

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, 2008 to June 30, 2010



FILED

03/08/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dennis Leathers Kimberly A. Baker	07-01-08 to 06-30-10 07-01-10 to 06-30-11
Superintendent of Schools	Dr. Denis E. Ward	07-01-08 to 06-30-11
President of the School Board	Brandon Lawson	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 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, 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 February 7, 2011, 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 Schedule of Funding Progress, 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, 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

February 7, 2011



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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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 7, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

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.

The Schools response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School's response and, accordingly, we express no opinion on it.

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

February 7, 2011

DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<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	\$ 9,442,069	\$ -	\$ 156,409	\$ (9,285,660)
Support services	8,624,839	915,837	388,287	(7,320,715)
Noninstructional services	1,465,571	-	-	(1,465,571)
Facilities acquisition and construction	1,195,582	-	-	(1,195,582)
Debt service	9,450,795	-	-	(9,450,795)
Nonprogrammed charges	289,404	-	-	(289,404)
Total governmental activities	<u>\$ 30,468,260</u>	<u>\$ 915,837</u>	<u>\$ 544,696</u>	<u>(29,007,727)</u>
General receipts:				
Property taxes				10,263,601
Other local sources				2,227,392
State aid				10,691,296
Bonds and loans				3,426,507
Grants and contributions not restricted to specific programs				1,805,628
Sale of property				63,110
Investment earnings				70,842
Other				42,578
Total general receipts				<u>28,590,954</u>
Change in net assets				(416,773)
Net assets - beginning				<u>7,572,731</u>
Net assets - ending				<u>\$ 7,155,958</u>
<u>Assets</u>				
Cash and investments				\$ 6,571,280
Restricted assets:				
Cash and investments				<u>584,678</u>
Total assets				<u>\$ 7,155,958</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 584,678
Unrestricted				<u>6,571,280</u>
Total net assets				<u>\$ 7,155,958</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, 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	\$ 9,402,032	\$ -	\$ 121,667	\$ (9,280,365)
Support services	8,499,182	932,087	423,676	(7,143,419)
Noninstructional services	1,435,678	-	-	(1,435,678)
Facilities acquisition and construction	1,136,834	-	-	(1,136,834)
Debt service	7,682,728	-	-	(7,682,728)
Nonprogrammed charges	381,197	-	-	(381,197)
Total governmental activities	\$ 28,537,651	\$ 932,087	\$ 545,343	(27,060,221)
General receipts:				
Property taxes				12,302,652
Other local sources				1,921,702
State aid				13,128,405
Bonds and loans				1,701,554
Grants and contributions not restricted to specific programs				1,405,102
Sale of property				55,962
Investment earnings				37,531
Other				87,229
Total general receipts				30,640,137
Change in net assets				3,579,916
Net assets - beginning				7,155,956
Net assets - ending				\$ 10,735,872
<u>Assets</u>				
Cash and investments				\$ 7,051,845
Restricted assets:				
Cash and investments				3,684,027
Total assets				\$ 10,735,872
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 3,684,027
Unrestricted				7,051,845
Total net assets				\$ 10,735,872

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, 2009

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 4,153,253	\$ -	\$ -	\$ 5,008,440	\$ 1,788,922	\$ 2,525,757	\$ 13,476,372
Intermediate sources	2,033	-	-	-	-	-	2,033
State sources	10,807,507	-	-	-	-	192,924	11,000,431
Federal sources	-	-	1,161,837	-	-	878,622	2,040,459
Temporary loans	632,000	-	-	1,156,000	545,078	1,093,429	3,426,507
Other	15,833	-	-	-	-	26,742	42,575
Total receipts	15,610,626	-	1,161,837	6,164,440	2,334,000	4,717,474	29,988,377
Disbursements:							
Current:							
Instruction	9,197,091	-	-	-	-	244,978	9,442,069
Support services	5,040,571	-	101,287	5,957	1,115,321	2,361,703	8,624,839
Noninstructional services	241,498	-	-	-	-	1,224,073	1,465,571
Facilities acquisition and construction	-	-	-	-	875,144	320,438	1,195,582
Debt services	1,136,000	-	-	6,960,163	633,318	721,314	9,450,795
Nonprogrammed charges	194,425	-	-	-	-	94,979	289,404
Total disbursements	15,809,585	-	101,287	6,966,120	2,623,783	4,967,485	30,468,260
Excess (deficiency) of receipts over disbursements	(198,959)	-	1,060,550	(801,680)	(289,783)	(250,011)	(479,883)
Other financing sources (uses):							
Sale of capital assets	21,488	-	-	-	-	41,622	63,110
Transfers in	42,414	720,674	-	-	-	75,688	838,776
Transfers out	(30,512)	-	-	(16,564)	(720,674)	(71,026)	(838,776)
Total other financing sources (uses)	33,390	720,674	-	(16,564)	(720,674)	46,284	63,110
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(165,569)	720,674	1,060,550	(818,244)	(1,010,457)	(203,727)	(416,773)
Cash and investments - beginning	1,882,003	-	-	1,548,303	2,538,477	1,603,948	7,572,731
Cash and investments - ending	<u>\$ 1,716,434</u>	<u>\$ 720,674</u>	<u>\$ 1,060,550</u>	<u>\$ 730,059</u>	<u>\$ 1,528,020</u>	<u>\$ 1,400,221</u>	<u>\$ 7,155,958</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,716,434	\$ 720,674	\$ 1,060,550	\$ -	\$ 1,528,020	\$ 1,545,602	\$ 6,571,280
Restricted assets:							
Cash and investments	-	-	-	730,059	-	(145,381)	584,678
Total cash and investment assets - ending	<u>\$ 1,716,434</u>	<u>\$ 720,674</u>	<u>\$ 1,060,550</u>	<u>\$ 730,059</u>	<u>\$ 1,528,020</u>	<u>\$ 1,400,221</u>	<u>\$ 7,155,958</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 730,059	\$ -	\$ (145,381)	\$ 584,678
Unrestricted	1,716,434	720,674	1,060,550	-	1,528,020	1,545,602	6,571,280
Total cash and investment fund balance - ending	<u>\$ 1,716,434</u>	<u>\$ 720,674</u>	<u>\$ 1,060,550</u>	<u>\$ 730,059</u>	<u>\$ 1,528,020</u>	<u>\$ 1,400,221</u>	<u>\$ 7,155,958</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, 2010

