

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
VERMILLION COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
05/14/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-18
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-27
Schedule of Leases and Debt	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	32-33
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	36-37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-46
Auditee Prepared Document:	
Corrective Action Plan	48-50
Other Report	51

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michele Harrison	07-01-12 to 06-30-15
Superintendent of Schools	Michael F. Turner	07-01-12 to 06-30-15
President of the School Board	Larry Bemis Terra D. Naylor	01-01-12 to 12-31-14 01-01-15 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Emphasis of Matter Regarding Going Concern

The accompanying financial statement has been prepared assuming that the School Corporation will continue as a going concern. As discussed in Note 9 to the financial statement, the School Corporation has suffered recurring losses, subsequent to the financial statement date, that raise substantial doubt about its ability to continue as a going concern. In December 2014, the General fund and School Transportation fund had significant cash deficiencies. The monthly revenues are not expected to be sufficient to pay monthly operating expenses in 2015, resulting in the inability to meet payroll expenses through June of 2015. Additionally, the School Corporation has past due tax anticipation warrants. The School Corporation's plans in regard to these matters are also described in Note 9. The financial statement does not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

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


INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2015, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

March 17, 2015



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the North Vermillion Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 17, 2015, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

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

Compliance and Other Matters

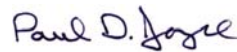
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002.

North Vermillion Community School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 17, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 277,077	\$ 4,863,696	\$ 5,249,441	\$ 363,409	\$ 254,741	\$ 4,764,635	\$ 5,168,217	\$ 351,009	\$ 202,168
Debt Service	299,795	1,429,942	878,162	(73,592)	777,983	1,337,508	1,362,105	(216,288)	537,098
Capital Projects	701,394	705,095	673,506	(488,624)	244,359	910,941	768,186	(206,381)	180,733
School Transportation	(41,833)	218,497	315,309	230,000	91,355	376,478	502,834	70,000	34,999
School Bus Replacement	95,402	71,212	-	(64,500)	102,114	99,928	163,895	9,295	47,442
Rainy Day	203,792	11,887	234,373	53,000	34,306	-	31,493	-	2,813
Construction	-	1,387,136	1,384,573	(2,563)	-	-	-	-	-
1 to 1 Technology Initiative	-	-	956,045	1,114,400	158,355	9,278	109,100	-	58,533
Elementary Construction	-	400,930	722,544	4,092,895	3,771,281	259,362	3,852,665	-	177,978
School Lunch	205,165	440,448	441,031	2,563	207,145	470,958	417,043	-	261,060
Textbook Rental	47,450	54,994	66,655	-	35,789	85,850	64,255	-	57,384
Educational License Plates	1,987	113	-	-	2,100	75	-	-	2,175
Alternative Education	7,846	-	-	-	7,846	-	-	-	7,846
Gifts, Bequests, Donations	688	-	-	-	688	-	-	-	688
High Ability Grant 2011-2012	18,417	192	16,455	(2,154)	-	-	-	-	-
High Ability Grant 2012-2013	-	26,729	5,699	(3,231)	17,799	-	17,799	-	-
High Ability Grant 2013-2014	-	-	-	-	-	26,556	12,663	-	13,893
Scholarships and Awards	20,288	-	-	-	20,288	-	2,000	500	18,788
School Technology	11,530	19,917	23,119	-	8,328	24,478	16,207	-	16,599
Digital Curriculum Fund	-	-	-	-	-	14,489	3,533	-	10,956
Local Wellness	1,505	100	1,600	-	5	2,200	2,200	-	5
Title I 2011-2012	(17,399)	70,369	41,190	(11,780)	-	-	-	-	-
Title I 2012-2013	-	136,795	155,009	-	(18,214)	26,687	8,473	-	-
Title I 2013-2014	-	-	-	-	-	120,356	125,478	-	(5,122)
Reg Special Ed Part B - 2011-2012	(42,247)	50,151	7,904	-	-	-	-	-	-
Reg Special Ed Part B - 2012-2013	-	112,632	123,739	-	(11,107)	46,383	35,515	-	(239)
Reg Special Ed Part B - 2013-2014	-	-	-	-	-	80,090	90,432	-	(10,342)
Preschool Sped 2011-2012	-	364	364	-	-	-	-	-	-
Preschool Sped 2012-2013	-	1,021	1,021	-	-	2,222	2,547	-	(325)
Preschool Sped 2013-2014	-	-	-	-	-	92	92	-	-
Title II - Part A 2011-2012	(2,175)	5,543	3,900	532	-	-	-	-	-
Title II - Part A 2012-2013	-	32,934	32,655	(532)	(253)	6,173	5,920	-	-
Title II - Part A 2013-2014	-	-	-	-	-	30,702	30,702	-	-
Special Education - Part B	(4,829)	-	-	-	(4,829)	-	-	-	(4,829)
Education Jobs	-	85,545	85,545	-	-	-	-	-	-
Payroll Clearing Fund	(5,473)	1,356,349	1,334,534	-	16,342	1,320,905	1,330,819	-	6,428
Totals	\$ 1,778,380	\$ 11,482,591	\$ 12,754,373	\$ 5,209,823	\$ 5,716,421	\$ 10,016,346	\$ 14,124,173	\$ 8,135	\$ 1,616,729

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

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.

