

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, 2006 to June 30, 2008



FILED

06/30/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dennis Leathers	07-01-06 to 06-30-09
Superintendent of Schools	Dr. John E. McKinney Dr. Denis Ward	07-01-06 to 06-30-08 07-01-08 to 06-30-09
President of the School Board	Dr. Richard Haak Brandon Lawson	07-01-06 to 06-30-07 07-01-07 to 06-30-09



STATE OF INDIANA
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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, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, 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 June 4, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents and the Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 4, 2009



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

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

We have audited the 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, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated June 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated June 4, 2009.

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

June 4, 2009

DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 9,957,687	\$ -	\$ 290,752	\$ (9,666,935)
Support services	9,802,519	856,889	228,806	(8,716,824)
Community services	196,790	-	-	(196,790)
Nonprogrammed charges	335,852	-	-	(335,852)
Debt service	<u>4,478,836</u>	<u>-</u>	<u>-</u>	<u>(4,478,836)</u>
Total government	<u>\$ 24,771,684</u>	<u>\$ 856,889</u>	<u>\$ 519,558</u>	<u>(23,395,237)</u>
General receipts:				
Property taxes				10,245,108
Other local sources				3,393,041
State aid				8,872,425
Bonds and loans				1,029,821
Grants and contributions not restricted to specific programs				434,612
Sale of property, adjustments, and refunds				48,870
Investment earnings				<u>283,658</u>
Total general receipts				<u>24,307,535</u>
Change in net assets				912,298
Net assets - beginning				<u>8,655,572</u>
Net assets - ending				<u>\$ 9,567,870</u>
<u>Assets</u>				
Cash and investments				\$ 7,688,208
Restricted assets:				
Cash and investments				<u>1,879,662</u>
Total assets				<u>\$ 9,567,870</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,879,662
Unrestricted				<u>7,688,208</u>
Total net assets				<u>\$ 9,567,870</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 10,100,622	\$ -	\$ 226,626	\$ (9,873,996)
Support services	9,605,137	926,757	340,673	(8,337,707)
Community services	248,828	-	-	(248,828)
Nonprogrammed charges	354,154	-	-	(354,154)
Debt service	<u>4,998,294</u>	<u>-</u>	<u>-</u>	<u>(4,998,294)</u>
Total government	<u>\$ 25,307,035</u>	<u>\$ 926,757</u>	<u>\$ 567,299</u>	<u>(23,812,979)</u>
General receipts:				
Property taxes				7,430,854
Other local sources				2,710,525
State aid				8,651,827
Bonds and loans				2,422,451
Grants and contributions not restricted to specific programs				611,101
Sale of property, adjustments, and refunds				47,019
Investment earnings				<u>250,986</u>
Total general receipts				<u>22,124,763</u>
Change in net assets				(1,688,216)
Net assets - beginning				<u>9,567,870</u>
Net assets - ending				<u>\$ 7,879,654</u>
<u>Assets</u>				
Cash and investments				\$ 6,288,905
Restricted assets:				
Cash and investments				<u>1,590,749</u>
Total assets				<u>\$ 7,879,654</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,590,749
Unrestricted				<u>6,288,905</u>
Total net assets				<u>\$ 7,879,654</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 4,948,648	\$ 1,168,520	\$ 3,792,366	\$ 2,667,296	\$ 216,646	\$ 1,984,984	\$ 14,778,460
Intermediate sources	236	-	-	-	-	-	236
State sources	8,928,533	-	-	-	-	335,158	9,263,691
Federal sources	-	-	-	-	-	562,904	562,904
Bonds and loans	-	163,000	-	668,200	-	198,621	1,029,821
Sale of property, adjustments and refunds	-	-	-	-	-	48,870	48,870
Total receipts	<u>13,877,417</u>	<u>1,331,520</u>	<u>3,792,366</u>	<u>3,335,496</u>	<u>216,646</u>	<u>3,130,537</u>	<u>25,683,982</u>
Disbursements:							
Current:							
Instruction	9,590,520	-	-	-	-	367,167	9,957,687
Support services	3,600,423	1,180,618	1,672	2,642,678	320,638	2,056,490	9,802,519
Community services	196,790	-	-	-	-	-	196,790
Nonprogrammed charges	287,540	-	-	-	-	48,312	335,852
Debt services	-	110,000	3,619,632	429,700	-	319,504	4,478,836
