

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

DANVILLE COMMUNITY SCHOOL CORPORATION
HENDRICKS COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
04/21/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	32-33
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-42
Auditee Prepared Document:	
Corrective Action Plan	44
Other Reports.....	45

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kim Baker	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Denis E. Ward Dr. Tracey R. Shafer	07-01-12 to 06-30-13 07-01-14 to 06-30-16
President of School Board	Todd Cloncs William Bradshaw Matt Steward Dr. Michael C. Beaty	07-01-12 to 01-13-13 01-14-13 to 01-13-14 01-14-14 to 01-13-16 01-14-16 to 12-31-16



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

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Danville Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2016, 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* in considering the School Corporation's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

January 19, 2016



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

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

We have audited, 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, the financial statement of the Danville Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated January 19, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT 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 statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

Danville Community School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

January 19, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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DANVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 1,992,346	\$ 14,676,139	\$ 14,557,858	\$ -	\$ 2,110,627	\$ 15,026,728	\$ 15,340,184	\$ -	\$ 1,797,171
Debt Service	3,073,218	6,299,766	6,206,173	7,025	3,173,836	6,622,025	6,599,712	-	3,196,149
Retirement/Severance Bond Debt Service	92,609	314,978	311,168	-	96,419	336,912	309,407	-	123,924
Capital Projects	1,437,893	1,775,005	1,851,748	41	1,361,191	1,581,235	1,698,116	-	1,244,310
School Transportation	631,834	1,608,264	1,614,143	37,433	663,388	1,515,531	1,664,859	-	514,060
School Bus Replacement	347,476	174,779	359,402	-	162,853	207,300	100,754	-	269,399
Rainy Day	2,001,322	-	-	(7,025)	1,994,297	-	-	-	1,994,297
Retirement/Severance Bond	122,910	2	-	-	122,912	-	-	-	122,912
Construction	1,199	1,298,603	103,609	-	1,196,193	-	1,196,193	-	-
School Lunch	253,635	1,203,713	1,237,079	48,507	268,776	1,294,023	1,307,765	39,582	294,616
Textbook Rental	210,297	264,459	170,601	-	304,155	261,059	256,622	-	308,592
Educational License Plates	-	563	563	-	-	563	563	-	-
Alternative Education	65,157	78,829	109,578	-	34,408	233,894	179,348	-	88,954
Early Intervention Grant	-	4,091	4,091	-	-	-	-	-	-
Donations, Gifts and Trusts	-	-	-	-	-	50,000	-	-	50,000
G/T 08-09	9,860	-	9,860	-	-	-	-	-	-
Gifted/Talented 2013-14	-	-	-	-	-	33,905	33,905	-	-
Gifted/Talented 2012-13	-	34,186	34,160	-	26	-	26	-	-
Education Technology	(257)	396,567	396,311	-	(1)	315,700	315,699	-	-
Medicaid Reimbursement	-	13,882	13,882	-	-	34,406	(25,335)	-	59,741
Non-English Speaking Programs P.L. 273-1999	-	1,508	1,508	-	-	-	-	-	-
Technology Planning Grant	30,930	23,156	12,056	-	42,030	36,112	18,877	-	59,265
Innovative School Improvement Grant	-	2,500	2,500	-	-	-	-	-	-
David C Ford Grant 11-12	1,437	56,638	64,322	-	(6,247)	31,901	42,127	-	(16,473)
Excess PTRC Distributions	37,433	-	-	(37,433)	-	-	-	-	-
Title I 2013-14	-	-	-	-	-	175,907	188,755	-	(12,848)
Title I 08/09	(14,250)	14,250	-	-	-	-	-	-	-
Title I 2012-13	-	186,942	213,173	-	(26,231)	60,576	34,345	-	-
Preschool	16,332	-	-	-	16,332	-	-	-	16,332
Other Overpayment and Reimbursements	-	404,226	435,899	-	(31,673)	49,627	17,954	-	-
PL 408-446, IDEA Part B 2013-14	-	-	-	-	-	397,654	453,574	-	(55,920)
IDEA Part B 2011-12	(39,429)	41,850	2,422	-	(1)	-	(1)	-	-
Spec Educ Improvement Grant 2012-13	-	70,000	70,000	-	-	-	-	-	-
PL 101-476, IDEA 08-09	-	15,181	15,181	-	-	-	-	-	-
PL 108-446, 2013-14	-	-	-	-	-	14,266	14,266	-	-
IDEA Part B Preschool 2011-12	(2,040)	4,566	2,526	-	-	-	-	-	-
SPC EDUC-TECH ASST GRANT 2013-14	-	-	-	-	-	7,994	7,994	-	-
Medicaid Reimbursement - Federal	21,509	25,927	14,364	-	33,072	(20,958)	12,114	-	-
Title II FY 13-14	-	-	-	-	-	43,816	45,313	-	(1,497)
Title II FY 14-15	(950)	39,128	40,339	-	(2,161)	1,594	(567)	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	9,354	15,907	-	(6,553)	44,825	38,272	-	-
Summer of Learning Grant 2013-14	-	-	-	-	-	-	9,131	-	(9,131)
ITQ, Enhanced Education Through Technology, Title II, Part D	(56,863)	116,520	59,655	-	2	-	2	-	-
Education Jobs	-	458,083	458,083	-	-	-	-	-	-
Payroll Clearing Funds	121,130	16,445,978	16,462,559	-	104,549	17,222,064	17,222,043	-	104,570
Totals	\$ 10,354,738	\$ 46,059,633	\$ 44,850,720	\$ 48,548	\$ 11,612,199	\$ 45,578,659	\$ 47,082,017	\$ 39,582	\$ 10,148,423

