

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

AUDIT REPORT
OF
NORTH DAVIESS COMMUNITY SCHOOLS
DAVIESS COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
02/28/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Glenda O'Connor	07-01-08 to 06-30-11
Superintendent of Schools	Robert W. Bell	07-01-08 to 06-30-14
President of the School Board	Darin Holder	07-01-08 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Daviess Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 December 9, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 Schedules of Funding Progress, are not required parts of the basic financial statements but are 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, Schedule of Contributions From the Employer and Other Contributing Entities, 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, Schedule of Capital Assets, and 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 Capital Assets and Schedule of Long-Term Debt have 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

December 9, 2010



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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 NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Daviess Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 9, 2010. 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.

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

December 9, 2010

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,047,754	\$ -	\$ 175,078	\$ (4,872,676)
Support services	4,334,964	311,451	236,405	(3,787,108)
Noninstructional services	623,719	-	-	(623,719)
Facilities acquisition and construction	686,097	-	-	(686,097)
Debt service	1,386,119	-	-	(1,386,119)
Nonprogrammed charges	1,090,594	-	-	(1,090,594)
Total governmental activities	<u>\$ 13,169,247</u>	<u>\$ 311,451</u>	<u>\$ 411,483</u>	<u>(12,446,313)</u>
General receipts:				
Property taxes				4,828,573
Other local sources				1,385,705
State aid				5,290,919
Grants and contributions not restricted to specific programs				1,337,761
Investment earnings				60,708
Other				335
Total general receipts				<u>12,904,001</u>
Change in net assets				457,688
Net assets - beginning				<u>2,304,967</u>
Net assets - ending				<u>\$ 2,762,655</u>
<u>Assets</u>				
Cash and investments				\$ 2,491,682
Restricted assets:				
Cash and investments				<u>270,973</u>
Total assets				<u>\$ 2,762,655</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ (469,286)
Other purposes				740,259
Unrestricted				<u>2,491,682</u>
Total net assets				<u>\$ 2,762,655</u>

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

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,320,654	\$ -	\$ 251,143	\$ (5,069,511)
Support services	3,274,291	327,577	242,704	(2,704,010)
Noninstructional services	624,463	-	-	(624,463)
Facilities acquisition and construction	411,763	-	-	(411,763)
Debt service	1,377,377	-	-	(1,377,377)
Nonprogrammed charges	862,357	-	-	(862,357)
Total governmental activities	\$ 11,870,905	\$ 327,577	\$ 493,847	(11,049,481)
General receipts:				
Property taxes				4,624,044
Other local sources				680,945
State aid				6,914,703
Bonds and loans				7,500
Grants and contributions not restricted to specific programs				946,583
Sale of property				500
Investment earnings				50,203
Other				185
Total general receipts				13,224,663
Change in net assets				2,175,182
Net assets - beginning				2,762,655
Net assets - ending				\$ 4,937,837
<u>Assets</u>				
Cash and investments				\$ 3,898,658
Restricted assets:				
Cash and investments				1,039,179
Total assets				\$ 4,937,837
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 299,686
Other purposes				739,493
Unrestricted				3,898,658
Total net assets				\$ 4,937,837

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

NORTH DAVIESS COMMUNITY SCHOOLS
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, 2009

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 2,199,708	\$ -	\$ -	\$ 1,166,582	\$ 1,101,945	\$ 1,378,811	\$ 5,847,046
Intermediate sources	320	-	-	-	586	188	1,094
State sources	5,422,548	-	-	-	-	141,439	5,563,987
Federal sources	-	-	602,081	-	-	874,095	1,476,176
Other	-	-	-	-	-	335	335
Total receipts	7,622,576	-	602,081	1,166,582	1,102,531	2,394,868	12,888,638
Disbursements:							
Current:							
Instruction	4,382,308	-	-	-	-	665,446	5,047,754
Support services	2,996,790	-	-	-	503,061	836,113	4,335,964
Noninstructional services	150,004	-	-	-	-	473,715	623,719
Facilities acquisition and construction	-	274,338	-	-	411,759	-	686,097
Debt services	-	-	-	1,202,198	-	183,921	1,386,119
Nonprogrammed charges	1,063,094	-	-	-	-	27,500	1,090,594
Total disbursements	8,592,196	274,338	-	1,202,198	914,820	2,186,695	13,170,247
Excess (deficiency) of receipts over disbursements	(969,620)	(274,338)	602,081	(35,616)	187,711	208,173	(281,609)
Other financing sources (uses):							
Transfers in	45,166	363,263	-	-	-	91,414	499,843
Transfers out	(28,539)	-	-	(20,000)	(82,616)	(368,688)	(499,843)
Total other financing sources (uses)	16,627	363,263	-	(20,000)	(82,616)	(277,274)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(952,993)	88,925	602,081	(55,616)	105,095	(69,101)	(281,609)
Cash and investments - beginning	2,183,514	274,338	-	(344,024)	(114,522)	305,661	2,304,967
Cash and investments - ending	\$ 1,230,521	\$ 363,263	\$ 602,081	\$ (399,640)	\$ (9,427)	\$ 236,560	2,023,358
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
							739,297
Net assets of governmental activities							\$ 2,762,655
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,230,521	\$ 363,263	\$ 602,081	\$ -	\$ (9,427)	\$ 305,244	\$ 2,491,682
Restricted assets:							
Cash and investments	-	-	-	(399,640)	-	(68,684)	(468,324)
Total cash and investment assets - ending	\$ 1,230,521	\$ 363,263	\$ 602,081	\$ (399,640)	\$ (9,427)	\$ 236,560	\$ 2,023,358
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ (399,640)	\$ -	\$ (69,646)	\$ (469,286)
Other purposes	-	-	-	-	-	962	962
Unrestricted	1,230,521	363,263	602,081	-	(9,427)	305,244	2,491,682
Total cash and investment fund balance - ending	\$ 1,230,521	\$ 363,263	\$ 602,081	\$ (399,640)	\$ (9,427)	\$ 236,560	\$ 2,023,358