Total disbursements	<u>13,675,273</u>	<u>1,290,618</u>	<u>3,621,304</u>	<u>3,072,378</u>	<u>320,638</u>	<u>2,791,473</u>	<u>24,771,684</u>
Excess (deficiency) of receipts over disbursements	<u>202,144</u>	<u>40,902</u>	<u>171,062</u>	<u>263,118</u>	<u>(103,992)</u>	<u>339,064</u>	<u>912,298</u>
Other financing sources (uses):							
Transfers in	-	34,501	-	-	-	12,099	46,600
Transfers out	(12,099)	-	(34,501)	-	-	-	(46,600)
Total other financing sources (uses)	<u>(12,099)</u>	<u>34,501</u>	<u>(34,501)</u>	<u>-</u>	<u>-</u>	<u>12,099</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>190,045</u>	<u>75,403</u>	<u>136,561</u>	<u>263,118</u>	<u>(103,992)</u>	<u>351,163</u>	<u>912,298</u>
Cash and investments - beginning	<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>
Cash and investments - ending	<u>\$ 3,101,939</u>	<u>\$ 681,120</u>	<u>\$ 1,881,083</u>	<u>\$ 2,664,149</u>	<u>\$ 377,807</u>	<u>\$ 861,772</u>	<u>\$ 9,567,870</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 3,101,939	\$ 681,120	\$ -	\$ 2,664,149	\$ 377,807	\$ 863,193	\$ 7,688,208
Restricted assets:							
Cash and investments	-	-	1,881,083	-	-	(1,421)	1,879,662
Total cash and investment assets - ending	<u>\$ 3,101,939</u>	<u>\$ 681,120</u>	<u>\$ 1,881,083</u>	<u>\$ 2,664,149</u>	<u>\$ 377,807</u>	<u>\$ 861,772</u>	<u>\$ 9,567,870</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 1,881,083	\$ -	\$ -	\$ (1,421)	\$ 1,879,662
Unrestricted	<u>3,101,939</u>	<u>681,120</u>	<u>-</u>	<u>2,664,149</u>	<u>377,807</u>	<u>863,193</u>	<u>7,688,208</u>
Total cash and investment fund balance - ending	<u>\$ 3,101,939</u>	<u>\$ 681,120</u>	<u>\$ 1,881,083</u>	<u>\$ 2,664,149</u>	<u>\$ 377,807</u>	<u>\$ 861,772</u>	<u>\$ 9,567,870</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,826,261	\$ 896,596	\$ 2,850,578	\$ 1,597,761	\$ 253,302	\$ 1,894,467	\$ 11,318,965
Intermediate sources	157	-	-	-	-	-	157
State sources	8,733,504	-	-	-	-	300,727	9,034,231
Federal sources	90	-	-	-	-	795,906	795,996
Bonds and loans	504,000	256,500	791,000	633,000	-	237,951	2,422,451
Sale of property, adjustments and refunds	353	79	-	-	-	46,587	47,019
Total receipts	<u>13,064,365</u>	<u>1,153,175</u>	<u>3,641,578</u>	<u>2,230,761</u>	<u>253,302</u>	<u>3,275,638</u>	<u>23,618,819</u>
Disbursements:							
Current:							
Instruction	9,673,058	-	-	-	-	427,564	10,100,622
Support services	4,018,257	1,281,481	-	2,163,228	183,142	1,959,029	9,605,137
Community services	248,828	-	-	-	-	-	248,828
Nonprogrammed charges	234,278	-	-	-	-	119,876	354,154
Debt services	-	163,000	3,854,790	668,200	-	312,304	4,998,294
Total disbursements	<u>14,174,421</u>	<u>1,444,481</u>	<u>3,854,790</u>	<u>2,831,428</u>	<u>183,142</u>	<u>2,818,773</u>	<u>25,307,035</u>
Excess (deficiency) of receipts over disbursements	<u>(1,110,056)</u>	<u>(291,306)</u>	<u>(213,212)</u>	<u>(600,667)</u>	<u>70,160</u>	<u>456,865</u>	<u>(1,688,216)</u>
Other financing sources (uses):							
Transfers in	1,000	-	-	521,750	-	17,410	540,160
Transfers out	(2,657)	-	-	-	-	(537,503)	(540,160)
Total other financing sources (uses)	<u>(1,657)</u>	<u>-</u>	<u>-</u>	<u>521,750</u>	<u>-</u>	<u>(520,093)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,111,713)</u>	<u>(291,306)</u>	<u>(213,212)</u>	<u>(78,917)</u>	<u>70,160</u>	<u>(63,228)</u>	<u>(1,688,216)</u>
Cash and investments - beginning	<u>3,101,939</u>	<u>681,120</u>	<u>1,881,083</u>	<u>2,664,149</u>	<u>377,807</u>	<u>861,772</u>	<u>9,567,870</u>
Cash and investments - ending	<u>\$ 1,990,226</u>	<u>\$ 389,814</u>	<u>\$ 1,667,871</u>	<u>\$ 2,585,232</u>	<u>\$ 447,967</u>	<u>\$ 798,544</u>	<u>\$ 7,879,654</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,990,226	\$ 389,814	\$ -	\$ 2,585,232	\$ 447,967	\$ 875,666	\$ 6,288,905
Restricted assets:							
Cash and investments	-	-	1,667,871	-	-	(77,122)	1,590,749
Total cash and investment assets - ending	<u>\$ 1,990,226</u>	<u>\$ 389,814</u>	<u>\$ 1,667,871</u>	<u>\$ 2,585,232</u>	<u>\$ 447,967</u>	<u>\$ 798,544</u>	<u>\$ 7,879,654</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 1,667,871	\$ -	\$ -	\$ (77,122)	\$ 1,590,749
Unrestricted	<u>1,990,226</u>	<u>389,814</u>	<u>-</u>	<u>2,585,232</u>	<u>447,967</u>	<u>875,666</u>	<u>6,288,905</u>
Total cash and investment fund balance - ending	<u>\$ 1,990,226</u>	<u>\$ 389,814</u>	<u>\$ 1,667,871</u>	<u>\$ 2,585,232</u>	<u>\$ 447,967</u>	<u>\$ 798,544</u>	<u>\$ 7,879,654</u>