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

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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.

Note 7. Negative Receipts and Disbursements

The financial statement contains some receipts and disbursements which appear as negative entries. This is a result of posting errors, reclassifications, and transfers.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

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 2013 and 2014 totaled \$3,181,500 and \$3,283,400, respectively.

Note 9. *Combined Funds*

Funds related to payroll withholding and the administration building, identified as 9000 series fund numbers, were reported individually in the prior financial statement but were combined into one fund for the current financial statement.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 1,992,346	\$ 3,073,218	\$ 92,609	\$ 1,437,893	\$ 631,834	\$ 347,476	\$ 2,001,322	\$ 122,910	\$ 1,199	\$ 253,635
Receipts:										
Local sources	315,750	6,299,766	314,978	1,700,217	1,310,678	174,779	-	2	1,298,500	812,274
Intermediate sources	7	-	-	-	-	-	-	-	-	-
State sources	14,357,138	-	-	-	-	-	-	-	-	16,498
Federal sources	-	-	-	-	-	-	-	-	-	374,713
Temporary loans	-	-	-	64,938	296,866	-	-	-	-	-
Other	3,244	-	-	9,850	720	-	-	-	103	228
Total receipts	14,676,139	6,299,766	314,978	1,775,005	1,608,264	174,779	-	2	1,298,603	1,203,713
Disbursements:										
Current:										
Instruction	8,806,320	-	-	-	-	-	-	-	-	-
Support services	5,312,509	-	-	1,029,632	1,387,610	359,402	-	-	-	35,547
Noninstructional services	439,029	-	-	-	-	-	-	-	-	1,201,532
Facilities acquisition and construction	-	-	-	581,112	-	-	-	-	103,609	-
Debt services	-	6,206,173	311,168	241,004	226,533	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	14,557,858	6,206,173	311,168	1,851,748	1,614,143	359,402	-	-	103,609	1,237,079
Excess (deficiency) of receipts over disbursements	118,281	93,593	3,810	(76,743)	(5,879)	(184,623)	-	2	1,194,994	(33,366)
Other financing sources (uses):										
Sale of capital assets	-	-	-	41	-	-	-	-	-	48,507
Transfers in	-	7,025	-	-	37,433	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(7,025)	-	-	-
Total other financing sources (uses)	-	7,025	-	41	37,433	-	(7,025)	-	-	48,507
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	118,281	100,618	3,810	(76,702)	31,554	(184,623)	(7,025)	2	1,194,994	15,141
Cash and investments - ending	\$ 2,110,627	\$ 3,173,836	\$ 96,419	\$ 1,361,191	\$ 663,388	\$ 162,853	\$ 1,994,297	\$ 122,912	\$ 1,196,193	\$ 268,776