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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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

E. Disbursements

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

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

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

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

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

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

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

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

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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.

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.

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

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.

Note 5. *Risk Management*

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

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

Note 6. *Pension Plans*

A. *Public Employees' Retirement Fund*

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and

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

give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding

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

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

Note 7. Cash Balance Deficits

The financial statement contains five funds with deficits in cash. All of the funds are grant funds and the reimbursement for expenditures were not received by June 30, 2014. Reimbursements for the negative balance in the Special Education - Part B fund should have been received in 2010.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with North Vermillion Community 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 year 2014 totaled \$259,000.

Note 9. Going Concern

It is very apparent to the North Vermillion School Corporation School Board of Trustees (Board) that the financial status of the School Corporation is at a very critical status. The financial status has declined since the last audit due to decreased funding from the state and a decline in student enrollment.

The Board has already initiated a plan to get the financial status of the corporation back onto a positive track. The steps that have been initiated and the future plans are detailed below.

1. The Transportation fund has been decreased since 2009 at which time the levy decreased and it has been shorted ever since. The Board just became aware of the Distress Unit Appeal Board (DUAB) process and has instructed our Superintendent of Schools to begin the process of preparing to petition this appeals board. If our levy can be reinstated at a higher rate, our transportation funding will increase.
2. The Board hired the services of Administrator Assistance to perform a financial assessment of the School Corporation. They have studied a five year history of the funds as well as the current budget year. This has given the Board an accurate understanding of how much needs to be cut from the General fund in order to get the budget back on a positive track.
 - a. Staffing positions will be eliminated for the 2015-2016 school year.
 - b. No pay raises will be given during the 2015-2016 school year.
 - c. Additional cuts and program closures will also be made to cut spending in funds other than the General fund.
3. A challenge was presented to the state for the 2015-2016 budgets; however, it has been rejected. This challenge was presented due to the General fund decreasing from \$5.3 million in 2014 to \$4.3 million in 2015.

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

4. The Board has granted permission to the Superintendent of Schools to begin discussions with Ice Miller and Umbaugh regarding an emergency loan that will be used to cover shortfalls over the next 18 months.

The Board will request monthly reports from the Treasurer to review the funding in all accounts. The reports requested will include the *Fund Chart of Accounts Report*, the *Statement of Funds Report*, and the *Budget Chart of Accounts Report*.

OTHER 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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.inionline.org/>.

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

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

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	1 to 1 Technology Initiative	Elementary Construction	School Lunch
Cash and investments - beginning	\$ 277,077	\$ 299,795	\$ 701,394	\$ (41,833)	\$ 95,402	\$ 203,792	\$ -	\$ -	\$ -	\$ 205,165
Receipts:										
Local sources	49,647	1,321,752	619,190	218,185	71,212	-	-	-	210	216,698
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	4,711,513	-	-	-	-	-	-	-	-	4,112
Federal sources	101,163	-	-	-	-	-	-	-	-	219,618
Temporary loans	-	-	-	-	-	-	1,387,136	-	-	-
Interfund loans	-	108,190	83,825	-	-	11,000	-	-	203,015	-
Other	1,373	-	2,080	312	-	887	-	-	197,705	20
Total receipts	4,863,696	1,429,942	705,095	218,497	71,212	11,887	1,387,136	-	400,930	440,448
Disbursements:										
Current:										
Instruction	3,220,074	-	-	-	-	-	-	-	-	-
Support services	1,865,249	-	431,248	315,309	-	223,373	-	956,045	-	4,005
Noninstructional services	164,118	-	-	-	-	-	-	-	-	437,026
Facilities acquisition and construction	-	-	158,433	-	-	-	1,384,573	-	452,009	-
Debt services	-	769,972	-	-	-	-	-	-	67,520	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	108,190	83,825	-	-	11,000	-	-	203,015	-
Total disbursements	5,249,441	878,162	673,506	315,309	-	234,373	1,384,573	956,045	722,544	441,031
Excess (deficiency) of receipts over disbursements	(385,745)	551,780	31,589	(96,812)	71,212	(222,486)	2,563	(956,045)	(321,614)	(583)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	1,114,400	4,092,895	-
Sale of capital assets	2,529	-	-	-	-	-	-	-	-	-
Transfers in	361,388	-	-	230,000	-	519,000	-	-	-	2,563
Transfers out	(508)	(73,592)	(488,624)	-	(64,500)	(466,000)	(2,563)	-	-	-
Total other financing sources (uses)	363,409	(73,592)	(488,624)	230,000	(64,500)	53,000	(2,563)	1,114,400	4,092,895	2,563
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(22,336)	478,188	(457,035)	133,188	6,712	(169,486)	-	158,355	3,771,281	1,980
Cash and investments - ending	\$ 254,741	\$ 777,983	\$ 244,359	\$ 91,355	\$ 102,114	\$ 34,306	\$ -	\$ 158,355	\$ 3,771,281	\$ 207,145

