

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

AUDIT REPORT

OF

DANVILLE COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

04/13/2007



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments .....	6-7
Statement of Cash Activities .....	8-9
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	12-13
Statement of Cash and Investments – Fiduciary Funds.....	14-15
Notes to Financial Statements .....	16-27
Required Supplementary Information:	
Schedule of Funding Progress .....	28
Audit Results and Comments:	
Bank Account Reconciliations .....	29
Capital Asset Records .....	29
Receipt Issuance .....	29
Condition of Records – Cash Balances .....	29-30
Overdrawn Fund Balance .....	30
Bank Account Reconciliations .....	30
Condition of Records .....	30
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A–133 .....	32-33
Schedule of Expenditures of Federal Awards.....	34
Notes to Schedule of Expenditures of Federal Awards .....	35
Schedule of Findings and Questioned Costs.....	36
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings.....	37
Exit Conference.....	38

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Glenda Brickler Kimberly Baker	07-01-04 to 06-30-06 07-01-06 to 06-30-07
Superintendent of Schools	Dr. John E. McKinney	07-01-04 to 06-30-06
President of the School Board	Donna Jones Scott Bess Dr. Richard Haak	07-01-04 to 10-01-04 10-02-04 to 06-30-06 07-01-06 to 06-30-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE DANVILLE COMMUNITY SCHOOL  
CORPORATION, HENDRICKS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities each major fund, and the aggregate remaining fund information of the Danville Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the Danville Community School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 14, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the

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

basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

January 14, 2007



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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE DANVILLE COMMUNITY SCHOOL  
CORPORATION, HENDRICKS COUNTY, INDIANA

