u>	<u>-</u>	<u>12,809</u>	<u>-</u>	<u>29,716</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>148,424</u>	<u>(239,247)</u>	<u>469</u>	<u>10,025</u>	<u>-</u>	<u>(119)</u>	<u>200</u>	<u>(1,675)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>148,424</u>	<u>(239,247)</u>	<u>469</u>	<u>10,025</u>	<u>-</u>	<u>(119)</u>	<u>200</u>	<u>(1,675)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 34,401</u>	<u>\$ 51,310</u>	<u>\$ 4,608</u>	<u>\$ 10,025</u>	<u>\$ 475</u>	<u>\$ 11,504</u>	<u>\$ 998</u>	<u>\$ 3,058</u>	<u>\$ 1,593</u>	<u>\$ 1,000</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	MV Ed Foundation Education Grants	MVEF Director	HCCF-MVHS Library 2012 Donation	Pay to Participate EFD	Pay to Participate	Accident Insurance	Gifted and Talented 2010-11	Gifted and Talented 2011-12	Non-English Speaking Program
Cash and investments - beginning	\$ (2,255)	\$ 611	\$ -	\$ -	\$ -	\$ -	\$ 3,037	\$ -	\$ 3,122
Receipts:									
Local sources	2,872	17,238	758	3,566	197,001	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	39,126	3,060
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	34,853	-	-	-
Total receipts	<u>2,872</u>	<u>17,238</u>	<u>758</u>	<u>3,566</u>	<u>197,001</u>	<u>34,853</u>	<u>-</u>	<u>39,126</u>	<u>3,060</u>
Disbursements:									
Current:									
Instruction	2,299	-	-	-	-	-	3,037	31,859	2,672
Support services	-	14,800	680	802	168	10,956	-	-	-
Noninstructional services	-	-	-	-	204,511	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>2,299</u>	<u>14,800</u>	<u>680</u>	<u>802</u>	<u>204,679</u>	<u>10,956</u>	<u>3,037</u>	<u>31,859</u>	<u>2,672</u>
Excess (deficiency) of receipts over disbursements	<u>573</u>	<u>2,438</u>	<u>78</u>	<u>2,764</u>	<u>(7,678)</u>	<u>23,897</u>	<u>(3,037)</u>	<u>7,267</u>	<u>388</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	1,000	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>573</u>	<u>2,438</u>	<u>78</u>	<u>2,764</u>	<u>(6,678)</u>	<u>23,897</u>	<u>(3,037)</u>	<u>7,267</u>	<u>388</u>
Cash and investments - ending	<u>\$ (1,682)</u>	<u>\$ 3,049</u>	<u>\$ 78</u>	<u>\$ 2,764</u>	<u>\$ (6,678)</u>	<u>\$ 23,897</u>	<u>\$ -</u>	<u>\$ 7,267</u>	<u>\$ 3,510</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	LEP-(ESL) from ECESC	State Connectivity 2010-11	Tech Planning Grant 1999-2003	Project Lead the Way/MVHS	Title I, FY11	Title I, FY12	Title V	Title IV Part A, 2008-09	Title IV, Part A Drug Free FY10
Cash and investments - beginning	\$ -	\$ 8,714	\$ 38,939	\$ (1,884)	\$ 18,512	\$ -	\$ 1,681	\$ 3,572	\$ 3,884
Receipts:									
Local sources	930	-	49,900	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	9,206	-	3,770	-	-	-	-	-
Federal sources	-	-	-	-	22,298	117,293	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>930</u>	<u>9,206</u>	<u>49,900</u>	<u>3,770</u>	<u>22,298</u>	<u>117,293</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	1	40,494	115,215	-	-	-
Support services	-	19,908	54,504	1,885	-	139	1,681	3,572	3,884
Noninstructional services	-	-	-	-	316	288	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>19,908</u>	<u>54,504</u>	<u>1,886</u>	<u>40,810</u>	<u>115,642</u>	<u>1,681</u>	<u>3,572</u>	<u>3,884</u>
Excess (deficiency) of receipts over disbursements	<u>930</u>	<u>(10,702)</u>	<u>(4,604)</u>	<u>1,884</u>	<u>(18,512)</u>	<u>1,651</u>	<u>(1,681)</u>	<u>(3,572)</u>	<u>(3,884)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>930</u>	<u>(10,702)</u>	<u>(4,604)</u>	<u>1,884</u>	<u>(18,512)</u>	<u>1,651</u>	<u>(1,681)</u>	<u>(3,572)</u>	<u>(3,884)</u>