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

	Textbook Rental	Educational License Plates	Alternative Education	Gifts, Bequests Donations	High Ability Grant 2011-2012	High Ability Grant 2012-2013	High Ability Grant 2013-2014	Scholarships and Awards	School Technology
Cash and investments - beginning	\$ 47,450	\$ 1,987	\$ 7,846	\$ 688	\$ 18,417	\$ -	\$ -	\$ 20,288	\$ 11,530
Receipts:									
Local sources	28,262	-	-	-	-	-	-	-	-
Intermediate sources	-	113	-	-	-	-	-	-	-
State sources	26,732	-	-	-	-	26,729	-	-	19,917
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	192	-	-	-	-
Total receipts	54,994	113	-	-	192	26,729	-	-	19,917
Disbursements:									
Current:									
Instruction	-	-	-	-	16,455	5,699	-	-	-
Support services	66,655	-	-	-	-	-	-	-	23,119
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	66,655	-	-	-	16,455	5,699	-	-	23,119
Excess (deficiency) of receipts over disbursements	(11,661)	113	-	-	(16,263)	21,030	-	-	(3,202)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(2,154)	(3,231)	-	-	-
Total other financing sources (uses)	-	-	-	-	(2,154)	(3,231)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,661)	113	-	-	(18,417)	17,799	-	-	(3,202)
Cash and investments - ending	\$ 35,789	\$ 2,100	\$ 7,846	\$ 688	\$ -	\$ 17,799	\$ -	\$ 20,288	\$ 8,328

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

	Digital Curriculum Fund	Local Wellness	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Reg Special Ed Part B - 2011-2012	Reg Special Ed Part B - 2012-2013	Reg Special Ed Part B 2013-2014	Preschool Sped 2011-2012
Cash and investments - beginning	\$ -	\$ 1,505	\$ (17,399)	\$ -	\$ -	\$ (42,247)	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	100	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	70,369	136,459	-	50,151	112,632	-	364
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	336	-	-	-	-	-
Total receipts	-	100	70,369	136,795	-	50,151	112,632	-	364
Disbursements:									
Current:									
Instruction	-	-	33,856	141,057	-	7,904	123,739	-	364
Support services	-	-	7,334	13,482	-	-	-	-	-
Noninstructional services	-	1,600	-	470	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,600	41,190	155,009	-	7,904	123,739	-	364
Excess (deficiency) of receipts over disbursements	-	(1,500)	29,179	(18,214)	-	42,247	(11,107)	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	508	-	-	-	-	-	-
Transfers out	-	-	(12,288)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(11,780)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,500)	17,399	(18,214)	-	42,247	(11,107)	-	-
Cash and investments - ending	\$ -	\$ 5	\$ -	\$ (18,214)	\$ -	\$ -	\$ (11,107)	\$ -	\$ -

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

	Preschool Sped 2012-2013	Preschool Sped 2013-2014	Title II - Part A 2011-2012	Title II - Part A 2012-2013	Title II - Part A 2013-2014	Special Education - Part B	Education Jobs	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (2,175)	\$ -	\$ -	\$ (4,829)	\$ -	\$ (5,473)	\$ 1,778,380
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,525,256
Intermediate sources	-	-	-	-	-	-	-	-	113
State sources	-	-	-	-	-	-	-	-	4,789,003
Federal sources	1,021	-	5,543	32,934	-	-	85,545	-	815,799
Temporary loans	-	-	-	-	-	-	-	-	1,387,136
Interfund loans	-	-	-	-	-	-	-	-	406,030
Other	-	-	-	-	-	-	-	1,356,349	1,559,254
Total receipts	1,021	-	5,543	32,934	-	-	85,545	1,356,349	11,482,591
Disbursements:									
Current:									
Instruction	1,021	-	3,900	32,655	-	-	85,545	-	3,672,269
Support services	-	-	-	-	-	-	-	-	3,905,819
Noninstructional services	-	-	-	-	-	-	-	-	603,214
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,995,015
Debt services	-	-	-	-	-	-	-	-	837,492
Nonprogrammed charges	-	-	-	-	-	-	-	1,334,534	1,334,534
Interfund loans	-	-	-	-	-	-	-	-	406,030
Total disbursements	1,021	-	3,900	32,655	-	-	85,545	1,334,534	12,754,373
Excess (deficiency) of receipts over disbursements	-	-	1,643	279	-	-	-	21,815	(1,271,782)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	5,207,295
Sale of capital assets	-	-	-	-	-	-	-	-	2,529
Transfers in	-	-	532	-	-	-	-	-	1,113,991
Transfers out	-	-	-	(532)	-	-	-	-	(1,113,992)
Total other financing sources (uses)	-	-	532	(532)	-	-	-	-	5,209,823
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	2,175	(253)	-	-	-	21,815	3,938,041
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (253)	\$ -	\$ (4,829)	\$ -	\$ 16,342	\$ 5,716,421