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

NORTH DAVIESS COMMUNITY SCHOOLS
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, 2010

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 100,910	\$ -	\$ -	\$ 1,872,542	\$ 1,830,077	\$ 1,850,714	\$ 5,654,243
Intermediate sources	28,166	-	-	-	210	150	28,526
State sources	7,028,664	-	-	-	-	106,563	7,135,227
Federal sources	130	-	221,776	-	-	998,000	1,219,906
Temporary loans	-	-	-	-	7,500	-	7,500
Other	-	-	-	-	-	185	185
Total receipts	7,157,870	-	221,776	1,872,542	1,837,787	2,955,612	14,045,587
Disbursements:							
Current:							
Instruction	4,502,649	-	-	-	-	818,005	5,320,654
Support services	1,611,145	-	-	-	872,447	790,699	3,274,291
Noninstructional services	151,657	-	-	-	-	472,806	624,463
Facilities acquisition and construction	-	-	-	-	411,763	-	411,763
Debt services	-	-	-	1,194,000	-	183,377	1,377,377
Nonprogrammed charges	-	-	823,857	-	-	38,500	862,357
Total disbursements	6,265,451	-	823,857	1,194,000	1,284,210	2,303,387	11,870,905
Excess (deficiency) of receipts over disbursements	892,419	-	(602,081)	678,542	553,577	652,225	2,174,682
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	500	-	500
Transfers in	68,144	300,000	-	-	-	36,022	404,166
Transfers out	-	-	-	-	(150,000)	(254,166)	(404,166)
Total other financing sources (uses)	68,144	300,000	-	-	(149,500)	(218,144)	500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	960,563	300,000	(602,081)	678,542	404,077	434,081	2,175,182
Cash and investments - beginning	1,230,521	363,263	602,081	(399,641)	(9,426)	236,560	2,023,358
Cash and investments - ending	\$ 2,191,084	\$ 663,263	\$ -	\$ 278,901	\$ 394,651	\$ 670,641	4,198,540
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
							739,297
Net assets of governmental activities							\$ 4,937,837
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,191,084	\$ 663,263	\$ -	\$ -	\$ 394,651	\$ 649,660	\$ 3,898,658
Restricted assets:							
Cash and investments	-	-	-	278,901	-	20,981	299,882
Total cash and investment assets - ending	\$ 2,191,084	\$ 663,263	\$ -	\$ 278,901	\$ 394,651	\$ 670,641	\$ 4,198,540
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 278,901	\$ -	\$ 20,785	\$ 299,686
Other purposes	-	-	-	-	-	196	196
Unrestricted	2,191,084	663,263	-	-	394,651	649,660	3,898,658
Total cash and investment fund balance - ending	\$ 2,191,084	\$ 663,263	\$ -	\$ 278,901	\$ 394,651	\$ 670,641	\$ 4,198,540

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

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 739,297
Change in net assets	739,297
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 739,297
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 739,297
Total cash and investment assets - ending	\$ 739,297
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 739,297
Total cash and investment fund balance - ending	\$ 739,297

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

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	<u>Internal Service Fund</u>
Cash and investment fund balance - beginning	\$ <u>739,297</u>
Cash and investment fund balance - ending	\$ <u><u>739,297</u></u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ <u>739,297</u>
Total cash and investment assets - ending	\$ <u><u>739,297</u></u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ <u>739,297</u>
Total cash and investment fund balance - ending	\$ <u><u>739,297</u></u>

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

NORTH DAVIESS COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 148,000	
Total additions	<u>148,000</u>	
Excess of total additions over total deductions	148,000	
Cash and investment fund balance - beginning	<u>-</u>	
Cash and investment fund balance - ending	<u>\$ 148,000</u>	<u>\$ -</u>
Net assets:		
Cash and investments	<u>\$ 148,000</u>	<u>\$ -</u>
Total net assets - cash and investment basis held in trust	<u>\$ 148,000</u>	<u>\$ -</u>