We have audited the financial statements of the Danville Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the School Corporation on March 22, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 14, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 7,304,473
Restricted assets:	
Cash and investments	<u>2,488,793</u>
Total assets	<u>\$ 9,793,266</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,488,793
Unrestricted	<u>7,304,473</u>
Total net assets	<u>\$ 9,793,266</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 6,913,262
Restricted assets:	
Cash and investments	<u>1,742,310</u>
Total assets	<u>\$ 8,655,572</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,742,310
Unrestricted	<u>6,913,262</u>
Total net assets	<u>\$ 8,655,572</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 6,594,233	\$ -	\$ 253,169	\$ (6,341,064)
Support services	10,602,837	900,384	122,295	(9,580,158)
Community services	202,999	-	-	(202,999)
Nonprogrammed charges	460,145	-	-	(460,145)
Debt service	4,828,453	-	-	(4,828,453)
<b>Total governmental activities</b>	<b><u>\$ 22,688,667</u></b>	<b><u>\$ 900,384</u></b>	<b><u>\$ 375,464</u></b>	<b><u>(21,412,819)</u></b>
General receipts:				
Property taxes				13,322,449
Other local sources				2,515,352
State aid				8,237,695
Grants and contributions not restricted				478,373
Bonds and loans				1,612,706
Sale of property, adjustments, and refunds				128,247
Investment earnings				171,178
Intergovernmental transfers				<u>127,730</u>
				<u>26,593,730</u>
				5,180,911
				<u>4,612,355</u>
				<u>\$ 9,793,266</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 7,163,710	\$ -	\$ 46,964	\$ (7,116,746)
Support services	10,904,107	963,389	242,448	(9,698,270)
Community services	207,444	-	-	(207,444)
Nonprogrammed charges	482,648	-	-	(482,648)
Debt service	<u>5,473,060</u>	<u>-</u>	<u>-</u>	<u>(5,473,060)</u>
Total governmental activities	<u>\$ 24,230,969</u>	<u>\$ 963,389</u>	<u>\$ 289,412</u>	<u>(22,978,168)</u>
General receipts:				
Property taxes				9,607,262
Other local sources				1,902,773
State aid				8,616,015
Grants and contributions not restricted				492,863
Bonds and loans				762,254
Sale of property, adjustments, and refunds				75,473
Investment earnings				340,945
Intergovernmental transfers				<u>42,889</u>
Total general receipts and intergovernmental transfers				<u>21,840,474</u>
Change in cash and investments				(1,137,694)
Net assets - beginning				<u>9,793,266</u>
Net assets - ending				<u>\$ 8,655,572</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 5,991,278	\$ 1,492,683	\$ 5,036,389	\$ 2,613,288	\$ 342,717	\$ 1,432,845	\$ 16,909,200
Intermediate sources	157	-	-	-	-	-	157
State sources	8,301,302	-	-	-	-	297,514	8,598,816
Federal sources	-	-	-	-	-	492,715	492,715
Bonds and loans	324,000	45,425	579,135	352,000	60,916	251,230	1,612,706
Sale of property, adjustments and refunds	71,972	811	7	-	3,831	51,633	128,254
Intergovernmental transfers	-	127,730	-	-	-	-	127,730
<b>Total receipts</b>	<b>14,688,709</b>	<b>1,666,649</b>	<b>5,615,531</b>	<b>2,965,288</b>	<b>407,464</b>	<b>2,525,937</b>	<b>27,869,578</b>
Disbursements:							
Current:							
Instruction	6,259,966	-	-	-	-	334,267	6,594,233
Support services	5,650,804	1,078,069	3,698	2,370,074	103,261	1,396,931	10,602,837
Community services	202,999	-	-	-	-	-	202,999
Nonprogrammed charges	325,974	1,190	128,892	750	3,237	102	460,145
Debt services	330,500	306,400	3,563,117	147,010	111,102	370,324	4,828,453
<b>Total disbursements</b>	<b>12,770,243</b>	<b>1,385,659</b>	<b>3,695,707</b>	<b>2,517,834</b>	<b>217,600</b>	<b>2,101,624</b>	<b>22,688,667</b>
Excess of total receipts over total disbursements	1,918,466	280,990	1,919,824	447,454	189,864	424,313	5,180,911
Cash and investments - beginning	1,477,094	313,792	309,163	1,654,599	457,279	400,428	4,612,355
Cash and investments - ending	<u>\$ 3,395,560</u>	<u>\$ 594,782</u>	<u>\$ 2,228,987</u>	<u>\$ 2,102,053</u>	<u>\$ 647,143</u>	<u>\$ 824,741</u>	<u>\$ 9,793,266</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 4,583,477	\$ 1,071,918	\$ 3,670,299	\$ 1,942,439	\$ 188,154	\$ 1,357,925	\$ 12,814,212
Intermediate sources	157	-	-	-	-	-	157
State sources	8,648,403	-	-	-	-	132,741	8,781,144
Federal sources	-	-	-	-	-	617,146	617,146
Bonds and loans	-	110,000	-	429,700	-	222,554	762,254
Sale of property, adjustments and refunds	12,833	226	1,116	-	360	60,938	75,473
Intergovernmental transfers	-	34,501	-	-	-	8,388	42,889
<b>Total receipts</b>	<b>13,244,870</b>	<b>1,216,645</b>	<b>3,671,415</b>	<b>2,372,139</b>	<b>188,514</b>	<b>2,399,692</b>	<b>23,093,275</b>
Disbursements:							
Current:							
Instruction	6,828,025	10,027	-	2,638	-	323,020	7,163,710
Support services	6,051,268	1,150,258	1,615	1,718,523	292,942	1,689,501	10,904,107
Community services	207,372	-	-	-	-	72	207,444
Nonprogrammed charges	317,871	-	42,889	-	-	121,888	482,648
Debt services	324,000	45,425	4,111,376	352,000	60,916	579,343	5,473,060
<b>Total disbursements</b>	<b>13,728,536</b>	<b>1,205,710</b>	<b>4,155,880</b>	<b>2,073,161</b>	<b>353,858</b>	<b>2,713,824</b>	<b>24,230,969</b>
Excess (deficiency) of total receipts over (under) total disbursements	(483,666)	10,935	(484,465)	298,978	(165,344)	(314,132)	(1,137,694)
Cash and investments - beginning	3,395,560	594,782	2,228,987	2,102,053	647,143	824,741	9,793,266
Cash and investments - ending	<u>\$ 2,911,894</u>	<u>\$ 605,717</u>	<u>\$ 1,744,522</u>	<u>\$ 2,401,031</u>	<u>\$ 481,799</u>	<u>\$ 510,609</u>	<u>\$ 8,655,572</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 30,208	\$ -
Sale of property, adjustments and refunds	-	2,000
Total additions	30,208	2,000
Deductions:		
Support services	678,989	-
Nonprogrammed charges	1,527	-
Total deductions	680,516	-
Excess (deficiency) of total additions over (under) total deductions	(650,308)	2,000
Cash and investments - beginning	1,128,136	5,148
Cash and investments - ending	\$ 477,828	\$ 7,148