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	1 to 1 Technology Initiative	Elementary Construction	School Lunch
Cash and investments - beginning	\$ 254,741	\$ 777,983	\$ 244,359	\$ 91,355	\$ 102,114	\$ 34,306	\$ -	\$ 158,355	\$ 3,771,281	\$ 207,145
Receipts:										
Local sources	88,004	1,246,917	632,591	227,939	74,228	-	-	25	370	198,852
Intermediate sources	-	591	-	-	-	-	-	-	-	-
State sources	4,576,013	-	-	-	-	-	-	-	-	4,364
Federal sources	-	-	-	-	-	-	-	-	-	267,742
Temporary loans	-	-	252,500	147,501	-	-	-	-	-	-
Interfund loans	90,000	90,000	25,700	-	25,700	-	-	-	-	-
Other	10,618	-	150	1,038	-	-	-	9,253	258,992	-
Total receipts	4,764,635	1,337,508	910,941	376,478	99,928	-	-	9,278	259,362	470,958
Disbursements:										
Current:										
Instruction	3,045,181	-	-	-	-	-	-	-	-	-
Support services	1,868,037	-	642,000	502,834	138,195	31,493	-	109,100	-	3,920
Noninstructional services	164,999	-	-	-	-	-	-	-	-	413,123
Facilities acquisition and construction	-	-	100,486	-	-	-	-	-	3,852,665	-
Debt services	-	1,272,105	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	90,000	90,000	25,700	-	25,700	-	-	-	-	-
Total disbursements	5,168,217	1,362,105	768,186	502,834	163,895	31,493	-	109,100	3,852,665	417,043
Excess (deficiency) of receipts over disbursements	(403,582)	(24,597)	142,755	(126,356)	(63,967)	(31,493)	-	(99,822)	(3,593,303)	53,915
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	3,135	-	-	-	-	-	-	-	-	-
Transfers in	347,874	-	-	70,000	11,381	208,467	-	-	-	-
Transfers out	-	(216,288)	(206,381)	-	(2,086)	(208,467)	-	-	-	-
Total other financing sources (uses)	351,009	(216,288)	(206,381)	70,000	9,295	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(52,573)	(240,885)	(63,626)	(56,356)	(54,672)	(31,493)	-	(99,822)	(3,593,303)	53,915
Cash and investments - ending	\$ 202,168	\$ 537,098	\$ 180,733	\$ 34,999	\$ 47,442	\$ 2,813	\$ -	\$ 58,533	\$ 177,978	\$ 261,060

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Textbook Rental	Educational License Plates	Alternative Education	Gifts, Bequests Donations	High Ability Grant 2011-2012	High Ability Grant 2012-2013	High Ability Grant 2013-2014	Scholarships and Awards	School Technology
Cash and investments - beginning	\$ 35,789	\$ 2,100	\$ 7,846	\$ 688	\$ -	\$ 17,799	\$ -	\$ 20,288	\$ 8,328
Receipts:									
Local sources	57,783	-	-	-	-	-	-	-	5,675
Intermediate sources	-	75	-	-	-	-	-	-	-
State sources	28,067	-	-	-	-	-	26,556	-	18,803
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	85,850	75	-	-	-	-	26,556	-	24,478
Disbursements:									
Current:									
Instruction	-	-	-	-	-	6,258	12,663	-	-
Support services	64,255	-	-	-	-	11,541	-	-	16,207
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	2,000	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	64,255	-	-	-	-	17,799	12,663	2,000	16,207
Excess (deficiency) of receipts over disbursements	21,595	75	-	-	-	(17,799)	13,893	(2,000)	8,271
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	500	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	500	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	21,595	75	-	-	-	(17,799)	13,893	(1,500)	8,271
Cash and investments - ending	\$ 57,384	\$ 2,175	\$ 7,846	\$ 688	\$ -	\$ -	\$ 13,893	\$ 18,788	\$ 16,599

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Digital Curriculum Fund	Local Wellness	Title I 2011-2012	Title I 2012-2013	Title I 2013-2014	Reg Special Ed Part B - 2011-2012	Reg Special Ed Part B - 2012-2013	Reg Special Ed Part B - 2013-2014	Preschool Sped 2011-2012
Cash and investments - beginning	\$ -	\$ 5	\$ -	\$ (18,214)	\$ -	\$ -	\$ (11,107)	\$ -	\$ -
Receipts:									
Local sources	14,489	2,200	-	150	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	25,340	120,356	-	46,383	80,090	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	1,197	-	-	-	-	-
Total receipts	14,489	2,200	-	26,687	120,356	-	46,383	80,090	-
Disbursements:									
Current:									
Instruction	-	-	-	6,677	124,826	-	35,515	90,432	-
Support services	3,533	-	-	1,683	414	-	-	-	-
Noninstructional services	-	2,200	-	113	238	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	3,533	2,200	-	8,473	125,478	-	35,515	90,432	-
Excess (deficiency) of receipts over disbursements	10,956	-	-	18,214	(5,122)	-	10,868	(10,342)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	10,956	-	-	18,214	(5,122)	-	10,868	(10,342)	-
Cash and investments - ending	\$ 10,956	\$ 5	\$ -	\$ -	\$ (5,122)	\$ -	\$ (239)	\$ (10,342)	\$ -