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

DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension</u> <u>Trust Funds</u>	<u>Private-Purpose</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>
Additions:			
Contributions:			
Other	\$ 350,000	\$ -	
Deductions:			
Benefits	462,761	-	
Administrative and general	-	135,825	
Total deductions	<u>462,761</u>	<u>135,825</u>	
Deficiency of total additions over total deductions	(112,761)	(135,825)	
Cash and investment fund balance - beginning	<u>375,275</u>	<u>183,884</u>	
Cash and investment fund balance - ending	<u>\$ 262,514</u>	<u>\$ 48,059</u>	<u>\$ 72,864</u>
Net assets:			
Cash and investments	<u>\$ 262,514</u>	<u>\$ 48,059</u>	
Total net assets - cash and investment basis held in trust	<u>\$ 262,514</u>	<u>\$ 48,059</u>	

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

DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ 4	\$ 3,500	
Deductions:			
Benefits	80,509	-	
Administrative and general	-	47,242	
Total deductions	80,509	47,242	
Excess (deficiency) of total additions over total deductions	(80,505)	(43,742)	
Cash and investment fund balance - beginning	262,514	48,059	
Cash and investment fund balance - ending	\$ 182,009	\$ 4,317	\$ 111,491
Net assets:			
Cash and investments	\$ 182,009	\$ 4,317	
Total net assets - cash and investment basis held in trust	\$ 182,009	\$ 4,317	

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

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.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with nine 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

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of 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 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.

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

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.

C. Measurement Focus and Basis of Accounting

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

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

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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.

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 and Investment Balances

1. Cash and Investments

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

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. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component units are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution, approves the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2007	2008
Textbook Rental	\$ (44,369)	\$ (44,620)
Pension Debt Service	(1,421)	(77,123)
Drug Free	-	(496)

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Other governmental funds	\$ -	\$ 2,657
Debt Service	Transportation Operating	34,501	-
General Fund	Other governmental funds	12,099	-
Other governmental funds	General Fund	-	1,000
	Capital Projects	-	521,750
	Other governmental funds	-	14,753
Totals		\$ 46,600	\$ 540,160

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

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$175,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$5,000,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with 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. Lease payments during the years ended June 30, 2007, and June 30, 2008, totaled \$3,341,500 and \$3,406,000 respectively.