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

NORTH DAVIESS COMMUNITY SCHOOLS
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2010

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investment fund balance - beginning	\$ <u>148,000</u>	
Cash and investment fund balance - ending	\$ <u>148,000</u>	\$ <u>5,850</u>
Net assets:		
Cash and investments	\$ <u>148,000</u>	\$ <u>5,850</u>
Total net assets - cash and investment basis held in trust	\$ <u>148,000</u>	\$ <u>5,850</u>

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

NORTH DAVIESS COMMUNITY SCHOOLS
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 School Corporation's financial reporting entity is composed of the following:

Primary Government: North Daviess Community Schools

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 in a joint venture to operate Southern Indiana Education Center which was created to operate and maintain the educational service center in order to allow participating schools to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit annually a fee for membership in an amount determined by the governing board of SIEC. The Southern Indiana Education Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Southern Indiana Education Center can be obtained from Southwest Dubois County School Corporation, 113 Jackson Street, Huntingburg, IN 47542.

The School Corporation is a participant in a joint venture to operate Twin Rivers Vocational Area which was created to develop and operate vocational education for students of the participating schools. The school corporation is obligated by contract to remit annually a pro-rated amount based upon each participating school corporation's enrollment. The Twin Rivers Vocational Area uses its surplus resources to provide vocational education for participating schools. The Twin Rivers Vocational Area's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Twin Rivers Vocational Area can be obtained from Twin Rivers Vocational Area, 20 North 3rd Street, Vincennes, IN 47591.

The School Corporation is a participant in a joint venture to operate Daviess-Martin Special Education Cooperative which was created to develop and operate special education programs for students within the jurisdiction of the participating school corporations. The School Corporation is obligated by contract to remit annually a pro-rated amount based on each participating school corporation's enrollment to supplement the Cooperative. The Cooperative uses its surplus resources to undertake special projects for the School Corporation. The Daviess-Martin Special Education Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Daviess-Martin Special Education Cooperative can be obtained from Daviess-Martin Special Education Cooperative, 9 W. Main Street, Washington, IN 47501.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 nonexchange 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 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 Rainy Day Fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The Fiscal Stabilization Fund accounts for funds from the Federal Recovery Act. The funds are to be used for the same purposes as the general fund of the corporation.

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 of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for health insurance transactions.

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school cooperation in a trustee capacity.

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

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 June 30 of the year collected.

4. 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.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

- 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."

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 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.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund 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 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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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.

NORTH DAVIESS COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied 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 Balance Deficits

At June 30, 2009, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009
Debt Service	\$ (399,640)
Capital Projects	(9,427)
Transportation Operating	(95,011)
Retirement Severance Bond	(69,646)

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 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. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$5,091,687.

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

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ 28,539	\$ -
Capital Projects Fund	Rainy Day Fund	82,616	150,000
Debt Service Fund	Rainy Day Fund	20,000	-
Other Governmental Funds	Rainy Day Fund	260,647	150,000
	General Fund	45,166	68,144
	Other Governmental Funds	62,875	36,022
		<u>499,843</u>	<u>404,166</u>
Totals		<u>\$ 499,843</u>	<u>\$ 404,166</u>

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

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; 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 risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with North Daviess Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010, totaled \$1,193,500 and \$1,194,000, respectively.

C. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health benefits administered by MetLife until January 1, 2010, then Security Benefits. The plan provides health benefits to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the School Corporation.

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

The contribution requirements of plan members are established by the School Corporation's governing board. Currently, retirees are required to pay 100% of their health benefits costs which is paid from their VEBA accounts. For the year ended June 30, 2010, the School Corporation contributed \$12,000 to the plan. Plan members receiving benefits contributed \$61,433.

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$45,450.

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

NORTH DAVIESS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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's contributions to the plan during the period were \$318,038.

NORTH DAVIESS COMMUNITY SCHOOLS
 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)
07-01-07	\$ 191,760	\$ 298,179	\$ (106,419)	64%	\$ 393,963	(27%)
07-01-08	227,670	428,418	(200,748)	53%	394,195	(51%)
07-01-09	169,811	418,878	(249,067)	41%	482,893	(52%)