Cash and investments - ending	<u>\$ 930</u>	<u>\$ (1,988)</u>	<u>\$ 34,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title II Improving Teacher Quality	Title II Improving Teacher Quality FY 10-11	Title II Improving Teacher Quality FY 11-12	Title II, Part D Tech. Ed. '10	TAH American History Grant	Special Education Part B (Stimulus)	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 7,959	\$ -	\$ 32,779	\$ 600	\$ (125,462)	\$ -	\$ 171,754	\$ 1,229,579
Receipts:									
Local sources	-	-	-	-	-	-	-	-	21,307,793
Intermediate sources	-	-	-	-	-	-	-	-	469
State sources	-	-	-	-	-	-	-	-	19,001,569
Federal sources	33,519	32,623	-	-	58,088	152,534	9,157	-	948,223
Temporary loans	-	-	-	-	-	-	-	-	9,161,482
Other	-	-	-	-	-	-	-	4,148,014	4,182,867
Total receipts	<u>33,519</u>	<u>32,623</u>	<u>-</u>	<u>-</u>	<u>58,088</u>	<u>152,534</u>	<u>9,157</u>	<u>4,148,014</u>	<u>54,602,403</u>
Disbursements:									
Current:									
Instruction	19,875	25,895	13,368	-	-	27,072	9,157	-	15,534,757
Support services	100	14,687	233	22,842	37,688	-	-	-	7,127,393
Noninstructional services	-	-	-	-	-	-	-	-	1,632,434
Facilities acquisition and construction	-	-	-	-	-	-	-	-	558,978
Debt services	-	-	-	-	-	-	-	-	18,881,919
Nonprogrammed charges	-	-	-	-	21,000	-	-	4,225,610	8,116,436
Total disbursements	<u>19,975</u>	<u>40,582</u>	<u>13,601</u>	<u>22,842</u>	<u>58,688</u>	<u>27,072</u>	<u>9,157</u>	<u>4,225,610</u>	<u>51,851,917</u>
Excess (deficiency) of receipts over disbursements	<u>13,544</u>	<u>(7,959)</u>	<u>(13,601)</u>	<u>(22,842)</u>	<u>(600)</u>	<u>125,462</u>	<u>-</u>	<u>(77,596)</u>	<u>2,750,486</u>
Other financing sources (uses):									
Transfers in	(13,601)	-	-	-	-	-	-	-	2,136,703
Transfers out	-	-	13,601	-	-	-	-	-	(2,136,703)
Total other financing sources (uses)	<u>(13,601)</u>	<u>-</u>	<u>13,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(57)</u>	<u>(7,959)</u>	<u>-</u>	<u>(22,842)</u>	<u>(600)</u>	<u>125,462</u>	<u>-</u>	<u>(77,596)</u>	<u>2,750,486</u>
Cash and investments - ending	<u>\$ (57)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,158</u>	<u>\$ 3,980,065</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
JUNE 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital Leases				
Mt. Vernon of Hancock County Multi-School Building Corporation	Intermediate School/McCordsville Elementary (2001 A&B); Refunded 2005, Partially Refunded 2012	\$ 2,172,000	June, 2003	December, 2022
	Middle School Pool 100N/600W Purchase, 2008	494,000	June, 2005	December, 2023
	McCordsville Elementary, 20014 and 2005 Refunded 2012	1,308,000	June, 2004	June, 2025
Mt. Vernon School Building Corporation of Hancock County	High School Addition and Renovation, and Mt. Comfort Elementary 2007 & 2008; Partially Refunded Refunded 2012	5,296,000	December, 2009	December, 2036
		-		
Total of annual lease payments		<u>\$ 9,270,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds			
	Taxable School Pension Bonds of 2002	\$ 1,205,000	\$ 260,169
	Taxable School Pension Bonds of 2006	2,430,000	254,209
Notes and Loans Payable			
	Common School Fund Loan, 1994	150,000	81,563
Tax anticipation warrants		<u>2,700,417</u>	<u>2,700,417</u>
Totals		<u>\$ 6,485,417</u>	<u>\$ 3,296,358</u>