C. 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

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 166,181
Interest on net pension obligation	(16,226)
Adjustment to annual required contribution	18,491
Annual pension cost	168,446
Contributions made	170,720
Decrease in net pension obligation	(2,274)
Net pension obligation, beginning of year	(223,812)
Net pension obligation, end of year	\$ (226,086)

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	3%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
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	06-30-06	\$ 150,908	94%	\$ (222,794)
	06-30-07	157,849	101%	(223,812)
	06-30-08	168,446	101%	(226,086)

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.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006, 2007, and 2008, were \$238,905, \$259,033, and \$301,889, 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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 2,349,839	\$ 2,611,043	\$ (261,204)	90%	\$ 2,114,815	12%
07-01-07	2,470,336	2,674,517	(204,181)	92%	2,316,589	9%
07-01-08	2,611,683	2,893,735	(282,052)	90%	2,485,357	11%

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Pre-School Handicapped	School Lunch	Textbook Rental	Joint Services Supply	Alternative Education	Early Intervention
Receipts:						
Local sources	\$ 14,124	\$ 775,789	\$ 201,264	\$ -	\$ 36,685	\$ -
State sources	55,860	17,964	22,103	-	3,587	1,000
Federal sources	-	188,739	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	48,870	-	-	-	-
Total receipts	69,984	1,031,362	223,367	-	40,272	1,000
Disbursements:						
Current:						
Instruction	74,924	-	-	-	7,814	-
Support services	-	950,200	251,217	-	6,447	1,000
Nonprogrammed charges	-	-	-	48,312	-	-
Debt services	-	-	-	-	-	-
Total disbursements	74,924	950,200	251,217	48,312	14,261	1,000
Excess (deficiency) of receipts over disbursements	(4,940)	81,162	(27,850)	(48,312)	26,011	-
Other financing sources (uses):						
Transfers in	-	-	12,099	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	12,099	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,940)	81,162	(15,751)	(48,312)	26,011	-
Cash and investments - beginning	92,332	98,083	(28,618)	48,312	89,885	-
Cash and investments - ending	\$ 87,392	\$ 179,245	\$ (44,369)	\$ -	\$ 115,896	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 87,392	\$ 179,245	\$ (44,369)	\$ -	\$ 115,896	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 87,392	\$ 179,245	\$ (44,369)	\$ -	\$ 115,896	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	87,392	179,245	(44,369)	-	115,896	-
Total cash and investment fund balance - ending	\$ 87,392	\$ 179,245	\$ (44,369)	\$ -	\$ 115,896	\$ -

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Coalition of Quality School	Impl. Curriculum and Assessment	Gifted and Talented	Common School	Non-English Speaking Prog.	Technology Planning
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,827
State sources	145,000	75,000	14,488	-	156	-
Federal sources	-	-	-	-	-	-
Bonds and loans	-	-	-	198,621	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	145,000	75,000	14,488	198,621	156	9,827
Disbursements:						
Current:						
Instruction	-	-	13,378	-	-	3,469
Support services	-	-	340	198,621	-	3,964
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	-	13,718	198,621	-	7,433
Excess (deficiency) of receipts over disbursements	145,000	75,000	770	-	156	2,394
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	145,000	75,000	770	-	156	2,394
Cash and investments - beginning	-	-	8,170	-	13	13,723
Cash and investments - ending	\$ 145,000	\$ 75,000	\$ 8,940	\$ -	\$ 169	\$ 16,117
Cash and Investment Assets - Ending						
Cash and investments	\$ 145,000	\$ 75,000	\$ 8,940	\$ -	\$ 169	\$ 16,117
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 145,000	\$ 75,000	\$ 8,940	\$ -	\$ 169	\$ 16,117
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	145,000	75,000	8,940	-	169	16,117
Total cash and investment fund balance - ending	\$ 145,000	\$ 75,000	\$ 8,940	\$ -	\$ 169	\$ 16,117