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 347,599	\$ -	\$ -	\$ 8,461,565	\$ 2,696,172	\$ 3,688,605	\$ 15,193,941
Intermediate sources	30	-	-	-	-	-	30
State sources	13,211,891	-	-	-	-	169,066	13,380,957
Federal sources	-	-	527,092	-	-	1,170,801	1,697,893
Temporary loans	-	-	-	539,000	582,078	580,476	1,701,554
Other	7,860	-	-	-	-	79,370	87,230
Total receipts	13,567,380	-	527,092	9,000,565	3,278,250	5,688,318	32,061,605
Disbursements:							
Current:							
Instruction	8,035,238	-	1,068,665	-	-	298,129	9,402,032
Support services	4,722,285	-	515,569	-	1,207,424	2,053,904	8,499,182
Noninstructional services	219,256	-	3,408	-	-	1,213,014	1,435,678
Facilities acquisition and construction	-	-	-	-	936,376	200,458	1,136,834
Debt services	-	-	-	6,050,222	556,509	1,075,997	7,682,728
Nonprogrammed charges	241,052	-	-	-	-	140,145	381,197
Total disbursements	13,217,831	-	1,587,642	6,050,222	2,700,309	4,981,647	28,537,651
Excess (deficiency) of receipts over disbursements	349,549	-	(1,060,550)	2,950,343	577,941	706,671	3,523,954
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	210	55,752	55,962
Transfers in	100,247	294,462	-	5,813	-	109,151	509,673
Transfers out	(66,028)	-	-	(43,123)	-	(400,522)	(509,673)
Total other financing sources (uses)	34,219	294,462	-	(37,310)	210	(235,619)	55,962
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	383,768	294,462	(1,060,550)	2,913,033	578,151	471,052	3,579,916
Cash and investments - beginning	1,716,433	720,674	1,060,550	730,059	1,528,019	1,400,221	7,155,956
Cash and investments - ending	\$ 2,100,201	\$ 1,015,136	\$ -	\$ 3,643,092	\$ 2,106,170	\$ 1,871,273	\$ 10,735,872
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 2,100,201	\$ 1,015,136	\$ -	\$ -	\$ 2,106,170	\$ 1,830,338	\$ 7,051,845
Restricted assets:							
Cash and investments	-	-	-	3,643,092	-	40,935	3,684,027
Total cash and investment assets - ending	\$ 2,100,201	\$ 1,015,136	\$ -	\$ 3,643,092	\$ 2,106,170	\$ 1,871,273	\$ 10,735,872
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 3,643,092	\$ -	\$ 40,935	\$ 3,684,027
Unrestricted	2,100,201	1,015,136	-	-	2,106,170	1,830,338	7,051,845
Total cash and investment fund balance - ending	\$ 2,100,201	\$ 1,015,136	\$ -	\$ 3,643,092	\$ 2,106,170	\$ 1,871,273	\$ 10,735,872