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Textbook Rental	Educational License Plates	Alternative Education	Early Intervention Grant	Donations, Gifts and Trust	G/T 08-09	Gifted/Talented 2013-14	Gifted/Talented 2012-13	Education Technology
Cash and investments - beginning	\$ 210,297	\$ -	\$ 65,157	\$ -	\$ -	\$ 9,860	\$ -	\$ -	\$ (257)
Receipts:									
Local sources	208,314	-	63,794	-	-	-	-	-	-
Intermediate sources	-	563	-	-	-	-	-	-	-
State sources	56,054	-	14,958	4,091	-	-	-	34,186	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	358,413
Other	91	-	77	-	-	-	-	-	38,154
Total receipts	264,459	563	78,829	4,091	-	-	-	34,186	396,567
Disbursements:									
Current:									
Instruction	-	-	109,468	-	-	667	-	22,020	-
Support services	170,101	563	110	4,091	-	9,193	-	12,140	8,480
Noninstructional services	500	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	387,831
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	170,601	563	109,578	4,091	-	9,860	-	34,160	396,311
Excess (deficiency) of receipts over disbursements	93,858	-	(30,749)	-	-	(9,860)	-	26	256
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	93,858	-	(30,749)	-	-	(9,860)	-	26	256
Cash and investments - ending	\$ 304,155	\$ -	\$ 34,408	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ (1)

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Medicaid Reimbursement	Non-English Speaking Programs P.L. 273-1999	Technology Planning Grant	Innovative School Improvement Grant	David C Ford Grant 11-12	Excess PTRC Distributions	Title I 2013-14	Title I 08/09	Title I 2012-13
Cash and investments - beginning	\$ -	\$ -	\$ 30,930	\$ -	\$ 1,437	\$ 37,433	\$ -	\$ (14,250)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	1,508	-	2,500	56,638	-	-	-	-
Federal sources	13,882	-	-	-	-	-	-	14,250	186,942
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	23,156	-	-	-	-	-	-
Total receipts	13,882	1,508	23,156	2,500	56,638	-	-	14,250	186,942
Disbursements:									
Current:									
Instruction	-	1,508	9,391	-	-	-	-	-	213,173
Support services	13,882	-	-	2,500	64,322	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	2,665	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	13,882	1,508	12,056	2,500	64,322	-	-	-	213,173
Excess (deficiency) of receipts over disbursements	-	-	11,100	-	(7,684)	-	-	14,250	(26,231)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(37,433)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(37,433)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	11,100	-	(7,684)	(37,433)	-	14,250	(26,231)
Cash and investments - ending	\$ -	\$ -	\$ 42,030	\$ -	\$ (6,247)	\$ -	\$ -	\$ -	\$ (26,231)

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Preschool	Other Overpayments and Reimbursements	PL 408-446 IDEA Part B 2013-14	IDEA Part B 2011-12	Spec Educ Improvement Grant 2012-13	PL 101-476 IDEA 08-09	PL 108-446 2013-14	IDEA Part B Preschool 2011-12	SPC EDUC-TECH ASST GRANT 2013-14
Cash and investments - beginning	\$ 16,332	\$ -	\$ -	\$ (39,429)	\$ -	\$ -	\$ -	\$ (2,040)	\$ -
Receipts:									
Local sources	-	-	-	41,850	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	404,226	-	-	70,000	15,181	-	4,566	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	404,226	-	41,850	70,000	15,181	-	4,566	-
Disbursements:									
Current:									
Instruction	-	-	-	3	-	-	-	2,526	-
Support services	-	435,899	-	2,419	4,850	15,181	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	65,150	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	435,899	-	2,422	70,000	15,181	-	2,526	-
Excess (deficiency) of receipts over disbursements	-	(31,673)	-	39,428	-	-	-	2,040	-
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	-	(31,673)	-	39,428	-	-	-	2,040	-
Cash and investments - ending	\$ 16,332	\$ (31,673)	\$ -	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ -

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Medicaid Reimbursement - Federal	Title II FY 13-14	Title II FY 14-15	Improving Teaching Quality, No Child Left, Title II, Part A	Summer of Learning Grant 2013-14	ITQ, Enhanced Education Through Technology, Title II, Part D	Education Jobs	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ 21,509	\$ -	\$ (950)	\$ -	\$ -	\$ (56,863)	\$ -	\$ 121,130	\$ 10,354,738
Receipts:									
Local sources	-	-	14,140	-	-	-	-	-	12,555,042
Intermediate sources	-	-	-	-	-	-	-	-	570
State sources	-	-	-	-	-	-	-	-	14,543,571
Federal sources	25,927	-	24,988	9,354	-	116,520	458,083	-	1,718,632
Temporary loans	-	-	-	-	-	-	-	-	720,217
Other	-	-	-	-	-	-	-	16,445,978	16,521,601
Total receipts	25,927	-	39,128	9,354	-	116,520	458,083	16,445,978	46,059,633
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	365,566	-	9,530,642
Support services	14,364	-	40,339	15,907	-	7,681	88,887	-	9,035,609
Noninstructional services	-	-	-	-	-	-	3,630	-	1,644,691
Facilities acquisition and construction	-	-	-	-	-	51,974	-	-	1,192,341
Debt services	-	-	-	-	-	-	-	-	6,984,878
Nonprogrammed charges	-	-	-	-	-	-	-	16,462,559	16,462,559
Total disbursements	14,364	-	40,339	15,907	-	59,655	458,083	16,462,559	44,850,720
Excess (deficiency) of receipts over disbursements	11,563	-	(1,211)	(6,553)	-	56,865	-	(16,581)	1,208,913
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	48,548
Transfers in	-	-	-	-	-	-	-	-	44,458
Transfers out	-	-	-	-	-	-	-	-	(44,458)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	48,548
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,563	-	(1,211)	(6,553)	-	56,865	-	(16,581)	1,257,461
Cash and investments - ending	\$ 33,072	\$ -	\$ (2,161)	\$ (6,553)	\$ -	\$ 2	\$ -	\$ 104,549	\$ 11,612,199

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 2,110,627	\$ 3,173,836	\$ 96,419	\$ 1,361,191	\$ 663,388	\$ 162,853	\$ 1,994,297	\$ 122,912	\$ 1,196,193	\$ 268,776
Receipts:										
Local sources	311,498	6,622,025	336,912	1,569,129	1,196,441	207,300	-	-	-	783,460
Intermediate sources	16	-	-	-	-	-	-	-	-	-
State sources	14,710,269	-	-	-	-	-	-	-	-	16,655
Federal sources	-	-	-	-	-	-	-	-	-	493,908
Temporary loans	-	-	-	-	317,348	-	-	-	-	-
Other	4,945	-	-	12,106	1,742	-	-	-	-	-
Total receipts	15,026,728	6,622,025	336,912	1,581,235	1,515,531	207,300	-	-	-	1,294,023
Disbursements:										
Current:										
Instruction	9,557,925	-	-	-	-	-	-	-	-	-
Support services	5,337,225	-	-	1,035,779	1,367,993	100,754	-	-	-	41,660
Noninstructional services	445,034	-	-	-	-	-	-	-	-	1,266,105
Facilities acquisition and construction	-	-	-	662,337	-	-	-	-	1,196,193	-
Debt services	-	6,599,712	309,407	-	296,866	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	15,340,184	6,599,712	309,407	1,698,116	1,664,859	100,754	-	-	1,196,193	1,307,765
Excess (deficiency) of receipts over disbursements	(313,456)	22,313	27,505	(116,881)	(149,328)	106,546	-	-	(1,196,193)	(13,742)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	39,582
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	39,582
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(313,456)	22,313	27,505	(116,881)	(149,328)	106,546	-	-	(1,196,193)	25,840
Cash and investments - ending	<u>\$ 1,797,171</u>	<u>\$ 3,196,149</u>	<u>\$ 123,924</u>	<u>\$ 1,244,310</u>	<u>\$ 514,060</u>	<u>\$ 269,399</u>	<u>\$ 1,994,297</u>	<u>\$ 122,912</u>	<u>\$ -</u>	<u>\$ 294,616</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Textbook Rental	Educational License Plates	Alternative Education	Early Intervention Grant	Donations, Gifts and Trust	G/T 08-09	Gifted/Talented 2013-14	Gifted/Talented 2012-13	Education Technology
Cash and investments - beginning	\$ 304,155	\$ -	\$ 34,408	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ (1)
Receipts:									
Local sources	195,191	-	64,378	-	50,000	-	-	-	-
Intermediate sources	-	563	-	-	-	-	-	-	-
State sources	56,362	-	13,516	-	-	-	33,905	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	315,700
Other	9,506	-	156,000	-	-	-	-	-	-
Total receipts	261,059	563	233,894	-	50,000	-	33,905	-	315,700
Disbursements:									
Current:									
Instruction	-	-	179,348	-	-	-	33,905	(3,096)	-
Support services	256,622	563	-	-	-	-	-	3,122	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	315,699
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	256,622	563	179,348	-	-	-	33,905	26	315,699
Excess (deficiency) of receipts over disbursements	4,437	-	54,546	-	50,000	-	-	(26)	1
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,437	-	54,546	-	50,000	-	-	(26)	1
Cash and investments - ending	\$ 308,592	\$ -	\$ 88,954	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Medicaid Reimbursement	Non-English Speaking Programs P.L. 273-1999	Technology Planning Grant	Innovative School Improvement Grant	David C Ford Grant 11-12	Excess PTRC Distributions	Title I 2013-14	Title I 08/09	Title I 2012-13
Cash and investments - beginning	\$ -	\$ -	\$ 42,030	\$ -	\$ (6,247)	\$ -	\$ -	\$ -	\$ (26,231)
Receipts:									
Local sources	-	-	8,000	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	30,785	-	-	-	31,901	-	-	-	-
Federal sources	3,621	-	-	-	-	-	175,907	-	60,576
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	28,112	-	-	-	-	-	-
Total receipts	34,406	-	36,112	-	31,901	-	175,907	-	60,576
Disbursements:									
Current:									
Instruction	-	-	11,002	-	-	-	188,755	-	34,345
Support services	(25,335)	-	-	-	34,752	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	7,875	-	7,375	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	(25,335)	-	18,877	-	42,127	-	188,755	-	34,345
Excess (deficiency) of receipts over disbursements	59,741	-	17,235	-	(10,226)	-	(12,848)	-	26,231
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	59,741	-	17,235	-	(10,226)	-	(12,848)	-	26,231
Cash and investments - ending	\$ 59,741	\$ -	\$ 59,265	\$ -	\$ (16,473)	\$ -	\$ (12,848)	\$ -	\$ -