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 9,720	\$ 220
State sources	-	177,500
Sale of property, adjustments and refunds	1,526	2,082
Total additions	11,246	179,802
Deductions:		
Support services	113,799	-
Nonprogrammed charges	-	3,066
Total deductions	113,799	3,066
Excess (deficiency) of total additions over (under) total deductions	(102,553)	176,736
Cash and investments - beginning	477,828	7,148
Cash and investments - ending	\$ 375,275	\$ 183,884

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 477,828	\$ 7,148	\$ 87,344
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 477,828	\$ 7,148	

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 375,275	\$ 183,884	\$ 68,323
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 375,275	\$ 183,884	

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Joint Venture

The School Corporation is a participant with eleven other schools in a joint venture to operate West Central Joint Services which was created to provide special education and vocational services. West Central Joint Service's continued existence depends on continued funding by the School Corporation. Complete financial statements for the West Central Joint Services can be obtained from the Joint Services Administration office at 8650 West Washington Street, Indianapolis, IN 46231.

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints a board member of the Danville Public Library.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time. Likewise, the primary government is reported separately from certain legally separate component units for which the School Corporation is financially accountable.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund, and fiduciary financial statements are reported using the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students and/or employees of the School Corporation.

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

Agency funds account for assets held by the School Corporation as an agent for payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

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

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes 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.

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 6 to 10 days per year based on the months of service. Sick leave may be accumulated to a maximum of 110 days. Accumulated sick leave is not paid to employees.

DANVILLE COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Unused vacation leave is paid to employees upon separation.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 to 4 days per year based upon the employee job classification. Personal leave does not accumulate from year to year. Used personal leave is converted to sick leave at the end of the year.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at calendar year end.

On or before September 10, the fiscal officer of the School Corporation submits to the School Board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the School Board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

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

Fund	2005	2006
Textbook Rental Fund	\$ -	\$ 28,618

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Cash and investment deficits arose primarily from disbursements or expenses exceeding receipts or revenues due to the underestimate of current requirements. These deficits are to be repaid from future revenues.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2006, the bank balance held at various depositories in the amount of \$8,655,572 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name.

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise.

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the fiscal years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Debt Service	Transportation	127,730	34,501
Debt Service	Textbook Rental	<u>-</u>	<u>8,388</u>
Totals		<u>\$ 127,730</u>	<u>\$ 42,889</u>

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

C. Capital Leases

The School Corporation has entered into various capital leases for school buildings. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2006, follows:

	<u>Governmental Activities</u>
2007	\$ 3,341,500
2008	3,406,000
2009	3,530,500
2010	3,657,000
2011	3,760,000
2012-2016	20,777,500
2017-2021	12,753,500
2023-2027	<u>3,446,500</u>
Total minimum lease payments	54,672,500
Less amount representing interest	<u>18,637,385</u>
Present value of net minimum lease payments	<u>\$ 36,035,115</u>

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The assets acquired through capital leases still in effect are as follows:

	Governmental Activities
Buildings	\$ 38,316,844
Machinery and equipment	4,257,427
Total	\$ 42,574,271

D. Short-Term Liabilities

Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund.