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, 2009

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 435	
Investment earnings:			
Interest	-	209	
Total additions	-	644	
Deductions:			
Benefits	43,265	-	
Administrative and general	-	4,961	
Total deductions	43,265	4,961	
Excess (deficiency) of total additions over total deductions	(43,265)	(4,317)	
Cash and investment fund balance - beginning	182,009	4,317	
Cash and investment fund balance - ending	\$ 138,744	\$ -	\$ 72,062
Net assets:			
Cash and investments	\$ 138,744	\$ -	
Total net assets - cash and investment basis held in trust	\$ 138,744	\$ -	

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, 2010

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 11	
Deductions:		
Benefits	15,853	
Excess (deficiency) of total additions over total deductions	(15,842)	
Cash and investment fund balance - beginning	138,744	
Cash and investment fund balance - ending	\$ 122,902	\$ 80,210
Net assets:		
Cash and investments	\$ 122,902	
Total net assets - cash and investment basis held in trust	\$ 122,902	

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.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Danville Community School Corporation

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 West Central Joint Services which was created to provide special education and vocational services. The School Corporation is obligated by contract to remit \$222,620 annually to supplement the West Central Joint Services. 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 voting majority 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 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

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 (Stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

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 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.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the annual disbursement of scholarship funds to eligible students.

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.

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.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

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.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2009	2010
Textbook Rental	\$ (91,527)	\$ -
Pension-Debt Service	(145,381)	-
Common School	-	(38,535)
Special Ed Stimulus	(1,768)	-
Special Ed Preschool Stimulus	(5,455)	-

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

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 \$11,242,804.

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.

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	\$ 30,512	\$ 66,028
Debt Service Fund	Other Governmental Funds	16,564	43,123
Capital Projects Fund	Rainy Day Fund	720,674	-
Other Governmental Funds	General Fund	42,414	100,247
Other Governmental Funds	Other Governmental Funds	28,612	-
Other Governmental Funds	Rainy Day Fund	-	294,462
Other Governmental Funds	Debt Service Fund	-	5,813
Totals		<u>\$ 838,776</u>	<u>\$ 509,673</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions. The unit established a Rainy Day Fund during the audit period. \$720,674 and \$294,462 were transferred to the Rainy Day Fund from the Capital Projects Fund and the School Bus Replacement Fund, respectively.

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; 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.

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 6 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 School Corporation pays an annual premium to the risk pool for its coverage. 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 Corporations

The School Corporation has entered into a capital lease with Danville Community Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$1,100,000 and \$1,100,000, respectively.

The School Corporation has entered into a capital lease with Danville Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$2,430,500 and \$2,557,000, respectively.

The School Corporation has entered into a capital lease with Danville 5/6 and 7/8 School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$1,489,750 and \$1,373,000, respectively.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

In November 2010, approval was granted through the Indiana Department of Education for Qualified School Construction Bonds. The bond amount is \$1,900,000 and will be issued in December 2010. Bond monies are to be used for updating the School Corporation buildings and for digital instruction hardware.

D. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

United Healthcare Advantage is a single-employer defined benefit healthcare plan administered by Central Indiana School Employees' Insurance Trust. The plan provides Medical, dental, life and long-term disability insurance to eligible retirees and their spouses. Teacher Master Agreement assigns the authority to establish and amend benefit provisions to the School Corporation. The United Healthcare Advantage issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants. That report may be obtained by contacting the plan administrator:

Central Indiana School Employees' Insurance Trust
23 Boulevard Motiff, Unit 102
Brownsburg, IN 46112
(317) 858-8747

Funding Policy

The contribution requirements of plan members for the United Healthcare Advantage are established by the School Corporation's governing board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2009, the School Corporation contributed \$12,583 to the plan for current premiums (approximately 18% of total premiums). Plan members receiving benefits contributed \$58,746, or approximately 82% of the total premiums, through their required contribution of \$421 per month for retiree-only coverage and \$534 for retiree and spouse coverage. For the year ended June 30, 2010, the School Corporation contributed \$14,976 to the plan for current premiums (approximately 19% of total premiums). Plan members receiving benefits contributed \$65,752, or approximately 81% of the total premiums, through their required contribution of \$486 per month for retiree-only coverage and \$587 for retiree and spouse coverage.

E. 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

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$186,581.

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

Teachers' Retirement Fund

Plan Description

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

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

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

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$695,749.