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I	Title V	Special Education	Drug Free	Title II
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	13,014	3,505	292,278	6,274	-
Bonds and loans	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>13,014</u>	<u>3,505</u>	<u>292,278</u>	<u>6,274</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	20,310	-	246,218	-	-
Support services	4,022	6,027	-	12,956	31,846
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>24,332</u>	<u>6,027</u>	<u>246,218</u>	<u>12,956</u>	<u>31,846</u>
Excess (deficiency) of receipts over disbursements	<u>(11,318)</u>	<u>(2,522)</u>	<u>46,060</u>	<u>(6,682)</u>	<u>(31,846)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(11,318)</u>	<u>(2,522)</u>	<u>46,060</u>	<u>(6,682)</u>	<u>(31,846)</u>
Cash and investments - beginning	<u>11,318</u>	<u>9,731</u>	<u>94,553</u>	<u>10,617</u>	<u>46,430</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 7,209</u>	<u>\$ 140,613</u>	<u>\$ 3,935</u>	<u>\$ 14,584</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ 7,209	\$ 140,613	\$ 3,935	\$ 14,584
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 7,209</u>	<u>\$ 140,613</u>	<u>\$ 3,935</u>	<u>\$ 14,584</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	7,209	140,613	3,935	14,584
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 7,209</u>	<u>\$ 140,613</u>	<u>\$ 3,935</u>	<u>\$ 14,584</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Improving Teacher Quality	Title II Part D	Pension Debt Service	Construction	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 320,295	\$ 627,000	\$ 1,984,984
State sources	-	-	-	-	335,158
Federal sources	51,885	7,209	-	-	562,904
Bonds and loans	-	-	-	-	198,621
Sale of property, adjustments and refunds	-	-	-	-	48,870
Total receipts	<u>51,885</u>	<u>7,209</u>	<u>320,295</u>	<u>627,000</u>	<u>3,130,537</u>
Disbursements:					
Current:					
Instruction	-	1,054	-	-	367,167
Support services	-	22,844	-	567,006	2,056,490
Nonprogrammed charges	-	-	-	-	48,312
Debt services	-	-	319,504	-	319,504
Total disbursements	<u>-</u>	<u>23,898</u>	<u>319,504</u>	<u>567,006</u>	<u>2,791,473</u>
Excess (deficiency) of receipts over disbursements	<u>51,885</u>	<u>(16,689)</u>	<u>791</u>	<u>59,994</u>	<u>339,064</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	12,099
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,099</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>51,885</u>	<u>(16,689)</u>	<u>791</u>	<u>59,994</u>	<u>351,163</u>
Cash and investments - beginning	<u>-</u>	<u>18,272</u>	<u>(2,212)</u>	<u>-</u>	<u>510,609</u>
Cash and investments - ending	<u>\$ 51,885</u>	<u>\$ 1,583</u>	<u>\$ (1,421)</u>	<u>\$ 59,994</u>	<u>\$ 861,772</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 51,885	\$ 1,583	\$ -	\$ 59,994	\$ 863,193
Restricted assets:					
Cash and investments	-	-	(1,421)	-	(1,421)
Total cash and investment assets - ending	<u>\$ 51,885</u>	<u>\$ 1,583</u>	<u>\$ (1,421)</u>	<u>\$ 59,994</u>	<u>\$ 861,772</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ (1,421)	\$ -	\$ (1,421)
Unrestricted	<u>51,885</u>	<u>1,583</u>	<u>-</u>	<u>59,994</u>	<u>863,193</u>
Total cash and investment fund balance - ending	<u>\$ 51,885</u>	<u>\$ 1,583</u>	<u>\$ (1,421)</u>	<u>\$ 59,994</u>	<u>\$ 861,772</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Pre-School Handicapped	School Lunch	Textbook Rental	Alternative Education	Early Intervention	Coalition of Quality School
Receipts:						
Local sources	\$ 9,522	\$ 834,992	\$ 208,168	\$ 49,363	\$ -	\$ -
State sources	54,012	18,362	45,377	7,941	1,568	75,000
Federal sources	-	276,934	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	39,862	354	-	-	-
Total receipts	63,534	1,170,150	253,899	57,304	1,568	75,000
Disbursements:						
Current:						
Instruction	65,787	-	-	74,710	568	-
Support services	-	1,134,356	254,149	16,423	-	-
Nonprogrammed charges	-	-	-	-	-	76,934
Debt services	-	-	-	-	-	-
Total disbursements	65,787	1,134,356	254,149	91,133	568	76,934
Excess (deficiency) of receipts over disbursements	(2,253)	35,794	(250)	(33,829)	1,000	(1,934)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,000)	-
Total other financing sources (uses)	-	-	-	-	(1,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,253)	35,794	(250)	(33,829)	-	(1,934)
Cash and investments - beginning	87,392	179,245	(44,369)	115,896	-	145,000
Cash and investments - ending	\$ 85,139	\$ 215,039	\$ (44,619)	\$ 82,067	\$ -	\$ 143,066
Cash and Investment Assets - Ending						
Cash and investments	\$ 85,139	\$ 215,039	\$ (44,619)	\$ 82,067	\$ -	\$ 143,066
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 85,139	\$ 215,039	\$ (44,619)	\$ 82,067	\$ -	\$ 143,066
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	85,139	215,039	(44,619)	82,067	-	143,066
Total cash and investment fund balance - ending	\$ 85,139	\$ 215,039	\$ (44,619)	\$ 82,067	\$ -	\$ 143,066