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2009

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	Early Intervention	2007 Toyota Grant
Receipts:							
Local sources	\$ 721,794	\$ 5,284	\$ 282,555	\$ 38,169	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	188	-	-
State sources	-	39,531	7,540	30,203	-	1,000	-
Federal sources	264	-	198,662	-	-	-	-
Other	-	-	335	-	-	-	-
Total receipts	722,058	44,815	489,092	68,372	188	1,000	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	605
Support services	635,410	-	-	75,083	-	1,000	-
Noninstructional services	-	-	465,524	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	27,500	-	-	-	-	-
Total disbursements	635,410	27,500	465,524	75,083	-	1,000	605
Excess (deficiency) of receipts over disbursements	86,648	17,315	23,568	(6,711)	188	-	(605)
Other financing sources (uses):							
Transfers in	-	-	28,539	-	-	-	-
Transfers out	(260,647)	-	(45,166)	-	-	-	-
Total other financing sources (uses)	(260,647)	-	(16,627)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(173,999)	17,315	6,941	(6,711)	188	-	(605)
Cash and investments - beginning	78,988	63,940	-	38,782	5,100	-	1,000
Cash and investments - ending	(95,011)	81,255	6,941	32,071	5,288	-	395
Cash and Investment Assets - Ending							
Cash and investments	\$ (95,011)	\$ 81,255	\$ 6,941	\$ 32,071	\$ 5,288	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	395
Total cash and investment assets - ending	(95,011)	81,255	6,941	32,071	5,288	-	395
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-	-	395
Unrestricted	(95,011)	81,255	6,941	32,071	5,288	-	-
Total cash and investment fund balance - ending	(95,011)	81,255	6,941	32,071	5,288	-	395

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2009
 (Continued)

	Study Group Grant	LCC High School Drug Free	2007-08 Gifted Talented	2008-09 Higher Ability Grant	2008-09 Non-English Speaking Grant	School Technology	21st Century Technology High School
Receipts:							
Local sources	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 84,900
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	30,107	13,342	19,716	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	1,500	-	30,107	13,342	19,716	84,900
Disbursements:							
Current:							
Instruction	-	-	14,231	22,638	25,654	27,193	-
Support services	-	1,500	-	-	-	-	84,900
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	1,500	14,231	22,638	25,654	27,193	84,900
Excess (deficiency) of receipts over disbursements	-	-	(14,231)	7,469	(12,312)	(7,477)	-
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	-	-	(14,231)	7,469	(12,312)	(7,477)	-
Cash and investments - beginning	567	-	14,231	-	12,312	18,178	-
Cash and investments - ending	<u>567</u>	<u>-</u>	<u>-</u>	<u>7,469</u>	<u>-</u>	<u>10,701</u>	<u>-</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 7,469	\$ -	\$ 10,701	\$ -
Restricted assets:							
Cash and investments	567	-	-	-	-	-	-
Total cash and investment assets - ending	<u>567</u>	<u>-</u>	<u>-</u>	<u>7,469</u>	<u>-</u>	<u>10,701</u>	<u>-</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	567	-	-	-	-	-	-
Unrestricted	-	-	-	7,469	-	10,701	-
Total cash and investment fund balance - ending	<u>567</u>	<u>-</u>	<u>-</u>	<u>7,469</u>	<u>-</u>	<u>10,701</u>	<u>-</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2009
 (Continued)

	2007-08 Title 1	2008-09 Title 1	2007-08 Title V, Part A Innovative Education	2008-09 Title V, Part A Innovative Education	2007-08 Drug Free	2008-09 Drug Free	Impact Aid
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	39,000	436,772	-	23,761	-	4,368	-
Other	-	-	-	-	-	-	-
Total receipts	39,000	436,772	-	23,761	-	4,368	-
Disbursements:							
Current:							
Instruction	111,323	325,326	45,778	-	1,201	483	2,945
Support services	23,395	7,264	-	-	2,431	-	-
Noninstructional services	2,348	5,843	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	137,066	338,433	45,778	-	3,632	483	2,945
Excess (deficiency) of receipts over disbursements	(98,066)	98,339	(45,778)	23,761	(3,632)	3,885	(2,945)
Other financing sources (uses):							
Transfers in	-	62,875	-	-	-	-	-
Transfers out	(62,875)	-	-	-	-	-	-
Total other financing sources (uses)	(62,875)	62,875	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(160,941)	161,214	(45,778)	23,761	(3,632)	3,885	(2,945)
Cash and investments - beginning	160,941	-	45,778	-	7,291	-	4,500
Cash and investments - ending	\$ -	\$ 161,214	\$ -	\$ 23,761	\$ 3,659	\$ 3,885	\$ 1,555
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 161,214	\$ -	\$ 23,761	\$ 3,659	\$ 3,885	\$ 1,555
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 161,214	\$ -	\$ 23,761	\$ 3,659	\$ 3,885	\$ 1,555
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	161,214	-	23,761	3,659	3,885	1,555
Total cash and investment fund balance - ending	\$ -	\$ 161,214	\$ -	\$ 23,761	\$ 3,659	\$ 3,885	\$ 1,555

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2009
 (Continued)