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 JUNE 30, 2012

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

	Ending Balance
Governmental activities:	
Land	\$ 3,638,650
Infrastructure	-
Buildings	133,128,203
Improvements other than buildings	12,939,131
Machinery, equipment and vehicles	6,272,297
Books and other	-
Total capital assets	\$ 155,978,281

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The fund balances of several funds were reported with a negative balance at fiscal year-end. We have identified those funds which were not funded by reimbursement grants and had a negative balance greater than \$500 at year-end in the table below:

Fund	2011	2012
General	\$5,231,258	\$2,642,293
Retirement/Severance Bond Debt Service	23,064	-
Textbook Rental	114,023	-
MV Ed Foundation Education Grants	2,255	1,682
Capital Projects	-	256,679
School Transportation	-	106,472
Pay to Participate	-	6,678
State Connectivity 2010-11	-	1,988

The fund 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)

APPROPRIATIONS

The records presented for audit indicated that the General fund expenditures were in excess of budgeted appropriations by \$3,502,950 for calendar year 2011.

Indiana Code 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."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE MOUNT VERNON COMMUNITY
SCHOOL CORPORATION, HANCOCK COUNTY, INDIANA

Compliance

We have audited the Mount Vernon Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 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.

As described in items 2012-3, 2012-5, and 2012-6 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management, Procurement, and Davis Bacon that are applicable to its Energy Efficiency and Conservation Block Grant Program. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

As described in item 2012-4 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the period of July 1, 2010 to June 30, 2012. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2, 2012-3, 2012-4, 2012-5, and 2012-6 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1, to be a significant deficiency.

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 the response.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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

February 14, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY10/11 FY11/12	\$ 56,493 -	\$ - 56,960
National School Lunch Program	10.555	FY10/11 FY11/12	444,546 -	- 476,298
Total for federal grantor agency			<u>501,039</u>	<u>533,258</u>
<u>U.S. DEPARTMENT OF ENERGY</u>				
Pass-Through Town of Fortville				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	11-3135	<u>386,120</u>	-
Total for federal grantor agency			<u>386,120</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	10-3135 11-3135 12-3135	3,184 134,010 -	- 22,298 117,293
Total for cluster			<u>137,194</u>	<u>139,591</u>
Educational Technology State Grants Cluster				
Education Technology State Grants	84.318	S318X70014	35,138	-
Pass-Through Rush County Schools				
Education Technology State Grants		A58-0-10IT-053	<u>20,592</u>	<u>22,842</u>
Total for cluster			<u>55,730</u>	<u>22,842</u>
Pass-Through Hancock Madison Shelby Educational Services				
Special Education Cluster				
ARRA - Special Education - Grants to States (IDEA Part B)	84.391	33310-027-SN01	<u>333,019</u>	<u>27,072</u>
ARRA - Special Education - Preschool Grants (IDEA Preschool)	84.392	44410-027-SN01	<u>1,508</u>	-
Total for cluster			<u>334,527</u>	<u>27,072</u>
Direct grant				
Fund for the Improvement of Education	84.215			
Teaching American History Grant		U215X070331	<u>182,679</u>	<u>58,688</u>
Pass-Through Indiana Department of Workforce Development				
Career and Technical Education - Basic Grants to States	84.048			
Project Lead the Way		PLTW9-805 PLTW10-805	472 <u>10,701</u>	- <u>3,770</u>
Total for program			<u>11,173</u>	<u>3,770</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants	84.186	09-3135 10-3135	2,039 <u>3,285</u>	3,572 <u>3,884</u>
Total for program			<u>5,324</u>	<u>7,456</u>
State Grants for Innovative Programs	84.298		-	<u>1,681</u>
Improving Teacher Quality State Grants	84.367	09-3135 10-3135 11-3135	3,472 21,034 -	- 40,582 <u>33,519</u>
Total for program			<u>24,506</u>	<u>74,101</u>
Education Jobs Fund	84.410	3135	<u>619,899</u>	<u>9,157</u>
Total for federal grantor agency			<u>1,371,032</u>	<u>344,358</u>
Total federal awards expended			<u>\$ 2,258,191</u>	<u>\$ 877,616</u>