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Impl. Curriculum and Assessment	Steve Benjamin Grant	Gifted and Talented	Common School	Non-English Speaking Prog.	Technology Planning
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,858
State sources	-	60,000	36,521	-	1,946	-
Federal sources	-	-	-	-	-	-
Bonds and loans	-	-	-	237,951	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	6,371
Total receipts	-	60,000	36,521	237,951	1,946	10,229
Disbursements:						
Current:						
Instruction	-	-	42,661	-	1,669	750
Support services	-	-	321	237,951	-	6,877
Nonprogrammed charges	42,942	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	42,942	-	42,982	237,951	1,669	7,627
Excess (deficiency) of receipts over disbursements	(42,942)	60,000	(6,461)	-	277	2,602
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(42,942)	60,000	(6,461)	-	277	2,602
Cash and investments - beginning	75,000	-	8,940	-	169	16,117
Cash and investments - ending	\$ 32,058	\$ 60,000	\$ 2,479	\$ -	\$ 446	\$ 18,719
Cash and Investment Assets - Ending						
Cash and investments	\$ 32,058	\$ 60,000	\$ 2,479	\$ -	\$ 446	\$ 18,719
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 32,058	\$ 60,000	\$ 2,479	\$ -	\$ 446	\$ 18,719
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	32,058	60,000	2,479	-	446	18,719
Total cash and investment fund balance - ending	\$ 32,058	\$ 60,000	\$ 2,479	\$ -	\$ 446	\$ 18,719

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I	Title V	Special Education	Special Ed. Sliver	Drug Free	Title II
Receipts:						
Local sources	\$ -	\$ -	\$ 125	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	48,255	3,659	410,064	3,811	-	53,183
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	48,255	3,659	410,189	3,811	-	53,183
Disbursements:						
Current:						
Instruction	48,255	-	182,960	8,515	-	765
Support services	-	9,768	220,153	8,173	4,431	12,784
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	48,255	9,768	403,113	16,688	4,431	13,549
Excess (deficiency) of receipts over disbursements	-	(6,109)	7,076	(12,877)	(4,431)	39,634
Other financing sources (uses):						
Transfers in	-	730	-	12,897	-	1,261
Transfers out	-	-	(10,240)	-	-	(2,489)
Total other financing sources (uses)	-	730	(10,240)	12,897	-	(1,228)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,379)	(3,164)	20	(4,431)	38,406
Cash and investments - beginning	-	7,209	140,613	-	3,935	14,584
Cash and investments - ending	\$ -	\$ 1,830	\$ 137,449	\$ 20	\$ (496)	\$ 52,990
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 1,830	\$ 137,449	\$ 20	\$ (496)	\$ 52,990
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 1,830	\$ 137,449	\$ 20	\$ (496)	\$ 52,990
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	1,830	137,449	20	(496)	52,990
Total cash and investment fund balance - ending	\$ -	\$ 1,830	\$ 137,449	\$ 20	\$ (496)	\$ 52,990