	Improving Teacher Quality	Rural Schools	Title III Non English Speaking	Retirement Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 171,471	\$ 73,138	\$ 1,378,811
Intermediate sources	-	-	-	-	-	188
State sources	-	-	-	-	-	141,439
Federal sources	129,586	28,632	13,050	-	-	874,095
Other	-	-	-	-	-	335
Total receipts	<u>129,586</u>	<u>28,632</u>	<u>13,050</u>	<u>171,471</u>	<u>73,138</u>	<u>2,394,868</u>
Disbursements:						
Current:						
Instruction	77,862	-	10,207	-	-	665,446
Support services	-	-	5,130	-	-	836,113
Noninstructional services	-	-	-	-	-	473,715
Debt services	-	-	-	183,921	-	183,921
Nonprogrammed charges	-	-	-	-	-	27,500
Total disbursements	<u>77,862</u>	<u>-</u>	<u>15,337</u>	<u>183,921</u>	<u>-</u>	<u>2,186,695</u>
Excess (deficiency) of receipts over disbursements	<u>51,724</u>	<u>28,632</u>	<u>(2,287)</u>	<u>(12,450)</u>	<u>73,138</u>	<u>208,173</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	91,414
Transfers out	-	-	-	-	-	(368,688)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(277,274)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>51,724</u>	<u>28,632</u>	<u>(2,287)</u>	<u>(12,450)</u>	<u>73,138</u>	<u>(69,101)</u>
Cash and investments - beginning	<u>(33,400)</u>	<u>-</u>	<u>3,509</u>	<u>(57,196)</u>	<u>(58,860)</u>	<u>305,661</u>
Cash and investments - ending	<u>\$ 18,324</u>	<u>\$ 28,632</u>	<u>\$ 1,222</u>	<u>\$ (69,646)</u>	<u>\$ 14,278</u>	<u>\$ 236,560</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 18,324	\$ 28,632	\$ 1,222	\$ -	\$ 14,278	\$ 305,244
Restricted assets:						
Cash and investments	-	-	-	(69,646)	-	(68,684)
Total cash and investment assets - ending	<u>\$ 18,324</u>	<u>\$ 28,632</u>	<u>\$ 1,222</u>	<u>\$ (69,646)</u>	<u>\$ 14,278</u>	<u>\$ 236,560</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ (69,646)	\$ -	\$ (69,646)
Other purposes	-	-	-	-	-	962
Unrestricted	18,324	28,632	1,222	-	14,278	305,244
Total cash and investment fund balance - ending	<u>\$ 18,324</u>	<u>\$ 28,632</u>	<u>\$ 1,222</u>	<u>\$ (69,646)</u>	<u>\$ 14,278</u>	<u>\$ 236,560</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2010

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	2007 Toyota Grant	Study Group Grant
Receipts:							
Local sources	\$ 1,133,290	\$ 639	\$ 301,508	\$ 41,259	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	150	-	-
State sources	-	24,750	-	21,534	-	-	-
Federal sources	55	-	221,170	-	-	-	-
Other	-	-	185	-	-	-	-
Total receipts	1,133,345	25,389	522,863	62,793	150	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	395	567
Support services	618,631	-	200	71,978	-	-	-
Noninstructional services	-	-	464,125	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	38,500	-	-	-	-	-
Total disbursements	618,631	38,500	464,325	71,978	-	395	567
Excess (deficiency) of receipts over disbursements	514,714	(13,111)	58,538	(9,185)	150	(395)	(567)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(150,000)	(68,144)	-	-	-	-	-
Total other financing sources (uses)	(150,000)	(68,144)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	364,714	(81,255)	58,538	(9,185)	150	(395)	(567)
Cash and investments - beginning	(95,011)	81,255	6,941	32,071	5,288	395	567
Cash and investments - ending	\$ 269,703	\$ -	\$ 65,479	\$ 22,886	\$ 5,438	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 269,703	\$ -	\$ 65,479	\$ 22,886	\$ 5,438	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 269,703	\$ -	\$ 65,479	\$ 22,886	\$ 5,438	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-	-	-
Unrestricted	269,703	-	65,479	22,886	5,438	-	-
Total cash and investment fund balance - ending	\$ 269,703	\$ -	\$ 65,479	\$ 22,886	\$ 5,438	\$ -	\$ -

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	Community Foundation Alliance	2008-09 Higher Ability Grant	LCC High School Drug Free	2009-10 Non-English Speaking Grant	School Technology	21st Century Technology High School
Receipts:						
Local sources	\$ 4,100	\$ -	\$ -	\$ -	\$ -	\$ 3,345
Intermediate sources	-	-	-	-	-	-
State sources	-	-	900	12,416	17,197	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	4,100	-	900	12,416	17,197	3,345
Disbursements:						
Current:						
Instruction	3,904	7,469	-	8,084	17,697	-
Support services	-	-	-	-	-	(20,012)
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	3,904	7,469	-	8,084	17,697	(20,012)
Excess (deficiency) of receipts over disbursements	196	(7,469)	900	4,332	(500)	23,357
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	196	(7,469)	900	4,332	(500)	23,357
Cash and investments - beginning	-	7,469	-	-	10,701	-
Cash and investments - ending	\$ 196	\$ -	\$ 900	\$ 4,332	\$ 10,201	\$ 23,357
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 900	\$ 4,332	\$ 10,201	\$ 23,357
Restricted assets:						
Cash and investments	196	-	-	-	-	-
Total cash and investment assets - ending	\$ 196	\$ -	\$ 900	\$ 4,332	\$ 10,201	\$ 23,357
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	196	-	-	-	-	-
Unrestricted	-	-	900	4,332	10,201	23,357
Total cash and investment fund balance - ending	\$ 196	\$ -	\$ 900	\$ 4,332	\$ 10,201	\$ 23,357