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)
07-01-07	\$ 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%)
07-01-09	2,669,868	3,172,411	(502,543)	84%	2,697,338	(19%)

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, 2009

	Transportation Operating	Pre-School Handicapped	School Lunch	Textbook Rental	Alternative Education	Coalition of Quality School	Impl. Curriculum and Assessment
Receipts:							
Local sources	\$ 953,843	\$ 9,771	\$ 825,884	\$ 217,450	\$ 49,308	\$ -	\$ -
State sources	-	69,663	17,527	50,188	16,079	-	-
Federal sources	-	-	320,573	-	-	-	-
Temporary loans	845,840	-	-	-	-	-	-
Other	66	-	-	379	-	-	-
Total receipts	1,799,749	79,434	1,163,984	268,017	65,387	-	-
Disbursements:							
Current:							
Instruction	-	47,304	-	-	86,145	-	-
Support services	1,364,375	-	35,203	331,488	5,394	-	-
Noninstructional services	-	-	1,223,663	-	-	-	-
Facilities acquisition and construction	1,791	-	-	-	8,100	-	-
Debt services	406,500	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	60,613	32,058
Total disbursements	1,772,666	47,304	1,258,866	331,488	99,639	60,613	32,058
Excess (deficiency) of receipts over disbursements	27,083	32,130	(94,882)	(63,471)	(34,252)	(60,613)	(32,058)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	41,622	-	-	-	-
Transfers in	39,866	-	-	16,564	-	-	-
Transfers out	(130)	(39,544)	-	-	-	-	-
Total other financing sources (uses)	39,736	(39,544)	41,622	16,564	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	66,819	(7,414)	(53,260)	(46,907)	(34,252)	(60,613)	(32,058)
Cash and investments - beginning	363,975	84,864	215,039	(44,620)	82,067	143,066	32,058
Cash and investments - ending	\$ 430,794	\$ 77,450	\$ 161,779	\$ (91,527)	\$ 47,815	\$ 82,453	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 430,794	\$ 77,450	\$ 161,779	\$ (91,527)	\$ 47,815	\$ 82,453	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 430,794	\$ 77,450	\$ 161,779	\$ (91,527)	\$ 47,815	\$ 82,453	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	430,794	77,450	161,779	(91,527)	47,815	82,453	-
Total cash and investment fund balance - ending	\$ 430,794	\$ 77,450	\$ 161,779	\$ (91,527)	\$ 47,815	\$ 82,453	\$ -

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, 2009
 (Continued)

	Steve Benjamin Grant	Gifted and Talented	Common School	Non-English Speaking	Technology Planning	Title I	Title V
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	36,521	-	2,249	-	-	-
Federal sources	-	-	-	-	-	71,571	6,504
Temporary loans	-	-	247,589	-	-	-	-
Other	-	-	-	-	23,602	-	-
Total receipts	-	36,521	247,589	2,249	23,602	71,571	6,504
Disbursements:							
Current:							
Instruction	-	18,958	-	2,695	10,832	63,811	-
Support services	-	1,280	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	247,589	-	5,577	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	2,308	-	-	-	-	-	-
Total disbursements	2,308	20,238	247,589	2,695	16,409	63,811	-
Excess (deficiency) of receipts over disbursements	(2,308)	16,283	-	(446)	7,193	7,760	6,504
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(7,760)	(6,906)
Total other financing sources (uses)	-	-	-	-	-	(7,760)	(6,906)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,308)	16,283	-	(446)	7,193	-	(402)
Cash and investments - beginning	60,000	2,478	-	446	18,719	-	1,829
Cash and investments - ending	\$ 57,692	\$ 18,761	\$ -	\$ -	\$ 25,912	\$ -	\$ 1,427
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 57,692	\$ 18,761	\$ -	\$ -	\$ 25,912	\$ -	\$ 1,427
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 57,692	\$ 18,761	\$ -	\$ -	\$ 25,912	\$ -	\$ 1,427
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	57,692	18,761	-	-	25,912	-	1,427
Total cash and investment fund balance - ending	\$ 57,692	\$ 18,761	\$ -	\$ -	\$ 25,912	\$ -	\$ 1,427

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, 2009
 (Continued)

	Special Education	Special Education Sliver	Drug Free	State IT	Title II	Improving Teacher Quality	Professional Development
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 446	\$ -	\$ -
State sources	-	-	-	697	-	-	-
Federal sources	407,605	13,616	2,000	-	-	-	56,753
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	2,695	-
Total receipts	407,605	13,616	2,000	697	446	2,695	56,753
Disbursements:							
Current:							
Instruction	5,130	-	-	-	1,265	644	971
Support services	509,737	19,092	933	697	59,266	21,144	13,094
Noninstructional services	410	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	515,277	19,092	933	697	60,531	21,788	14,065
Excess (deficiency) of receipts over disbursements	(107,672)	(5,476)	1,067	-	(60,085)	(19,093)	42,688
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	5,455	5,573	-	7,794	-	436
Transfers out	-	-	-	-	(699)	(8,642)	(7,345)
Total other financing sources (uses)	-	5,455	5,573	-	7,095	(8,642)	(6,909)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(107,672)	(21)	6,640	-	(52,990)	(27,735)	35,779
Cash and investments - beginning	137,448	20	(496)	-	52,989	27,736	-
Cash and investments - ending	\$ 29,776	\$ (1)	\$ 6,144	\$ -	\$ (1)	\$ 1	\$ 35,779
Cash and Investment Assets - Ending							
Cash and investments	\$ 29,776	\$ (1)	\$ 6,144	\$ -	\$ (1)	\$ 1	\$ 35,779
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 29,776	\$ (1)	\$ 6,144	\$ -	\$ (1)	\$ 1	\$ 35,779
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	29,776	(1)	6,144	-	(1)	1	35,779
Total cash and investment fund balance - ending	\$ 29,776	\$ (1)	\$ 6,144	\$ -	\$ (1)	\$ 1	\$ 35,779