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Preschool Sped 2012-2013	Preschool Sped 2013-2014	Title II - Part A 2011-2012	Title II - Part A 2012-2013	Title II - Part A 2013-2014	Special Education - Part B	Education Jobs	Payroll Clearing Fund	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (253)	\$ -	\$ (4,829)	\$ -	\$ 16,342	\$ 5,716,421
Receipts:									
Local sources	-	-	-	235	369	-	-	-	2,549,827
Intermediate sources	-	-	-	-	-	-	-	-	666
State sources	-	-	-	-	-	-	-	-	4,653,803
Federal sources	2,222	92	-	5,938	30,333	-	-	-	578,496
Temporary loans	-	-	-	-	-	-	-	-	400,001
Interfund loans	-	-	-	-	-	-	-	-	231,400
Other	-	-	-	-	-	-	-	1,320,905	1,602,153
Total receipts	2,222	92	-	6,173	30,702	-	-	1,320,905	10,016,346
Disbursements:									
Current:									
Instruction	2,547	92	-	5,685	30,702	-	-	-	3,360,578
Support services	-	-	-	235	-	-	-	-	3,393,447
Noninstructional services	-	-	-	-	-	-	-	-	580,673
Facilities acquisition and construction	-	-	-	-	-	-	-	-	3,953,151
Debt services	-	-	-	-	-	-	-	-	1,272,105
Nonprogrammed charges	-	-	-	-	-	-	-	1,330,819	1,332,819
Interfund loans	-	-	-	-	-	-	-	-	231,400
Total disbursements	2,547	92	-	5,920	30,702	-	-	1,330,819	14,124,173
Excess (deficiency) of receipts over disbursements	(325)	-	-	253	-	-	-	(9,914)	(4,107,827)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	3,635
Transfers in	-	-	-	-	-	-	-	-	637,722
Transfers out	-	-	-	-	-	-	-	-	(633,222)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	8,135
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(325)	-	-	253	-	-	-	(9,914)	(4,099,692)
Cash and investments - ending	\$ (325)	\$ -	\$ -	\$ -	\$ -	\$ (4,829)	\$ -	\$ 6,428	\$ 1,616,729

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
North Vermillion Community School Building Corporation	Renovation/upgrade of buildings and campus	\$ 646,000	6/30/2014	12/31/2021
Total of annual lease payments		<u>\$ 646,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	1:1 Technology - Technology upgrades	\$ 490,000	\$ 244,300
Tax anticipation warrants	CPF-maintain daily operations; Transportation-meet transportation obligations	400,001	405,765
Notes and loans payable	Upgrading/renovating North Vermillion Jr.-Sr. High School	<u>1,452,833</u>	<u>164,669</u>
Total governmental activities		<u>2,342,834</u>	<u>814,734</u>
Totals		<u>\$ 2,342,834</u>	<u>\$ 814,734</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the North Vermillion Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-004 and 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 item 2014-003 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 17, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster	Indiana Department of Education	10.553			
School Breakfast Program			FY 12-13	\$ 63,101	\$ -
			FY 13-14	-	73,000
Total for Program				63,101	73,000
National School Lunch Program		10.555			
			FY 12-13	183,878	-
			FY 13-14	-	220,844
Total for Program				183,878	220,844
Total for Cluster				246,979	293,844
<u>Department of Education</u>					
Impact Aid Cluster	Direct Grant	84.041			
Impact Aid			S041A-2008-1653	225	-
			S041A-2010-1653	17,823	-
			S041A-2011-1653	23,400	-
			S041A-2012-1653	23,679	-
			S041A-2013-1653	36,036	-
Total for Cluster				101,163	-
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			12-8010	70,369	-
			13-8010	136,459	25,339
			14-8010	-	120,356
Total for Cluster				206,828	145,695

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027	14212-089-PN01	50,151	-
			14213-089-PN01	112,632	46,383
			14214-089-PN01	-	80,090
Total for Program				<u>162,783</u>	<u>126,473</u>
Special Education - Preschool Grants	Indiana Department of Education	84.173	45712-089-PN01	364	-
			45713-089-PN01	1,021	2,222
			45714-089-PN01	-	92
Total for Program				<u>1,385</u>	<u>2,314</u>
Total for Cluster				<u>164,168</u>	<u>128,787</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	10-8010	5,543	-
			11-8010	32,934	5,938
			12-8010	-	30,333
Total for Program				<u>38,477</u>	<u>36,271</u>
Education Jobs	Indiana Department of Education	84.410	Project Year 2012	85,545	-
Total federal awards expended				<u>\$ 843,160</u>	<u>\$ 604,597</u>