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

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Mount Vernon 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 statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
National School Lunch Program	10.555	\$ 73,912	\$ 86,285

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified for all programs except for the Energy Efficiency and Conservation Block Grant Program and Special Education Cluster, which were both qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
81.125	Child Nutrition Cluster Energy Efficiency and Conservation Block Grant Program Special Education Cluster
84.410	Education Jobs Fund

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.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-1 - SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Agriculture
Federal Program: National School Lunch and School Breakfast Programs
CFDA Number: 10.555 and 10.553
Federal Award Number and Year (or Other Identifying Number): FY 2011 and FY 2012
Pass-Through Entity: Indiana Department of Education

Deficiencies were identified with Mount Vernon Community School Corporation's verification process during the audit of the Child Nutrition Cluster. During our testing, it was identified that 12.5 percent of the free and reduced price applications tested for verification were not properly verified. In these instances of noncompliance, the verification was conducted; however, based on the School Corporation's calculation of household income, the students' statuses were correctly identified. The School Corporation did not correctly calculate the household income, so the students' statuses were not modified when they should have been changed. The Food Services Director completes the verification process of the free and reduced price applications selected for sampling. However, no one reviews the verified free and reduced price applications once the Food Services Director has completed the verification and determines whether changes in the students' statuses should occur. Due to the lack of review over the verification of the free and reduced price applications, there is an increased chance of non-compliance.

Due to the noncompliance and weaknesses in internal controls, we have determined this to be a significant deficiency.

7 CFR 245.6a states in part:

"(j) Adverse action. If verification activities fail to confirm eligibility for free or reduced price benefits or should the household fail to cooperate with verification efforts, the school or local educational agency shall reduce or terminate benefits, as applicable, as follows: Ten days advance notification shall be provided to households that are to receive a reduction or termination of benefits, prior to the actual reduction or termination. The first Day of the 10 day advance notice period shall be the day the notice is sent. The notice shall advise the household of: (1) The change; (2) The reasons for the change; (3) Notification of the right to appeal and when the appeal must be filed to ensure continued benefits while awaiting a hearing and decision; (4) Instructions on how to appeal; and (5) The right to reapply at any time during the school year. The reasons for ineligibility shall be properly documented and retained on file at the local educational agency."

OMB Circular A-133, Subpart C, section .300 (b) states:

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

The School Corporation had several deficiencies within its verification process for eligibility which did not allow them to adequately verify the eligibility status of the approved free and reduced price applications selected for verification. Failure to comply with these requirements could result in the School Corporation providing services to children who are not eligible to receive such services.

We recommended that the School Corporation should develop procedures and controls to ensure that the verification processes is adequately completed and that children are receiving the proper services.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2012-2 - SEGREGATION OF DUTIES OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO FEDERAL PROGRAMS

Federal Agency: U.S. Department of Education
Federal Program: National School Lunch and School Breakfast Programs
CFDA Number: 10.555 and 10.553
Federal Award Number and Year (or Other Identifying Number): FY 2011 and FY 2012
Pass-Through Entity: Indiana Department of Education

Federal Agency: U.S. Department of Education
Federal Program: ARRA - Special Education - Grants to States and ARRA -
Special Education - Preschool Grants
CFDA Number: 84.391 and 84.392
Federal Award Number and Year (or Other Identifying Number): 33310-027-SN01 and 44410-027-SN01
Pass-Through Entity: Hancock-South Madison Joint Services

Management of the Mount Vernon Community School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the programs indicated above. This includes the following compliance requirements: Special Test and Provisions for the National School Lunch and School Breakfast Programs and Cash Management for the Special Education Programs. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