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, 2009
 (Continued)

	Special Ed Stimulus	Special Ed Preschool Stimulus	Pension Debt Service	School Bus Replacement	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 246,556	\$ 221,288	\$ 1,211	\$ 2,525,757
State sources	-	-	-	-	-	192,924
Federal sources	-	-	-	-	-	878,622
Temporary loans	-	-	-	-	-	1,093,429
Other	-	-	-	-	-	26,742
Total receipts	-	-	246,556	221,288	1,211	4,717,474
Disbursements:						
Current:						
Instruction	1,768	5,455	-	-	-	244,978
Support services	-	-	-	-	-	2,361,703
Noninstructional services	-	-	-	-	-	1,224,073
Facilities acquisition and construction	-	-	-	-	57,381	320,438
Debt services	-	-	314,814	-	-	721,314
Nonprogrammed charges	-	-	-	-	-	94,979
Total disbursements	1,768	5,455	314,814	-	57,381	4,967,485
Excess (deficiency) of receipts over disbursements	(1,768)	(5,455)	(68,258)	221,288	(56,170)	(250,011)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	41,622
Transfers in	-	-	-	-	-	75,688
Transfers out	-	-	-	-	-	(71,026)
Total other financing sources (uses)	-	-	-	-	-	46,284
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,768)	(5,455)	(68,258)	221,288	(56,170)	(203,727)
Cash and investments - beginning	-	-	(77,123)	441,709	61,744	1,603,948
Cash and investments - ending	<u>\$ (1,768)</u>	<u>\$ (5,455)</u>	<u>\$ (145,381)</u>	<u>\$ 662,997</u>	<u>\$ 5,574</u>	<u>\$ 1,400,221</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (1,768)	\$ (5,455)	\$ -	\$ 662,997	\$ 5,574	\$ 1,545,602
Restricted assets:						
Cash and investments	-	-	(145,381)	-	-	(145,381)
Total cash and investment assets - ending	<u>\$ (1,768)</u>	<u>\$ (5,455)</u>	<u>\$ (145,381)</u>	<u>\$ 662,997</u>	<u>\$ 5,574</u>	<u>\$ 1,400,221</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ (145,381)	\$ -	\$ -	\$ (145,381)
Unrestricted	(1,768)	(5,455)	-	662,997	5,574	1,545,602
Total cash and investment fund balance - ending	<u>\$ (1,768)</u>	<u>\$ (5,455)</u>	<u>\$ (145,381)</u>	<u>\$ 662,997</u>	<u>\$ 5,574</u>	<u>\$ 1,400,221</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, 2010

	Transportation Operating	Pre-School Handicapped	School Lunch	Textbook Rental	Alternative Education	Coalition of Quality School	Steve Benjamin Grant
Receipts:							
Local sources	\$ 1,904,683	\$ -	\$ 838,421	\$ 194,296	\$ 49,888	\$ -	\$ -
State sources	-	42,625	16,983	48,864	22,413	-	-
Federal sources	-	-	357,829	-	-	-	-
Temporary loans	474,000	-	-	-	-	-	-
Other	476	-	-	6,951	60,000	-	-
Total receipts	2,379,159	42,625	1,213,233	250,111	132,301	-	-
Disbursements:							
Current:							
Instruction	-	34,810	-	-	67,916	-	-
Support services	1,239,702	-	49,914	138,676	2,741	-	-
Noninstructional services	-	-	1,208,406	1,060	-	-	-
Facilities acquisition and construction	-	-	-	-	7,705	-	-
Debt services	764,638	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	82,453	57,692
Total disbursements	2,004,340	34,810	1,258,320	139,736	78,362	82,453	57,692
Excess (deficiency) of receipts over disbursements	374,819	7,815	(45,087)	110,375	53,939	(82,453)	(57,692)
Other financing sources (uses):							
Sale of capital assets	-	-	55,752	-	-	-	-
Transfers in	-	-	35	-	-	-	-
Transfers out	-	(85,265)	-	-	-	-	-
Total other financing sources (uses)	-	(85,265)	55,787	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	374,819	(77,450)	10,700	110,375	53,939	(82,453)	(57,692)
Cash and investments - beginning	430,794	77,450	161,779	(91,527)	47,815	82,453	57,692
Cash and investments - ending	\$ 805,613	\$ -	\$ 172,479	\$ 18,848	\$ 101,754	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 805,613	\$ -	\$ 172,479	\$ 18,848	\$ 101,754	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 805,613	\$ -	\$ 172,479	\$ 18,848	\$ 101,754	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	805,613	-	172,479	18,848	101,754	-	-
Total cash and investment fund balance - ending	\$ 805,613	\$ -	\$ 172,479	\$ 18,848	\$ 101,754	\$ -	\$ -