Short-term debt activity for the years ended June 30, 2005 and 2006, was as follows:

<u>Fiscal Year 2004-2005</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Tax anticipation warrants	\$ 1,012,912	\$ 1,533,098	\$ 1,060,534	\$ 1,485,476
<u>Fiscal Year 2005-2006</u>				
Tax anticipation warrants	\$ 1,485,476	\$ 539,700	\$ 1,485,476	\$ 539,700

E. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities or to finance retirement/severance liabilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the School Corporation. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Pension Bond	4% to 5.5%	\$ 2,820,000

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Annual debt service requirements to maturity for general obligation bonds, for the years ended June 30, are as follows:

	Governmental Activities	
	Principal	Interest
2007	\$ 180,000	\$ 139,154
2008	180,000	131,954
2009	190,000	124,464
2010	195,000	116,009
2011	205,000	106,849
2012-2016	1,170,000	367,959
2017-2021	700,000	58,574
Totals	\$ 2,820,000	\$ 1,044,963

2. Loans Payable

The School Corporation has entered into various loans. Annual debt service requirements to maturity for the loans are as follows:

	Governmental Activities	
	Principal	Interest
2007	\$ 204,763	\$ 6,852
2008	169,906	3,914
2009	129,764	2,316
2010	87,986	1,122
2011	46,245	347
Totals	\$ 638,664	\$ 14,551

3. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2005 and 2006, was as follows:

Fiscal Year 2004-2005	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	\$ 3,130,000	\$ -	\$ 140,000	\$ 2,990,000	\$ 170,000
Capital leases	38,131,467	-	986,310	37,145,157	1,110,042
Loans payable	602,469	208,707	190,786	620,390	212,950
Total governmental activities long-term liabilities	\$ 41,863,936	\$ 208,707	\$ 1,317,096	\$ 40,755,547	\$ 1,492,992

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Fiscal Year 2005-2006</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 2,990,000	\$ -	\$ 170,000	\$ 2,820,000	\$ 180,000
Capital leases	37,145,157	-	1,110,042	36,035,115	2,624,676
Notes and loans payable	<u>620,390</u>	<u>231,224</u>	<u>212,950</u>	<u>638,664</u>	<u>204,762</u>
Total governmental activities long-term liabilities	<u>\$ 40,755,547</u>	<u>\$ 231,224</u>	<u>\$ 1,492,992</u>	<u>\$ 39,493,779</u>	<u>\$ 3,009,438</u>

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

During 1990, the School Corporation joined with other governmental entities to form the Central Indiana School Employee Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for six member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of group insurance plans for the benefit of members' employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$125,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$2,000,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with Danville Community Elementary School Building Corporation and Danville Multi-School Building Corporation (the lessor). The lessors were 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.

The building facilities under the lease are included in the capital assets note of the School Corporation and the corresponding lease obligation has been included in the governmental activities column of the lease note. Lease payments during the years ended June 30, 2005 and June 30, 2006, totaled \$3,215,700 and \$3,278,200, respectively.

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Subsequent Events

The School Corporation has entered into a capital lease agreement with a Holding Corporation for the construction of a new Middle School. The School Corporation will make annual lease payments to the holding corporation for the cost of construction. The total estimated cost of the project is thirty million dollars.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 122,847
Interest on net pension obligation	(15,588)
Adjustment to annual required contribution	17,764
Annual pension cost	125,023
Contributions made	141,243
Decrease in net pension obligation	(16,220)
Net pension obligation, beginning of year	(215,007)
Net pension obligation, end of year	\$ (231,227)
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 117,989	111%	\$ (172,762)
	06-30-04	94,916	145%	(215,007)
	06-30-05	125,023	149%	(231,227)

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

Teachers' Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2004, 2005, and 2006, were \$185,756, \$211,519, and \$238,905, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

DANVILLE COMMUNITY SCHOOL CORPORATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,920,219	\$ 1,988,381	\$ (68,162)	97%	\$ 1,825,196	(4%)
07-01-04	1,979,552	2,186,591	(207,039)	91%	2,135,255	(10%)
07-01-05	2,091,351	2,549,538	(458,187)	82%	2,137,464	(21%)

DANVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the three bank account balances were incorrect at June 30, 2006, for two of the three bank accounts. The cash long balance for the two banks reconcilements were \$2,022.49 and \$1,085.99, respectively.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORDS

Information presented for audit did not indicate a complete record of capital assets. A similar comment appeared in prior Report B25538,.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE

Receipts were not always issued for cafeteria deposits. Cafeteria personnel were responsible for depositing school lunch collections at the end of each day into the School Corporation bank account. Receipts were not always issued for all cafeteria deposits made for the day. As a result, unreceipted cafeteria deposits appeared as reconcilable items on the School Corporation's bank reconciliation at month end.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONDITION OF RECORDS - CASH BALANCES

Financial records submitted for audit were not in agreement for the audit period. The School Corporation's electronic Biannual Financial Report submitted to the Department of Education, the hardcopy of Biannual Financial Report provided for audit, and computer generated account balances used to reconcile with the bank at month end all had different ending cash balances.

DANVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCE

The Textbook Rental Fund was overdrawn as of June 30, 2006, in the amount of \$28,618.

The balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BANK ACCOUNT RECONCILIATIONS (APPLIES TO DANVILLE HIGH SCHOOL)

Depository reconciliations of the fund balances to the bank account balances were incorrect.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (APPLIES TO DANVILLE HIGH SCHOOL)

Financial records presented for audit were incomplete and not reflective of the activity of the High School Extracurricular Fund. The records presented for audit did not include two certificates of deposit held by the High School and were not reflected in the bank reconciliation and/or fund ledger for the audit period.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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Fax: (317) 232-4711  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE DANVILLE COMMUNITY SCHOOL  
CORPORATION, HENDRICKS COUNTY, INDIANA

Compliance

We have audited the compliance of the Danville Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement(s) of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 14, 2007

DANVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2004 and 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. Department of Agriculture</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster National School Lunch Program	10.555			
		FY 2004-2005	\$ 176,534	\$ -
		FY 2005-2006	-	189,669
Total for federal grantor agency			<u>176,534</u>	<u>189,669</u>
<u>U.S. Department of Education</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010			
		FY 2003-2004	-	5,494
		FY 2004-2005	82,962	3,453
		FY 2005-2006	-	52,177
Total for program			<u>82,962</u>	<u>61,124</u>
Safe and Drug Free Schools and Communities State Grants	84.186			
		01-069	5,160	-
		04-332	-	3,029
Total for program			<u>5,160</u>	<u>3,029</u>
State Grants for Innovative Programs	84.298			
		02-070	1,093	-
		02-172	10,701	-
		03-218	4,619	6,658
Total for program			<u>16,413</u>	<u>6,658</u>
Education Technology State Grants	84.318			
		FY 2002-2003	1,705	-
		FY 2003-2004	90	1,000
Total for program			<u>1,795</u>	<u>1,000</u>
Title II Part A Improving Teacher Quality State Grants	84.367			
		SYS 02-03	-	6,023
		SYS 03-04	13,067	39,474
		SYS 04-05	50,157	-
		SYS 05-06	-	37,290
Total for program			<u>63,224</u>	<u>82,787</u>
Pass-Through West Central Joint Services Special Education Grants to States	84.027			
		FY 2004-2005	276,304	-
		FY 2005-2006	-	244,821
Total for program			<u>276,304</u>	<u>244,821</u>
Total for federal grantor agency			<u>445,858</u>	<u>399,419</u>
Total federal awards expended			<u>\$ 622,392</u>	<u>\$ 589,088</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Danville Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2004	2005
National School Lunch Program	10.555	\$ 29,805	\$ 21,535

DANVILLE COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified  
 Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.027	Child Nutrition Cluster Special Education Grants to States

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

DANVILLE COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

DANVILLE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2007, with Dennis A. Leathers, Treasurer; Dr. John E. McKinney, Superintendent of Schools; and Dr. Richard Haak, President of the School Board. The officials concurred with our audit findings.