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	2009-10 Higher Ability Grant	2008-09 Title 1	2009-10 Title 1	2008-09 Title V, Part A Innovative Education	2007-08 Drug Free	2008-09 Drug Free
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	29,766	-	-	-	-	-
Federal sources	-	41,703	437,641	-	-	2,183
Other	-	-	-	-	-	-
Total receipts	29,766	41,703	437,641	-	-	2,183
Disbursements:						
Current:						
Instruction	22,538	143,174	378,579	23,761	-	6,068
Support services	-	22,270	19,280	-	3,659	-
Noninstructional services	-	1,451	7,230	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	22,538	166,895	405,089	23,761	3,659	6,068
Excess (deficiency) of receipts over disbursements	7,228	(125,192)	32,552	(23,761)	(3,659)	(3,885)
Other financing sources (uses):						
Transfers in	-	-	36,022	-	-	-
Transfers out	-	(36,022)	-	-	-	-
Total other financing sources (uses)	-	(36,022)	36,022	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,228	(161,214)	68,574	(23,761)	(3,659)	(3,885)
Cash and investments - beginning	-	161,214	-	23,761	3,659	3,885
Cash and investments - ending	<u>\$ 7,228</u>	<u>\$ -</u>	<u>\$ 68,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 7,228	\$ -	\$ 68,574	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 7,228</u>	<u>\$ -</u>	<u>\$ 68,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-	-
Unrestricted	7,228	-	68,574	-	-	-
Total cash and investment fund balance - ending	<u>\$ 7,228</u>	<u>\$ -</u>	<u>\$ 68,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	2009-10 Drug Free	Impact Aid	Improving Teacher Quality	Title II, Pt A Class Size Reduction FY09	Rural Schools	Title III Non English Speaking
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	7,000	-	7,747	95,000	-	-
Other	-	-	-	-	-	-
Total receipts	7,000	-	7,747	95,000	-	-
Disbursements:						
Current:						
Instruction	6,969	1,555	26,071	66,994	-	1,167
Support services	-	-	-	-	28,632	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	6,969	1,555	26,071	66,994	28,632	1,167
Excess (deficiency) of receipts over disbursements	31	(1,555)	(18,324)	28,006	(28,632)	(1,167)
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	31	(1,555)	(18,324)	28,006	(28,632)	(1,167)
Cash and investments - beginning	-	1,555	18,324	-	28,632	1,222
Cash and investments - ending	<u>31</u>	<u>-</u>	<u>-</u>	<u>28,006</u>	<u>-</u>	<u>55</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 31	\$ -	\$ -	\$ 28,006	\$ -	\$ 55
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 31	\$ -	\$ -	\$ 28,006	\$ -	\$ 55
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-	-
Unrestricted	31	-	-	28,006	-	55
Total cash and investment fund balance - ending	\$ 31	\$ -	\$ -	\$ 28,006	\$ -	\$ 55

NORTH DAVIESS COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	09-10 Title III Non English Speaking	Title 1 Federal Stimulus	EVSC Technology Stimulus	Retirement Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 273,808	\$ 92,765	\$ 1,850,714
Intermediate sources	-	-	-	-	-	150
State sources	-	-	-	-	-	106,563
Federal sources	8,683	146,257	30,561	-	-	998,000
Other	-	-	-	-	-	185
Total receipts	8,683	146,257	30,561	273,808	92,765	2,955,612
Disbursements:						
Current:						
Instruction	8,088	94,925	-	-	-	818,005
Support services	-	-	46,061	-	-	790,699
Noninstructional services	-	-	-	-	-	472,806
Debt services	-	-	-	183,377	-	183,377
Nonprogrammed charges	-	-	-	-	-	38,500
Total disbursements	8,088	94,925	46,061	183,377	-	2,303,387
Excess (deficiency) of receipts over disbursements	595	51,332	(15,500)	90,431	92,765	652,225
Other financing sources (uses):						
Transfers in	-	-	-	-	-	36,022
Transfers out	-	-	-	-	-	(254,166)
Total other financing sources (uses)	-	-	-	-	-	(218,144)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	595	51,332	(15,500)	90,431	92,765	434,081
Cash and investments - beginning	-	-	-	(69,646)	14,278	236,560
Cash and investments - ending	595	51,332	(15,500)	20,785	107,043	670,641
Cash and Investment Assets - Ending						
Cash and investments	\$ 595	\$ 51,332	\$ (15,500)	\$ -	\$ 107,043	\$ 649,660
Restricted assets:						
Cash and investments	-	-	-	20,785	-	20,981
Total cash and investment assets - ending	595	51,332	(15,500)	20,785	107,043	670,641
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 20,785	\$ -	\$ 20,785
Other purposes	-	-	-	-	-	196
Unrestricted	595	51,332	(15,500)	-	107,043	649,660
Total cash and investment fund balance - ending	595	51,332	(15,500)	20,785	107,043	670,641