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, 2010
 (Continued)

	Gifted and Talented	Common School	Non-English Speaking	Technology Planning	Excess PTRC	Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	36,342	-	1,839	-	-	-
Federal sources	-	-	-	-	-	72,789
Temporary loans	-	106,476	-	-	-	-
Other	-	-	-	11,943	-	-
Total receipts	36,342	106,476	1,839	11,943	-	72,789
Disbursements:						
Current:						
Instruction	10,432	-	-	14,036	-	69,241
Support services	2,773	-	-	-	-	-
Noninstructional services	-	-	-	-	-	3,548
Facilities acquisition and construction	-	145,011	-	6,770	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	13,205	145,011	-	20,806	-	72,789
Excess (deficiency) of receipts over disbursements	23,137	(38,535)	1,839	(8,863)	-	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	65,993	-
Transfers out	(14,982)	-	-	-	-	-
Total other financing sources (uses)	(14,982)	-	-	-	65,993	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,155	(38,535)	1,839	(8,863)	65,993	-
Cash and investments - beginning	18,761	-	-	25,912	-	-
Cash and investments - ending	\$ 26,916	\$ (38,535)	\$ 1,839	\$ 17,049	\$ 65,993	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 26,916	\$ (38,535)	\$ 1,839	\$ 17,049	\$ 65,993	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 26,916	\$ (38,535)	\$ 1,839	\$ 17,049	\$ 65,993	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	26,916	(38,535)	1,839	17,049	65,993	-
Total cash and investment fund balance - ending	\$ 26,916	\$ (38,535)	\$ 1,839	\$ 17,049	\$ 65,993	\$ -

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, 2010
 (Continued)

	Title V	Special Education	Special Education Sliver	Drug Free	Title II	Professional Development
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	432,986	14,546	7,111	59,570	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	432,986	14,546	7,111	59,570	-
Disbursements:						
Current:						
Instruction	-	-	1,000	-	59	1,396
Support services	1,427	446,431	13,546	10,105	14,192	34,383
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	1,427	446,431	14,546	10,105	14,251	35,779
Excess (deficiency) of receipts over disbursements	(1,427)	(13,445)	-	(2,994)	45,319	(35,779)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,427)	(13,445)	-	(2,994)	45,319	(35,779)
Cash and investments - beginning	1,427	29,776	-	6,144	-	35,779
Cash and investments - ending	\$ -	\$ 16,331	\$ -	\$ 3,150	\$ 45,319	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 16,331	\$ -	\$ 3,150	\$ 45,319	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 16,331	\$ -	\$ 3,150	\$ 45,319	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	16,331	-	3,150	45,319	-
Total cash and investment fund balance - ending	\$ -	\$ 16,331	\$ -	\$ 3,150	\$ 45,319	\$ -

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, 2010
 (Continued)

	Special Ed Stimulus	Special Ed Preschool Stimulus	Pension Debt Service	School Bus Replacement	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 454,552	\$ 237,036	\$ 9,729	\$ 3,688,605
State sources	-	-	-	-	-	169,066
Federal sources	207,270	18,700	-	-	-	1,170,801
Temporary loans	-	-	-	-	-	580,476
Other	-	-	-	-	-	79,370
Total receipts	207,270	18,700	454,552	237,036	9,729	5,688,318
Disbursements:						
Current:						
Instruction	87,854	11,385	-	-	-	298,129
Support services	4,971	-	-	93,183	1,860	2,053,904
Noninstructional services	-	-	-	-	-	1,213,014
Facilities acquisition and construction	28,729	-	-	-	12,243	200,458
Debt services	-	-	311,359	-	-	1,075,997
Nonprogrammed charges	-	-	-	-	-	140,145
Total disbursements	121,554	11,385	311,359	93,183	14,103	4,981,647
Excess (deficiency) of receipts over disbursements	85,716	7,315	143,193	143,853	(4,374)	706,671
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	55,752
Transfers in	-	-	43,123	-	-	109,151
Transfers out	-	-	-	(300,275)	-	(400,522)
Total other financing sources (uses)	-	-	43,123	(300,275)	-	(235,619)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	85,716	7,315	186,316	(156,422)	(4,374)	471,052
Cash and investments - beginning	(1,768)	(5,455)	(145,381)	662,997	5,573	1,400,221
Cash and investments - ending	\$ 83,948	\$ 1,860	\$ 40,935	\$ 506,575	\$ 1,199	\$ 1,871,273
Cash and Investment Assets - Ending						
Cash and investments	\$ 83,948	\$ 1,860	\$ -	\$ 506,575	\$ 1,199	\$ 1,830,338
Restricted assets:						
Cash and investments	-	-	40,935	-	-	40,935
Total cash and investment assets - ending	\$ 83,948	\$ 1,860	\$ 40,935	\$ 506,575	\$ 1,199	\$ 1,871,273
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 40,935	\$ -	\$ -	\$ 40,935
Unrestricted	83,948	1,860	-	506,575	1,199	1,830,338
Total cash and investment fund balance - ending	\$ 83,948	\$ 1,860	\$ 40,935	\$ 506,575	\$ 1,199	\$ 1,871,273