OMB Circular A-133, Subpart C, section .300 (b) states:

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2012-3 - CASH MANAGEMENT

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant
CFDA Number: 81.128
Federal Award Number and Year: A302-11-EECBG-2/3/5-001
Pass-Through Entity: Town of Fortville

The following deficiency was found within Mount Vernon Community School Corporation's cash management process during the audit of the Energy Efficiency and Conservation Block Grant. Internal controls related to the cash management compliance requirement were not operating effectively. The one reimbursement claim related to this grant was submitted for reimbursement prior to the School Corporation issuing a check to pay for the project costs associated with this grant. The Energy Efficiency and Conservation Block Grant operates on a reimbursement basis, in which the School Corporation would request reimbursement of funds after the expenditures have been paid by the School Corporation.

Due to the magnitude of the noncompliance and weaknesses in internal controls, we have determined this to be a material weakness.

34 CFR Part 80.21(d) states in part:

"(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

OMB Circular A-133, Subpart C, section .300 (b) states:

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish effective controls and procedures related to the cash management compliance requirement of the Energy Efficiency and Conservation Block Grant. Reimbursement requests should be submitted after expenditures have been paid for by the School Corporation.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2012-4 - CASH MANAGEMENT & REPORTING

Federal Agency: U.S. Department of Education
Federal Program: ARRA - Special Education - Grants to States and ARRA -
Special Education - Preschool Grants
CFDA Number: 84.391 & 84.392
Federal Award Number and Year: 33310-027-SN01, 44410-027-SN01
Pass-Through Entity: Hancock Madison Shelby Educational Services

The following deficiency was identified within Mount Vernon Community School Corporation's cash management and reporting processes during the audit of the Special Education Programs. Internal controls related to the cash management and reporting compliance requirements were not operating effectively. Three out of the six reimbursement requests related to these grants were submitted for reimbursement prior to the School Corporation expending the funds. Secondly, none of the individual monthly reimbursement requests were supported by the School Corporation's records. Supporting documentation attached to the reimbursement claim did not exactly coincide with the amount requested for reimbursement. Also, the expenditure period noted on the reimbursement requests did not always agree to the dates of expenditures included in the supporting documentation. The Special Education Program operates on a reimbursement basis, in which the School Corporation would request reimbursement of funds after the expenditures have been paid by the School Corporation. Each reimbursement request should be substantiated by the School Corporation's expenditures that occurred prior to the submission of the reimbursement request.

Due to the magnitude of the noncompliance and weaknesses in internal controls, we have determined this to be a material weakness.

34 CFR Part 80.21(d) states in part:

"(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

34 CFR Part 80.42 states in part:

"(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . .

(c) *Starting date of retention period.* (1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .300 (b) states:

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish effective controls and procedures related to the cash management compliance requirement of the Special Education Program. Supporting documentation for expenditures provided by the unit should coincide with the reimbursement requests submitted. Additionally, reimbursement requests should be submitted after expenditures have been paid for by the School Corporation.

FINDING 2012-5 - PROCUREMENT

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant
CFDA Number: 81.128
Federal Award Number and Year: A302-11-EECBG-2/3/5-001
Pass-Through Entity: Town of Fortville

The following deficiency was found within Mount Vernon Community School Corporation's procurement processes during the audit of the Energy Efficiency and Conservation Block Grant. Internal controls related to the procurement compliance requirement were not operating effectively. The School Corporation did not properly adhere to the procurement policies required. The proper bidding procedures were not followed for the Energy Efficiency construction project that exceeded \$100,000. The School Corporation did not develop project specifications to advertise to prospective companies nor did they give any companies the opportunity to bid on the project.

Due to the magnitude of the noncompliance and weaknesses in internal controls, we have determined this to be a material weakness.

10 CFR Part 600.236(c) states in part:

"(c) Competition.