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Savings Bonds	Federal Withholding	Social Security	State Tax	County Tax	Teacher Retirement
Additions:						
Agency fund additions	\$ 600	\$ 519,001	\$ 375,896	\$ 160,700	\$ 70,140	\$ 501
Deductions:						
Agency fund deductions	600	519,001	375,896	160,700	70,140	501
Excess of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	<u>Insurance</u>	<u>Annuities</u>	<u>Dues</u>	<u>Perf Voluntary Deductions</u>	<u>Credit Union</u>	<u>Eca Payroll</u>
Additions:						
Agency fund additions	\$ 169,855	\$ 163,826	\$ 40,961	\$ 6,683	\$ 5,850	\$ 3,958
Deductions:						
Agency fund deductions	<u>169,855</u>	<u>163,826</u>	<u>40,961</u>	<u>6,683</u>	<u>5,850</u>	<u>3,958</u>
Excess of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Transfer Tuition	Uniforms	Terf Voluntary Deductions	Garnishment	Fringe Benefit	Totals
Additions:						
Agency fund additions	\$ 2,291	\$ 379	\$ 3,104	\$ 42	\$ 7,959	\$ 1,531,746
Deductions:						
Agency fund deductions	2,291	379	3,104	42	7,959	1,531,746
Excess of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	Prepaid School Lunch	Federal Withholding	Social Security	State Tax	County Tax	Teacher Retirement
Additions:						
Agency fund additions	\$ 13,290	\$ 484,160	\$ 374,989	\$ 161,045	\$ 70,655	\$ 2,173
Deductions:						
Agency fund deductions	7,440	484,160	374,989	161,045	70,655	2,173
Excess of total additions over total deductions	5,850	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	<u>\$ 5,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Savings Bonds	Insurance	Annuities	Dues	Perf Voluntary Deductions	Terf Voluntary Deductions
Additions:						
Agency fund additions	\$ 300	\$ 234,714	\$ 139,278	\$ 38,013	\$ 5,108	\$ 4,391
Deductions:						
Agency fund deductions	300	234,714	139,278	38,013	5,108	4,391
Excess of total additions over total deductions	-	-	-	-	-	-
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NORTH DAVIESS COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	<u>Eca Payroll</u>	<u>Uniforms</u>	<u>Garnishment</u>	<u>Phone Reimbursement</u>	<u>Fringe Benefit</u>	<u>Totals</u>
Additions:						
Agency fund additions	\$ 7,117	\$ 243	\$ 108	\$ 1,440	\$ 7,896	\$ 1,544,920
Deductions:						
Agency fund deductions	<u>7,117</u>	<u>243</u>	<u>108</u>	<u>1,440</u>	<u>7,896</u>	<u>1,539,070</u>
Excess of total additions over total deductions	-	-	-	-	-	5,850
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,850</u>

NORTH DAVIESS COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land and Land Improvements	\$ 1,993,132
Buildings	17,675,131
Machinery and equipment	<u>3,183,616</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 22,851,879</u></u>

NORTH DAVIESS COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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:		
Elementary School Building	\$ 10,145,000	\$ 1,193,000
Energy Savings Contract	913,596	126,330
Bonds payable:		
General obligation bonds:		
Retirement Severance	<u>730,000</u>	<u>183,377</u>
Total governmental activities debt	<u>\$ 11,788,596</u>	<u>\$ 1,502,707</u>

NORTH DAVIESS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

HONORS DIPLOMA - AMOUNT DUE THE SCHOOL CORPORATION DUE TO CORRECTED REPORTING

Prior Report B34465 noted a difference between the student count reported for Honors Diplomas and the verified figures of one student for the 2007-2008 school year. The Report concluded that School Corporation Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any underpayment the School Corporation could receive in the future because of incorrect reporting.

The Department of Education notified the School Corporation by email dated November 17, 2010, of the recalculation of the Basic Grant based upon the State Board of Accounts Audit and subsequent corrected counts for honors diplomas which resulted in the School Corporation being underpaid for 2007-2008. Additionally, the corrected counts caused a recalculation and increase of the 2010-2011 Basic Grant that will be paid to the School Corporation starting with the January 2011 distribution.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balance of the Debt Service Fund, Capital Projects Fund, Transportation Operating Fund, and Retirement Severance Bond Fund was overdrawn in 2008-2009.

The cash 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)

A similar comment was in a prior report.

DEPOSITS (Applies to Jr. Sr. High School)

We noted during the review of receipts that deposits were not always made in a timely manner. We also noted that receipts were not always deposited in the same form as received.