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2009

	Retirement/ Severance Bond	Totals
Additions:		
Contributions:		
Employer	\$ -	\$ -
Plan members	-	-
State	-	-
Other	-	-
	-	-
 Total contributions	 -	 -
Investment earnings:		
Net increase (decrease) in fair value of investments	-	-
Interest	-	-
Dividends	-	-
	-	-
 Total investment earnings	 -	 -
Less investment disbursements	-	-
	-	-
 Net investment earnings	 -	 -
 Total additions	 -	 -
Deductions:		
Benefits	43,265	43,265
Refunds of contributions	-	-
Administrative and general	-	-
	-	-
 Total deductions	 43,265	 43,265
 Excess (deficiency) of total additions over total deductions	 (43,265)	 (43,265)
 Cash and investment fund balance - beginning	 182,009	 182,009
 Cash and investment fund balance - ending	 \$ 138,744	 \$ 138,744
 Net assets:		
Cash and investments	\$ 138,744	\$ 138,744
 Total net assets - cash and investment basis held in trust	 \$ 138,744	 \$ 138,744

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2010

	Retirement/ Severance Bond	Totals
Additions:		
Contributions:		
Employer	\$ -	\$ -
Plan members	-	-
State	-	-
Other	11	11
	11	11
Total contributions	11	11
Investment earnings:		
Net increase (decrease) in fair value of investments	-	-
Interest	-	-
Dividends	-	-
	-	-
Total investment earnings	-	-
Less investment disbursements	-	-
	-	-
Net investment earnings	-	-
Total additions	11	11
Deductions:		
Benefits	15,853	15,853
Refunds of contributions	-	-
Administrative and general	-	-
	15,853	15,853
Total deductions	15,853	15,853
Excess (deficiency) of total additions over total deductions	(15,842)	(15,842)
Cash and investment fund balance - beginning	138,744	138,744
Cash and investment fund balance - ending	\$ 122,902	\$ 122,902
Net assets:		
Cash and investments	\$ 122,902	\$ 122,902
Total net assets - cash and investment basis held in trust	\$ 122,902	\$ 122,902

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, 2009

	<u>Western Crossroads</u>	<u>Schmink Memorial</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 435	\$ -	\$ 435
Investment earnings:			
Interest	<u>-</u>	<u>209</u>	<u>209</u>
Total additions	<u>435</u>	<u>209</u>	<u>644</u>
Deductions:			
Administrative and general	<u>2,352</u>	<u>2,609</u>	<u>4,961</u>
Excess (deficiency) of total additions over total deductions	(1,917)	(2,400)	(4,317)
Cash and investment fund balance - beginning	<u>1,917</u>	<u>2,400</u>	<u>4,317</u>
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets:			
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 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	\$ 9,336,566
Buildings	51,487,178
Improvements other than buildings	12,744,970
Machinery and equipment	<u>6,372,428</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>79,941,142</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 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:		
South Elementary School Building	\$ 5,656,306	\$ 1,100,000
North Elementary Renovation Project	14,254,940	1,852,000
Danville High School Renovation Project	10,092,390	808,000
Danville Middle School Building Project	29,860,000	-
QSCB 2009 Energy Savings Plan	1,763,000	-
QSCB 2010 Energy Savings Plan	1,900,000	-
Notes and loans payable	741,991	227,207.00
Bonds payable:		
General obligation bonds:		
Retirement/Severance	<u>2,175,000</u>	<u>154,612</u>
Total governmental activities debt	<u>\$ 66,443,627</u>	<u>\$ 4,141,819</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Bank Reconciliation of Funds: Bank reconciliations were attempted, but sufficient follow through was not performed for unidentified variances which could allow the financial statements to be materially misstated without detection.

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

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

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)

OVERDRAWN FUND BALANCES

The Textbook Rental Fund and Pension-Debt Service Fund were overdrawn at June 30, 2009. The Common School Fund was overdrawn at June 30, 2010.