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Noncash Assistance

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

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 27,361	\$ 26,102

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

<u> Name of Federal Program or Cluster </u>
Child Nutrition Cluster Title I, Part A Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipts and disbursements including payroll. The Treasurer writes the receipts, posts receipts to the ledger, completes deposit ticket for those that need to be deposited to the bank, and delivers the deposit to the bank. No one else is reviewing reports to make sure the receipts are posted to the correct fund or verifying that the correct amount is being deposited in the bank. Payroll is being handled by the Deputy Treasurer. She receives the time sheets, inputs payroll

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

into the software program, reviews the payroll check register, posts the payroll, and prints the advice of charge slips. No one reviews the payroll transactions other than the Deputy Treasurer. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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

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

***FINDING 2014-002 - INTERNAL CONTROLS AND COMPLIANCE OVER
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The SEFA was prepared by the Treasurer without proper oversight, review, or approval. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: Education Jobs was omitted from the schedule for 2012-2013 and the Child Nutrition Cluster was omitted in 2013-2014. A state grant was included in the schedule. For Title I Grants to Local Educational Agencies, Special Education - Grants to States, and Improving Teacher Quality State Grants, disbursements were used rather than receipts for 2012-2013 which was in conflict with the disclosure in Note 1. Improving Teacher Quality State Grants included non-Federal amounts for 2013-2014. Program names did not match the program names as shown in the Catalog of Federal Domestic Assistance. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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

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

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, NATIONAL SCHOOL LUNCH PROGRAM, AND SCHOOL BREAKFAST PROGRAM

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-8010, 13-8010, 14-8010

Pass-Through Entity: Indiana Department of Education

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement for the following compliance requirements for Title I Grants to Local Educational Agencies: Cash Management and Reporting. Also included are the following compliance requirements for the National School Lunch Program and the School Breakfast Program: Activities Allowed; Allowable Costs; Cash Management; Program Income; Special Tests and Provisions (paid-lunch equity). 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 programs.

For Title I Grants to Local Educational Agencies, there is no segregation of duties over Cash Management and Reporting. The Treasurer prepares the reimbursement request and Annual Expenditure Reports and submits it with no other oversight.

For the National School Lunch Program and the School Breakfast Program:

1. There is a lack of segregation of duties over Activities Allowed and Allowable Costs. The Cafeteria Manager orders the food and supplies, receives the food and supplies, and reviews the invoices. The payments are made to vendors by the Treasurer from statements. There is no evidence that the invoices are reviewed by any person other than the Cafeteria Manager.
2. The School Corporation has chosen not to comply with Cash Management requirements because there are not enough necessary expenditures to deplete the cash balance to the required level and lunch prices cannot be decreased due to paid lunch equity requirements. This resulted in established controls being overridden.
3. For program income at the elementary school, cash is not safeguarded prior to posting and drawers are not counted separately. Neither the high school, nor the elementary school provides the Treasurer with a collection report. Amounts are posted at month end from the bank statement with no reconciliation of what is on the bank statement to the amounts shown as collected or accumulated in student accounts.

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

4. There were no controls over paid lunch equity requirements. The Food Service Director stated that she had received the spreadsheet to calculate average lunch price, which is used in determining necessary compliance with the requirement, but did not complete it.

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, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

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

The failure to establish internal controls 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.

***FINDING 2014-004 - PROGRAM INCOME FOR NATIONAL SCHOOL
LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

The Treasurer posts food service program income from the bank statements at the end of the month, rather than using reports from the cafeteria. Electronic payments are posted in a lump sum and processing fees are deducted automatically from the bank account and posted to the school lunch account. The Treasurer does not receive any report from the cafeteria managers or the third-party administrator to verify the accuracy or appropriateness of the deposits or deductions.

Adult lunches at the elementary school were not charged appropriately.

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

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

The failure to process payments timely and from proper source documents, does not provide up-to-date financial information for decision making and financial planning purposes. This can also affect the School Corporation's compliance with Cash Management requirements, because a current cash balance is not readily available.

We recommend that the cafeteria managers provide line reports to the Treasurer daily so that postings may be made from appropriate source documentation on a timely basis. We also recommended that electronic payment reports be reviewed at least monthly to determine appropriateness of deposits and fees deducted.

FINDING 2014-005, SPECIAL TESTS AND PROVISIONS FOR NATIONAL SCHOOL LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

The School Corporation did not perform the necessary calculation for paid lunch equity during the audit period. The School Corporation did increase prices in 2013, based on findings in the on-site review performed by the Indiana Department of Education, but did not comply with the requirement for 2012-2013.

7 CFR 210.14 states in part:

"(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

- (1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . .