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Improving Teacher Quality	Title II Part D	Pension Debt Service	Construction	G.O. Bonds	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 236,603	\$ 1,750	\$ 550,086	\$ 1,894,467
State sources	-	-	-	-	-	300,727
Federal sources	-	-	-	-	-	795,906
Bonds and loans	-	-	-	-	-	237,951
Sale of property, adjustments and refunds	-	-	-	-	-	46,587
Total receipts	-	-	236,603	1,750	550,086	3,275,638
Disbursements:						
Current:						
Instruction	924	-	-	-	-	427,564
Support services	23,724	1,583	-	-	28,336	1,959,029
Nonprogrammed charges	-	-	-	-	-	119,876
Debt services	-	-	312,304	-	-	312,304
Total disbursements	24,648	1,583	312,304	-	28,336	2,818,773
Excess (deficiency) of receipts over disbursements	(24,648)	(1,583)	(75,701)	1,750	521,750	456,865
Other financing sources (uses):						
Transfers in	2,522	-	-	-	-	17,410
Transfers out	(2,024)	-	-	-	(521,750)	(537,503)
Total other financing sources (uses)	498	-	-	-	(521,750)	(520,093)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(24,150)	(1,583)	(75,701)	1,750	-	(63,228)
Cash and investments - beginning	51,885	1,583	(1,421)	59,994	-	861,772
Cash and investments - ending	\$ 27,735	\$ -	\$ (77,122)	\$ 61,744	\$ -	\$ 798,544
Cash and Investment Assets - Ending						
Cash and investments	\$ 27,735	\$ -	\$ -	\$ 61,744	\$ -	\$ 875,666
Restricted assets:						
Cash and investments	-	-	(77,122)	-	-	(77,122)
Total cash and investment assets - ending	\$ 27,735	\$ -	\$ (77,122)	\$ 61,744	\$ -	\$ 798,544
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ (77,122)	\$ -	\$ -	\$ (77,122)
Unrestricted	27,735	-	-	61,744	-	875,666
Total cash and investment fund balance - ending	\$ 27,735	\$ -	\$ (77,122)	\$ 61,744	\$ -	\$ 798,544

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Focused Learning Experience</u>	<u>Schmink Memorial</u>	<u>Totals</u>
Additions	\$ -	\$ -	\$ -
Deductions:			
Administrative and general	<u>131,841</u>	<u>3,984</u>	<u>135,825</u>
Excess (deficiency) of total additions over total deductions	(131,841)	(3,984)	(135,825)
Cash and investment fund balance - beginning	<u>177,500</u>	<u>6,384</u>	<u>183,884</u>
Cash and investments - June 30	<u>\$ 45,659</u>	<u>\$ 2,400</u>	<u>\$ 48,059</u>
Net assets:			
Cash and investments	<u>\$ 45,659</u>	<u>\$ 2,400</u>	<u>\$ 48,059</u>
Total net assets - cash and investment basis held in trust	<u>\$ 45,659</u>	<u>\$ 2,400</u>	<u>\$ 48,059</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>Western Crossroads</u>	<u>Focused Learning Experience</u>	<u>Schmink Memorial</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 3,500	\$ -	\$ -	\$ 3,500
Deductions:				
Administrative and general	1,583	45,659	-	47,242
Excess (deficiency) of total additions over total deductions	1,917	(45,659)	-	(43,742)
Cash and investment fund balance - beginning	-	45,659	2,400	48,059
Cash and investments - June 30	<u>\$ 1,917</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 4,317</u>
Net assets:				
Cash and investments	\$ 1,917	\$ -	\$ 2,400	\$ 4,317
Total net assets - cash and investment basis held in trust	<u>\$ 1,917</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 4,317</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
South Elementary School Building	\$ 6,974,985	\$ 1,100,000
North Elementary Renovation Project	15,917,491	1,691,000
Danville High School Renovation Project	10,517,963	739,500
Danville Middle School Building Project	30,000,000	-
Notes and loans payable	914,857	224,748
Tax Anticipation Warrants	2,184,500	2,218,762
Bonds payable:		
General obligation bonds:		
Retirement/Severance	2,460,000	158,277
Total governmental activities debt	<u>\$ 68,969,796</u>	<u>\$ 6,132,287</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit.