- (1) All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of Section 600.236. Some of the situations considered to be restrictive of competition include but are not limited to:
 - (i) Lacing unreasonable requirements on firms in order for them to qualify to do business,
 - (ii) Requiring unnecessary experience and excessive bonding,
 - (iii) Noncompetitive pricing practices between firms or between affiliated companies,

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (iv) Noncompetitive awards to consultants that are on retainer contracts,
 - (v) Organizational conflicts of interest,
 - (vi) Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance of other relevant requirements of the procurement, and
 - (vii) Any arbitrary action in the procurement process.
- (2) Grantees and subgrantees will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts State licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criteria provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.
- (3) Grantees will have written selection procedures for procurement transactions. These procedures will ensure that all solicitations:
- (i) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement. The specific features of the named brand which must be met by offerors shall be clearly stated; and
 - (ii) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
- (4) Grantees and subgrantees will ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, grantees and subgrantees will not preclude potential bidders from qualifying during the solicitation period.
- (d) Methods of procurement to be followed.
- (1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procurements are used, price or rate quotations will be obtained from an adequate number of qualified sources.

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (2) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in Section 600.236(d)(2)(i) apply."

OMB Circular A-133, Subpart C, section .300 (b) states:

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish effective controls and procedures related to the procurement compliance requirement of all federal awards received. Proper bidding procedures should be followed for construction projects in which the amounts exceed the statutory limit.

FINDING 2012-6 - DAVIS BACON

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant
CFDA Number: 81.128
Federal Award Number and Year: A302-11-EECBG-2/3/5-001
Pass-Through Entity: Town of Fortville

The following deficiencies were found within Mount Vernon Community School Corporation's procedures related to the Davis Bacon compliance requirements during the audit of the Energy Efficiency and Conservation Block Grant. Internal controls related to the Davis Bacon compliance requirement were not operating effectively. The proper prevailing wage rate clause was not included in the contract between the School Corporation and the vendor completing the work related to this grant and the contract was not approved by the School Board. In addition, based on inquiry with unit officials, the contractor/subcontractors did submit weekly certified payrolls; however, no documentation was presented by the School Corporation which would indicate that the weekly certified payrolls were submitted nor that the proper School Corporation official reviewed and approved the weekly certified payrolls submitted by the contractor.

Due to the magnitude of the noncompliance and weaknesses in internal controls, we have determined this to be a material weakness.

10 CFR § 600.236(i) states in part:

"*Contract provisions.* A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy. . . .

- (5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR Part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)."

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CFR 29 § 5.5(a)(3) states in part:

"(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g. , the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors."

OMB Circular A-133, Subpart C, section .300 (b) states:

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish effective internal controls, including segregation of duties, related to the Davis Bacon compliance requirements of all federal awards received. The proper wage rate clause should be included in all construction contracts which are funded by federal money. Additionally, all construction contracts should be approved by the School Board. Finally, proper review and approval of weekly contractor/subcontractor payrolls should be completed by unit officials.

Mt. Vernon Community School Corporation

School Board

Vernée Eads
Tony May
Jason Shelton
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Superintendent
Dr. William J. Riggs

Asst. Superintendent
Mr. Mike Horton

Business Manager
Daniel R. Kramer

FINDING 2012-1 - SPECIAL TESTS AND PROVISIONS

Federal Agency: United States Department of Agriculture
Federal Program: National School Lunch and School Breakfast
CFDA Number: 10.555 and 10.553
Federal Award Number and Year (or Other Identifying Number): FY 2011 and FY 2012
Pass-Through Entity: Indiana Department of Education

CORRECTIVE ACTION PLAN:

To ensure compliance with the verification process of students' free and reduced statuses in the future, the Food Services Director will continue to complete the verification process of the applications, but review of the applications will then be conducted on a managerial level. It is believed that this additional substantiation will eliminate errors in the verification of student status.

FINDING 2012-2 - SEGREGATION OF DUTIES OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO FEDERAL PROGRAMS

Federal Agency: United States Department of Education
Federal Program: National School Lunch and Breakfast Program
CFDA Number: 10.555 and 10.553
Federal Award Number and Year (or Other Identifying Number): FY 2011 and FY 2012
Pass-Through Entity: Indiana Department of Education

Federal Agency: United States Department of Education
Federal Program: ARRA - Special Education - Grants to States and ARRA - Special Education - Preschool Grants
CFDA Number: 84.391 and 84.392
Federal Award Number and Year (or Other Identifying Number): 33310-027-SN01 and 44410-027-SN01
Pass-Through Entity: Hancock-South Madison Joint Services

CORRECTIVE ACTION PLAN:

In the future, no less than two members of Central Office management will be involved in the processes of initiation, approval, undertaking and review of any activity involving a federal program. Such segregation of duties will be demonstrated by the inclusion of the signature of those parties on documents relating to a particular activity.