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

- (3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
- (i) 2 percent; and
 - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.
- (4) *Price Adjustments.*
- (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.
 - (ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
 - (iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents. . . .
- (6) *Additional considerations.*
- (i) In any given year, if a school food authority with an average price lower than the reimbursement difference is not required by paragraph (e)(4)(ii) of this section to increase its average price for paid lunches, the school food authority shall use the unrounded average price as the basis for calculations to meet paragraph (e)(3) of this section for the next school year.
 - (ii) If a school food authority has an average price lower than the reimbursement difference and chooses to increase its average price for paid lunches in any school year more than is required by this section, the amount attributable to the additional voluntary increase may be carried forward to the next school year(s) to meet the requirements of this section.
 - (iii) For the school year beginning July 1, 2011 only, the limitations for non-Federal contributions in paragraph (e)(5)(iii) of this section do not apply.
- (7) *Reporting lunch prices.* In accordance with guidelines provided by FNS:
- (i) School food authorities shall report prices charged for paid lunches to the State agency; and
 - (ii) State agencies shall report these prices to FNS.

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

(f) *Revenue from nonprogram foods.* Beginning July 1, 2011, school food authorities shall ensure that the revenue generated from the sale of nonprogram foods complies with the requirements in this paragraph.

- (1) *Definition of nonprogram foods.* For the purposes of this paragraph, nonprogram foods are those foods and beverages:
 - (i) Sold in a participating school other than reimbursable meals and meal supplements; and
 - (ii) Purchased using funds from the nonprofit school food service account.
- (2) *Revenue from nonprogram foods.* The proportion of total revenue from the sale of nonprogram foods to total revenue of the school food service account shall be equal to or greater than:
 - (i) The proportion of total food costs associated with obtaining nonprogram foods to
 - (ii) The total costs associated with obtaining program and nonprogram foods from the account.
- (3) All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

Failure to comply with paid-lunch equity requirements could result in sanctions from the grantor or pass-through agency.

We recommended that the School Corporation prepare and maintain calculations each school year and increase prices accordingly, if necessary.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

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

**NVCSC
ADMINISTRATION
OFFICE**

CORRECTIVE ACTION PLAN

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

***FINDING 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING***

**Michael F. Turner
SUPERINTENDENT**

Contact Person Responsible for Corrective Action: Michele Harrison
Contact Phone Number: 765-492-5101

**Shelly Harrison
CORPORATION
TREASURER**

Description of Corrective Action Plan:

**Debra L. Harding
CORPORATION
ADMINISTRATIVE
ASSISTANT**

1. Lack of Segregation of Duties:

All receipts are prepared and issued by the Treasurer. The Treasurer and Deputy Treasurer each review and approve all receipts during the posting process. The Receipt Posting Journal, Deposits New to the Bank File and Fund Transaction Posting are printed and the Receipt Posting Journal is initialed by both the Treasurer and Deputy Treasurer and filed with the receipts.

**Pamela Carli
CORPORATION
TECHNOLOGY
DIRECTOR**

Deputy Treasurer receives and reviews time sheets. She matches the leave request forms and time sheets to the Employee Absence Report for accuracy. Treasurer then enters attendance into Komputrol. The Deputy Treasurer enters payroll into Komputrol. During the input process, Treasurer assists Deputy Treasurer by verifying each time sheet. The payroll notebook and the Payroll Check Register from the previous payroll are used as guides during this process to make sure all appropriate employees are paid. Deputy Treasurer prints a Payroll Trial Journal, which is checked for accuracy by the Treasurer. The Deputy Treasurer prints Deposit Advices. The Deputy Treasurer also prints a Payroll Check Register, which is initialed by both the Treasurer and Deputy Treasurer. The Treasurer creates and submits the ach file to the financial institution. The Treasurer then posts the payroll.

**NORTH VERMILLION
BOARD OF SCHOOL
TRUSTEES**

**Terra D. Naylor
PRESIDENT**

**Larry A. Bemis
VICE PRESIDENT**

**Mark A. Swingle
SECRETARY**

**Brian L. Hughes
BOARD MEMBER**

**Jason D. McLain
BOARD MEMBER**

**Rick O. Weir
BOARD MEMBER**

**Larry D. Wickens
BOARD MEMBER**

2. Monitoring of Controls:

As stated above, receipts are now reviewed and approved by both the Treasurer and Deputy Treasurer during the posting process. After receipts are posted by the Treasurer, the Treasurer provides the Superintendent with the following reports:

Fund Chart of Accounts Report

Receipt Posting Journal

Deposits New to the Bank File

Fund Transaction Posting

Copies of these reports, excluding the Fund Chart of Accounts Report, are also filed with the Receipts.

As also stated above, both the Treasurer and Deputy Treasurer process payroll. After the Treasurer posts payroll, the Treasurer provides the Superintendent with the following reports:

Fund Chart of Accounts Report

Fund Transaction Posting – Budgetary

Fund Transaction Posting – Revenue

Copies of these reports, excluding the Fund Chart of Accounts Report, are filed with the Payroll Check Register.

A Claims Register is prepared each month and approved at the School Board Meeting. The long and short versions of the list are provided to the school board members and superintendent prior to the meeting.

Treasurer balances the bank statement each month. Superintendent verifies that the Bank Statement provided from the bank and the Bank Statement printed from Komputrol have balanced. Once verified, Superintendent signs and dates the Bank Statements. End of Month Reports are then printed and provided to the Superintendent and School Board Members. All reports are also kept on file in the Superintendent's Office.