IC 20-41-1-9(a) states in part: ". . . receipts shall be deposited without unreasonable delay."

IC 5-13-6-1(c) states in part: " Public funds deposited. . . shall be deposited in same form as which received."

A similar comment was in a prior report.

NORTH DAVIESS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS (Applies to Jr. Sr. High School)

The following deficiencies relating to the recordkeeping were noted:

1. Ticket sales reports were reviewed and one report was \$300 short based on the ticket numbers which were accounted for. We noted in the prior audit, security had been paid out of the cash draw. No expense for security was noted for the tournament in question. The Extra-Curricular Account Treasurer was certain that security would have been obtained for the tournament.
2. Some transactions were recorded as "negative" receipts and disbursements.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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)

A similar comment was contained in the prior report.

PRESCRIBED FORMS (Applies to Jr. Sr. High School)

The following prescribed or approved form was not always in use:

Purchase Order and Accounts Payable Voucher, Prescribed Form SA-1, frequently lacked certification that goods or services were received and signature of the person authorized to purchase for the particular activity concerned.

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)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Jr. Sr. High School)

It was noted from the information presented for audit, that expenditures were being made from the Student Senate Fund (general fund) for school employees or administrators, as well as office supplies.

Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

NORTH DAVIESS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

FEES (Applies to Elementary)

The following elementary fees were collected without proper authorization: basic supply fee and kindergarten fee. The basic supply fee was for construction paper, tape, staples, and markers and was charged to all elementary students. The kindergarten was charged an additional fee for all other supplies needed. Kindergarteners were not requested to bring any supplies to school except gym shoes, a box of tissues, and book bag.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

Compliance

We have audited the compliance of the North Daviess Community Schools (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, 2009 and 2010. 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, 2009 and 2010.

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, school board, 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

December 9, 2010

NORTH DAVIESS COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 44,123	\$ 44,216
National School Lunch Program	10.555		182,073	198,281
Total for cluster			<u>226,196</u>	<u>242,497</u>
Total for federal grantor agency			<u>226,196</u>	<u>242,497</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title 1, Part A Cluster				
Title 1 Grants to Local Educational Agencies	84.010			
		08-1375	137,067	-
		09-1375	338,433	166,895
		10-1375	-	256,012
Total for program			<u>475,500</u>	<u>422,907</u>
ARRA-Title 1 Grants to Local Educational Agencies, Recovery Act	84.389		-	94,925
Total for cluster			<u>475,500</u>	<u>517,832</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act				
	84.394		-	823,858
Safe and Drug-Free Schools and Communities- State Grants				
	84.186			
		07-1375	3,632	3,659
		08-1375	483	6,068
		09-1375	-	6,969
Total for program			<u>4,115</u>	<u>16,696</u>
State Grants for Innovative Programs	84.298			
		07-1375	44,014	-
		08-1375	-	23,073
Total for program			<u>44,014</u>	<u>23,073</u>
Rural Education	84.358			
		FY08	-	28,632
English Language Acquisition Grants	84.365			
		07-08	3,508	-
		08-09	11,828	1,222
		62620/59K00	-	8,088
Total for program			<u>15,336</u>	<u>9,310</u>
Improving Teacher Quality State Grants	84.367			
		07-1375	23,296	-
		08-1375	54,566	26,071
		09-1375	-	66,994
Total for program			<u>77,862</u>	<u>93,065</u>
Pass-Through Evansville-Vanderburgh School Corporation				
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants, Recovery Act	84.386			
		S386A090014	-	46,061
Total for federal grantor agency			<u>616,827</u>	<u>1,558,527</u>
Total federal awards expended			<u>\$ 843,023</u>	<u>\$ 1,801,024</u>

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

NORTH DAVIESS COMMUNITY SCHOOLS
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 North Daviess Community Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with 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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 4,964	\$ 5,007
National School Lunch Program	10.555	23,462	23,693

NORTH DAVIESS COMMUNITY SCHOOLS
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 Clusters

Child Nutrition Cluster
Title 1, Part A Cluster
State Fiscal Stabilization Fund 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.

Summary Schedule of Prior Audit Finding

Finding Number:	2008-1
Original SBA Audit Report Number:	B34465
Fiscal Year:	7-1-06 to 6-30-08
Auditee Contact Person:	Glenda O'Connor
Title of Contact Person:	Corporation Treasurer
Phone Number:	812-636-8000 ext. 1001

Status of Finding:

Response/Action Plan is in place. The treasurer implemented procedures to ensure the financial reports are filed in a timely manner and will assure all activity of the reporting will be accurate according to the accounting records. The report in question was filed on May 5, 2009 and all reports since that time have been filed in a timely manner.

Glenda O'Connor,

Treasurer

NORTH DAVIESS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2010, with Robert W. Bell, Superintendent of Schools, and Glenda O'Connor, Treasurer. The officials concurred with our audit findings.