"Excellence in Education"

FINDING 2012-3 - CASH MANAGEMENT

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency & Conservation Block Grant
CFDA Number: 81.128
Federal Award Number and Year: A302-11-EECBG-2/3/5-001
Pass-Through Entity: Town of Fortville

CORRECTIVE ACTION PLAN:

Funds received under the The Energy Efficiency & Conservation Block Grant were done so on a reimbursement basis, as are most federal grants, in which the School Corporation would request reimbursement of funds after the expenditures have been paid by the School Corporation. The one reimbursement claim related to this grant was submitted for reimbursement prior to the School Corporation issuing a check to pay for the project costs associated with this grant. To prevent this type of event from occurring in the future for any reimbursement-based grant funding, two members of management must verify by their signatures that any request for reimbursement be made subsequent to the issuing of a check for the related expenses. Any other type of receipt procedure of funds through federal grants will also have the same verification of compliance by two members of management.

FINDING 2012-4 - CASH MANAGEMENT & REPORTING

Federal Agency: U.S. Department of Education
Federal Program: Special Education Cluster
CFDA Number: 84.391 & 84.392
Federal Award Number and Year: 33310-027-SN01, 44410-027-SN01
Pass-Through Entity: Hancock Madison Shelby Educational Services

CORRECTIVE ACTION PLAN:

Similar to our plan addressing "FINDING 2012-3 - CASH MANAGEMENT", in the future for any reimbursement-based grant funding, two members of management must verify by their signatures that any request for reimbursement be made subsequent to the issuing of a check for the related expenses. In addition, the accuracy of any documentation supporting such reimbursement requests will be verified in the same manner as the timing of the requests.

FINDING 2012-5 - PROCUREMENT

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency & Conservation Block Grant
CFDA Number: 81.128
Federal Award Number and Year: A302-11-EECBG-2/3/5-001
Pass-Through Entity: Town of Fortville

CORRECTIVE ACTION PLAN:

To eliminate the possibility of errors in procurement similar to those experienced in the Energy Efficiency construction project that exceeded \$100,000 and proper bidding procedures were not followed, the business manager will review, as a first step, all documents relating to compliance with procurement procedures for a project, including State regulations and laws. He will then make sure that any requirements are strictly adhered to, and will receive approval of the Board of Trustees as necessary. Such approvals will be included in the minutes of the Board.

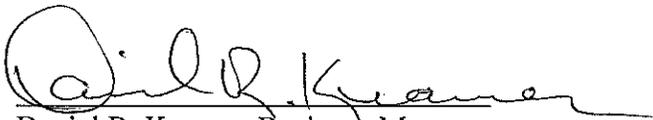
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FINDING 2012-6 - DAVIS BACON

Federal Agency: U.S. Department of Energy
Federal Program: ARRA - Energy Efficiency & Conservation Block Grant
CFDA Number: 81.128
Federal Award Number and Year: A302-11-EECBG-2/3/5-001
Pass-Through Entity: Town of Fortville

CORRECTIVE ACTION PLAN:

To ensure that a repeat of noncompliance with Davis-Bacon does not occur, the business manager together with one other member of management will be responsible, and demonstrated by signature, for separate duties involving the establishment of wage scales and contract language and ongoing wage reporting for funds received through federal awards. All construction contracts will be approved by the School board and reflected in the minutes.


Daniel R. Kramer, Business Manager

February 14, 2013

MOUNT VERNON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2013, with Daniel R. Kramer, Treasurer; Dr. William J. Riggs, Superintendent of Schools; Lisa Tappy, Deputy Treasurer; and Vernée J. Eads, President of the School Board. The officials concurred with our audit findings.