Following the balancing of the bank statement, Reimbursement Request Forms are prepared for the following funds: Title I, Title II-A, Regular Special Ed and Preschool Special Ed provided funds have been expended during the month just balanced.

Title I Reimbursement Form is completed online through the Title I Programs Application Center. Treasurer is the "Requester" and Superintendent is the "Approver". A copy of the Reimbursement Form, Fund Chart of Accounts Report, Expenditure Report, and Revenue History Report are provided to the Superintendent, Kara Porter and Brian Byrum.

Title II-A Reimbursement Form is prepared by the Treasurer. It is emailed to Alisa at Title2a@doe.in.gov. Superintendent, Brian Byrum, Jayne Ann Virostko and Holly Wheaton are included on the email. Copies of the Fund Chart of Accounts Report, Expenditure Report and Revenue History Report are provided to Mr. Byrum, Ms. Virostko and Mrs. Wheaton.

Regular Special Ed Reimbursement Form is prepared by the Treasurer and approved by the Superintendent. It is emailed to Tamara Poteet at specialpartb@doe.in.gov. Superintendent and Jill Coffing are included on the email.

Preschool Special Ed Reimbursement Form is prepared by the Treasurer. It is emailed to Tamara Poteet at specialpartb@doe.in.gov. Superintendent and Jill Coffing are included on the email.

FINDING 2014-002 – INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

This is the first time that the Schedule of Expenditures of Federal Awards (SEFA) was prepared by the Treasurer. In the future, Treasurer will prepare the Schedule of Expenditures of Federal Awards (SEFA) and have the Deputy Treasurer and Superintendent review for accuracy.

FINDING 2014-003 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Title I –

The Title I Director, Kara Porter, prepares the Title I Grant Application and Budget. Following approval of the Grant, Mrs. Porter and the Treasurer meet and the Treasurer enters the appropriations into Komputrol according to the Grant approval. The Title I Reimbursement Form is completed monthly online through the Title I Programs Application Center. Treasurer is the "Requester" and Superintendent is the "Approver". A copy of the Reimbursement Form, Fund Chart of Accounts Report, Expenditure Report, and Revenue History Report are provided to the Superintendent, Kara Porter and Brian Byrum. The Title I Director, Kara Porter, will assist the Treasurer in the completion of the Annual Expenditure Report.

Title I questioned costs (gift card purchases of \$90 and food purchases of \$3,444) were items that were written into the Title I Grant. However, gift cards and/or food purchases will not be purchased with Title I funds going forward.

National School Lunch Program and School Breakfast Program –

1. Head Cooks check pricing on all food and supplies and then place orders accordingly. When orders are received, a cafeteria employee along with the Head Cook checks in the items to make sure all items were received. The cafeteria employee then signs off on the invoice. Head Cook gives all invoices and packing slips to Treasurer for payment.
2. Cash register drawers are counted by the individual operating the cash register. Counting of the drawers is done separately. Balance sheets for each register are signed by the individual that operated and counted the drawer. These balance sheets along with the cash and/or checks for that register are then provided to the Head Cook to recount. The Head Cook then combines the total of both registers. A Line Detail Report is then printed for the day. The total of both registers is balanced to the Line Detail Report for accuracy. The Line Detail Reports are provided to the Treasurer on a weekly basis. Treasurer matches the Line Detail Reports to the deposits on the Bank Statement provided by the financial institution.
3. Melissa Corum is the Indiana Department of Education Division of School Nutrition Assigned Specialist for North Vermillion Community School Corporation. Following Ms. Corum's upcoming visit to North Vermillion Community School Corporation, the necessary calculation for paid lunch equity will be completed by the Food Service Director. The calculation for paid lunch equity will be done on a yearly basis. The breakfast and lunch prices will be approved yearly by the North Vermillion Board of School Trustees.

FINDING 2014-004 – PROGRAM INCOME

Daily Line Detail Reports from each school cafeteria are provided to the Treasurer on a weekly basis. Treasurer prints a Skipjack Transaction Detail Report for the week. The Line Detail Reports and Skipjack Transaction Detail Reports are matched by the Treasurer and/or Deputy Treasurer for accuracy. The Skipjack Transaction Detail Reports show the breakdown of online payments and the fees charged. Treasurer will then print receipts for the NVES and NVHS cafeteria payments received. In the near future, visits to a few local school corporations are planned. If after the visits, it is determined improvements to our system are deemed necessary, changes will be implemented accordingly.

FINDING 2014-005 – SPECIAL TESTS AND PROVISIONS

Melissa Corum is the Indiana Department of Education Division of School Nutrition Assigned Specialist for North Vermillion Community School Corporation. Following Ms. Corum's upcoming visit to North Vermillion Community School Corporation, the necessary calculation for paid lunch equity will be completed by the Food Service Director. The calculation for paid lunch equity will be done on a yearly basis. The breakfast and lunch prices will be approved yearly by the North Vermillion Board of School Trustees.

Anticipated Completion Date: April 30, 2015


(Signature)
Corporation Treasurer
(Title)
March 13, 2015
(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.