IC 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 Reports B29783 and 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)

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 hard-copy 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.

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 BALANCES

The Textbook Rental Fund, Pension-Debt Service Fund and Drug Free Fund were overdrawn at June 30, 2008.

DANVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

CONDITION OF RECORDS (Applies to Danville Community High School)

The following deficiencies relating to the recordkeeping were noted. Similar comments were in prior Report 29783.

- (1) Record balances were not reconciled to depository balances. A list of outstanding checks at year end was not provided and could not be verified.

IC 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."

- (2) There were a considerable number of negative fund balances. Eight funds had negative fund balances at June 30, 2007 and six had negative fund balances at June 30, 2008. Textbook rental fees collected at the High School in August 2007 were erroneously deposited into the extracurricular bank account. To correct the deposit error the Treasurer wrote the Corporate Office a check from the ECA bank account, which created a \$29,834 negative fund balance in Textbook Rental Fund. The other negative fund balances are \$250 or less.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (3) The Extra-Curricular Treasurer cashed certificates of deposits on hand and recorded the sales in the ledger without knowing the source of the funds used to purchase the investments.

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 Extra-Curricular Accounts, Chapter 7)

- (4) The Extra-Curricular Treasurer did not provide the Corporate Office a SA5 report with a proper cut-off period. The receipts disbursements and balances were not for a complete year. The beginning balances could not be traced to the prior year's ending balances.

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DANVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF CHECKS (Applies to Danville Community High School)

The financial institution used by the Danville Community High School for extra-curricular banking did not return adequate detail of the checks cleared through the checking account. The depository did not return scanned copies of all checks returned. The bank statement for February 2008 had 105 checks clear but the scanned copies included with the statement was only 78. The scanned optical images that were returned were of only the front side of the checks. Each month there are numerous checks listed as cleared without a corresponding check number. There were ten of those items in January 2008. Without all checks being scanned we could not assign a number to the cleared item.

IC 5-15-6-3(a) concerning optical imaging of checks, states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2007 and 2008. 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, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

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

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

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

June 4, 2009

DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 07-08	\$ -	\$ 51,987
National School Lunch Program	10.555	FY 06-07 FY 07-08	242,249 -	- 287,859
Total for program			<u>242,249</u>	<u>287,859</u>
Total for federal grantor agency			<u>242,249</u>	<u>339,846</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through West Central Joint Services				
Special Education Cluster				
Special Education Grants to States	84.027	FY 06-07 FY 07-08	246,218 -	- 403,113
Total for program			<u>246,218</u>	<u>403,113</u>
Special Education Preschool	84.173A	45708-063-PN01	-	14,456
Total for Cluster			<u>246,218</u>	<u>417,569</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
Title I Grants to Local Educational Agencies	84.010	FY 06-07 FY 07-08	24,333 -	- 48,255
Total for program			<u>24,333</u>	<u>48,255</u>
Safe and Drug Free Schools and Communities State Grants	84.186	FY 05-06 FY 06-07 FY 07-08	10,617 2,339 -	- 3,935 496
Total for program			<u>12,956</u>	<u>4,431</u>
State Grants for Innovative Programs	84.298	FY 05-06 FY 06-07 FY 07-08	6,027 - -	3,704 3,505 2,559
Total for program			<u>6,027</u>	<u>9,768</u>
Education Technology State Grants	84.318	FY 05-06 FY 06-07	18,272 5,626	- 1,583
Total for program			<u>23,898</u>	<u>1,583</u>
Title II Part A Improving Teacher Quality State Grants	84.367	FY 06-07 FY 07-08	31,846 -	- 13,549
Total for program			<u>31,846</u>	<u>13,549</u>
Total for federal grantor agency			<u>345,278</u>	<u>495,155</u>
Total federal awards expended			<u>\$ 587,527</u>	<u>\$ 835,001</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, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
National School Lunch Program	10.555	\$ 53,725	\$ 62,659

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: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education 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

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 June 4, 2009, with Dennis Leathers, Treasurer; Brandon Lawson, President of the School Board; Kim Baker, Deputy Treasurer; and Dr. Denis Ward, Superintendent of Schools. The officials concurred with our audit findings.