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)

DANVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ECA DEPOSITS - DANVILLE HIGH SCHOOL

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of two months before depositing. Receipts, in some cases, accumulated to over \$21,145.77 before a deposit was made.

IC 20-5-7-4 states in part:

". . . receipts shall be deposited without unreasonable delay."

OPTICAL IMAGES OF CHECKS - DANVILLE HIGH SCHOOL

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

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)."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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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, 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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

February 7, 2011

DANVILLE COMMUNITY SCHOOL CORPORATION
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 EDUCATION</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	FY 08-09 FY 09-10	\$ 69,849 -	\$ - 76,355
National School Lunch Program	10.555	FY 08-09 FY 09-10	301,658 -	- 328,477
Total for cluster			<u>371,507</u>	<u>404,832</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	FY 08-09 FY 09-10	71,571 -	- 72,789
Total for cluster			<u>71,571</u>	<u>72,789</u>
Pass-Through West Central Joint Services Special Education Cluster Special Education Grants to States	84.027	FY 07-08 FY 08-09	515,277 -	13,445 432,986
Total for program			<u>515,277</u>	<u>446,431</u>
Special Education Preschool Grants	84.173	FY 07-08 FY 08-09	13,637 -	- 14,546
Total for program			<u>13,637</u>	<u>14,546</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391		<u>1,768</u>	<u>121,554</u>
ARRA - Special Education - Preschool Grants to States, Recovery Act	84.392		<u>5,455</u>	<u>11,385</u>
Total for cluster			<u>536,137</u>	<u>593,916</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	FY 09-10	<u>101,287</u>	<u>1,587,641</u>
Total for cluster			<u>101,287</u>	<u>1,587,641</u>
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - States Grants	84.186	FY 07-08 FY 08-09 FY 09-10	933 - -	4,144 3,868 2,093
Total for program			<u>933</u>	<u>10,105</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298	FY 06-07 FY 07-08	5,657 1,249	- 1,427
Total for program			<u>6,906</u>	<u>1,427</u>
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367	FY 06-07 FY 08-09 FY 09-10 FY 10-11	30,880 60,780 21,410 -	- - 35,779 14,251
Total for program			<u>113,070</u>	<u>50,030</u>
Total for federal grantor agency			<u>829,904</u>	<u>2,315,908</u>
Total federal awards expended			<u>\$ 1,201,411</u>	<u>\$ 2,720,740</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 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
National School Lunch Program	10.555	\$ 50,935	\$ 47,003

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?	yes
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:

CFDA Number	Name of Federal Program or Cluster
	Special Education 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? yes

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

Section II – Financial Statement Findings

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Bank Reconciliation of Funds: Bank reconciliations were attempted, but sufficient follow through was not performed for unidentified variances which could allow the financial statements to be materially misstated without detection.

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

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

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)

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

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DR. DENIS WARD
SUPERINTENDENT

February 7, 2011

Indiana State Board of Accounts
302 W. Washington St.
Indianapolis, IN 46204-2765

RE: CORRECTIVE ACTION PLAN

Listed below is my response to the Section II – Financial Statement Findings.

Finding 2010-1, Internal Controls Over Financial Transactions and Reporting

As Treasurer for the school corporation, my corrective action plan would be to verify via our on-line banking tool that all revenue reported by efunds as being received electronically for book rental and school lunches for any given month is actually received and posted by the bank within that same month.

For those transactions that are reported as being received by efunds but not posted to the bank during the same month that they are reported will be posted the following month. By determining what has actually been deposited for the month, I will be able to exercise a proper cut-off reconciliation.

After completion of bank reconciliation, I will have Tom Johnson, Assistant Superintendent, Financial Services, verify and initial the reconciliation.

Sincerely,

Kimberly A. Baker
Treasurer

TOM JOHNSON
ASSISTANT SUPERINTENDENT FOR
FINANCIAL SERVICES

JAMES BRYANT
DIRECTOR OF
ALTERNATIVE EDUCATION

BRAD M. FISCHER
DIRECTOR OF
INFORMATION SERVICES

DR. GLENDA K. PATE
DIRECTOR OF SPECIAL
EDUCATION & TESTING

LYLE MESSENGER
COORDINATOR OF
SPECIAL PROJECTS

BOARD OF SCHOOL TRUSTEES

DEBBI S. AUSTIN SCOTT E. BESS TODD CLONCS WILLIAM H. BRADSHAW BRANDON K. LAWSON

DANVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2011, with Dr. Denis E. Ward, Superintendent of Schools; Kimberly A. Baker, Treasurer; Brandon Lawson, President of the School Board; and Tom Johnson, Assistant Superintendent of Schools. The officials concurred with our audit findings.