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September 28, 2020

Board of Directors  
Switzerland County Public Schools Endowment Corporation  
P.O. Box 222  
Vevay, IN 47043

We have reviewed the audit report of Switzerland County Public Schools Endowment Corporation which was opined upon by Sherman, Barber & Mullikin, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Switzerland County Public Schools Endowment Corporation as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Sherman, Barber & Mullikin prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**SWITZERLAND COUNTY PUBLIC SCHOOLS  
ENDOWMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

December 31, 2019  
and  
December 31, 2018

SHERMAN, BARBER & MULLIKIN  
CERTIFIED PUBLIC ACCOUNTANTS  
210 West Third Street  
Madison, Indiana

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**December 31, 2019 and 2018**

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SHERMAN, BARBER & MULLIKIN

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

**Principals**

Kevin W. Mullikin, CPA  
Ben M. Foley, CPA  
Christine D. Dattilo, CPA

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Tracy L. Wyne, CPA  
Shaun A. King, CPA

To the Board of Directors  
Switzerland County Public Schools Endowment Corporation  
Vevay, Indiana

We have audited the accompanying financial statements of Switzerland County Public Schools Endowment Corporation (a nonprofit corporation), which comprise the Statement of Assets and Net Assets-Modified Cash Basis as of December 31, 2019 and December 31, 2018, and the related Statement of Revenue and Expense-Modified Cash Basis for the years then ended, and the related notes to the financial

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 statements.

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

To the Board of Directors  
Switzerland County Public Schools Endowment Corporation  
Page Two

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Switzerland County Public Schools Endowment Corporation as of December 31, 2019 and December 31, 2018, and its revenue and expenses for the years then ended, in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of State and Local Assistance is presented for purposes of additional analysis as required by the Indiana State Board of Accounts and is not a required part of the financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audits of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Sherman, Barber & Mullikin*

Sherman, Barber & Mullikin  
Madison, Indiana

July 22, 2020

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**Statement of Assets and Net Assets - Modified Cash Basis  
For the Year Ended December 31,**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash	\$ 26,112	\$ 62,717
Investments	<u>1,642,740</u>	<u>1,506,473</u>
<b>Total Assets</b>	<u>\$ 1,668,852</u>	<u>\$ 1,569,190</u>
<b>Net Assets</b>		
Net Assets without Donor Restrictions	<u>1,668,852</u>	<u>1,569,190</u>
<b>Total Net Assets</b>	<u>\$ 1,668,852</u>	<u>\$ 1,569,190</u>

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**Statement of Revenue and Expense - Modified Cash Basis  
For the Year Ended December 31,**

	<u>2019</u>	<u>2018</u>
<b>Net Assets without Donor Restrictions</b>		
<b>Revenues</b>		
County Financial Assistance	\$ 729,489	\$ 758,021
Interest Income	213	368
Investment Interest Income & Dividends	73,181	92,593
Investment Income (Loss) on Funds	<u>156,176</u>	<u>(185,874)</u>
<b>Total Revenues</b>	959,059	665,108
<b>Functional Expenses</b>		
Program Service	830,404	871,433
Management & General	<u>28,993</u>	<u>23,063</u>
<b>Total Functional Expenses</b>	<u>859,397</u>	<u>894,496</u>
<b>Change in Net Assets Without Donor Restrictions</b>	99,662	(229,388)
<b>Net Assets, Beginning of Period</b>	<u>1,569,190</u>	<u>1,798,578</u>
<b>Net Assets, End of Period</b>	<u>\$ 1,668,852</u>	<u>\$ 1,569,190</u>

# SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION

## Notes to Financial Statements December 31, 2019 and 2018

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Switzerland County Public Schools Endowment Corporation is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the Board of Directors, who are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The significant accounting policies of the Corporation are as follows:

#### Organization

Switzerland County Public Schools Endowment Corporation was incorporated in August of 2000. It is a nonprofit organization managed by an appointed board of directors. No capital stock exists.

The main purpose of the Corporation is to provide educational resources to the public schools located in Switzerland County, Indiana. The Corporation is substantially supported by revenue sharing amounts received from Switzerland County from the taxes collected from riverboat gaming.

#### Income Taxes

The Corporation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been granted exemption from Indiana Gross Receipts tax. Accordingly, no provision has been made for income taxes in the financial statements.

#### Basis of Accounting

The accompanying financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only assets recognized are cash and investments, and no liabilities are recognized. The modified cash basis differs from generally accepted accounting principles primarily because the outstanding obligations for grants unpaid at the date of the financial statements are not included in the financial statements.

# SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION

## Notes to Financial Statements December 31, 2019 and 2018

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial Statement Presentation

The Corporation is required to report information regarding its net assets according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the corporation. Net assets with donor restrictions consists of donor restricted contributions and grants. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. For 2019, there are no net assets with donor restrictions.

#### Cost Allocation

The cost of providing programs and activities has been summarized on a functional basis on the Statement of Revenue and Expense. Note 5 presents the natural classification by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited and have been allocated on the basis of estimates of time and effort.

#### Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### Investments

Investments are recorded at fair value. When acquired by gift, the value established by management is the fair value at the date of acquisition. Interest, dividends, realized gains (losses), and unrealized gains (losses) are reflected as changes in net assets in the period earned or occurred.

#### NOTE 2. FUNDING SOURCE

The Corporation receives funding from Switzerland County. The County receives a portion of gaming revenue as part of a development agreement with a gaming development corporation. Switzerland County then shares a portion of that revenue with the Corporation.

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**Notes to Financial Statements  
December 31, 2019 and 2018**

NOTE 3. COMMITMENTS

At December 31, 2019 and 2018, there were grants awarded but not yet disbursed of \$801,847 and \$872,865, respectively. The events requiring disbursement of the funds had not yet occurred. In accordance with the modified cash basis of accounting, these amounts will be reflected as grants when they are expended.

NOTE 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

Investments are composed of the following assets measured at fair value on a recurrent basis.

<u>December 31, 2019</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Mutual Funds	<u>\$ 1,642,740</u>	<u>\$ 1,642,740</u>
<u>December 31, 2018</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Mutual Funds	<u>\$ 1,506,473</u>	<u>\$ 1,506,473</u>

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**Notes to Financial Statements  
December 31, 2019 and 2018**

NOTE 5. FUNCTIONAL ALLOCATION OF CASH DISBURSEMENTS

The table below presents cash disbursements by both their nature and their function as of:

<u>December 31, 2019</u>	<u>Program Service</u>	<u>Management and General</u>	<u>Total</u>
Management Fees	\$ -	\$ 12,938	\$ 12,938
Trust Company Fees	-	151	\$ 151
Grants	830,404	-	\$ 830,404
Board Fees	-	7,125	\$ 7,125
Professional Fees	-	8,665	\$ 8,665
Licenses and Fees	-	62	\$ 62
Bank Fees	-	30	\$ 30
Administrative	-	22	\$ 22
<b>Total</b>	<b>\$ 830,404</b>	<b>\$ 28,993</b>	<b>\$ 859,397</b>

<u>December 31, 2018</u>	<u>Program Service</u>	<u>Management and General</u>	<u>Total</u>
Management Fees	\$ -	\$ 13,732	\$ 13,732
Trust Company Fees	-	114	\$ 114
Grants	871,433	-	\$ 871,433
Board Fees	-	7,875	\$ 7,875
Professional Fees	-	1,256	\$ 1,256
Bank Fees	-	12	\$ 12
Administrative	-	74	\$ 74
<b>Total</b>	<b>\$ 871,433</b>	<b>\$ 23,063</b>	<b>\$ 894,496</b>

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**Notes to Financial Statements  
December 31, 2019 and 2018**

NOTE 6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the entity's liquidity management, it invests cash in excess of daily requirements in mutual funds. The following reflects the entity's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual restrictions within one year.

	<u>12/31/2019</u>	<u>12/31/2018</u>
Financial assets, at year-end	\$ 1,668,852	\$ 1,569,190
Less those unavailable for general expenditures within one year due to:		
Contractual Restrictions for Grants	<u>(801,847)</u>	<u>(872,865)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 867,005</u>	<u>\$ 696,325</u>

NOTE 7. RISKS AND UNCERTAINTIES

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Assets, Liabilities and Net Assets.

NOTE 8. ECONOMIC DEPENDENCY

The Corporation receives substantially all of its support through revenue sharing of gaming revenues in Switzerland County. The reduction or elimination of this support would substantially impact the activities of the Corporation.

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**Notes to Financial Statements**

**December 31, 2019 and 2018**

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2020, which was the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Corporation's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. A potential impact includes, but is not limited to, the Corporation not being allowed to disconnect for non-payment as long as the governor's order prohibits disconnection. Management believes the Corporation is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**SWITZERLAND COUNTY PUBLIC SCHOOLS ENDOWMENT CORPORATION**

**Schedule of State and Local Financial Assistance**

Switzerland County

For the year ended:

December 31, 2019	\$	729,489
December 31, 2018	\$	758,021

This amount has been reflected in accordance with the modified cash basis of accounting.