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Preschool	Other Overpayments and Reimbursements	PL 408-446 IDEA Part B 2013-14	IDEA Part B 2011-12	Spec Educ Improvement Grant 2012-13	PL 101-476 IDEA 08-09	PL 108-446 2013-14	IDEA Part B Preschool 2011-12	SPC EDUC-TECH ASST GRANT 2013-14
Cash and investments - beginning	\$ 16,332	\$ (31,673)	\$ -	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	32,759	89,351	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	16,868	308,303	-	-	-	14,266	-	7,994
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	49,627	397,654	-	-	-	14,266	-	7,994
Disbursements:									
Current:									
Instruction	-	-	157,862	-	-	-	14,266	-	-
Support services	-	17,954	295,712	(1)	-	-	-	-	7,994
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	17,954	453,574	(1)	-	-	14,266	-	7,994
Excess (deficiency) of receipts over disbursements	-	31,673	(55,920)	1	-	-	-	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	31,673	(55,920)	1	-	-	-	-	-
Cash and investments - ending	\$ 16,332	\$ -	\$ (55,920)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Medicaid Reimbursement - Federal	Title II FY 13-14	Title II FY 14-15	Improving Teaching Quality, No Child Left, Title II, Part A	Summer of Learning Grant 2013-14	ITQ, Enhanced Education Through Technology, Title II, Part D	Education Jobs	Payroll Clearing Funds	Totals
Cash and investments - beginning	\$ 33,072	\$ -	\$ (2,161)	\$ (6,553)	\$ -	\$ 2	\$ -	\$ 104,549	\$ 11,612,199
Receipts:									
Local sources	-	-	-	-	-	-	-	-	11,466,444
Intermediate sources	-	-	-	-	-	-	-	-	579
State sources	-	-	-	-	-	-	-	-	14,893,393
Federal sources	(20,958)	43,816	1,594	44,825	-	-	-	-	1,150,720
Temporary loans	-	-	-	-	-	-	-	-	633,048
Other	-	-	-	-	-	-	-	17,222,064	17,434,475
Total receipts	(20,958)	43,816	1,594	44,825	-	-	-	17,222,064	45,578,659
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	10,174,312
Support services	12,114	45,313	(567)	38,272	9,131	2	-	-	8,579,059
Noninstructional services	-	-	-	-	-	-	-	-	1,711,139
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,189,479
Debt services	-	-	-	-	-	-	-	-	7,205,985
Nonprogrammed charges	-	-	-	-	-	-	-	17,222,043	17,222,043
Total disbursements	12,114	45,313	(567)	38,272	9,131	2	-	17,222,043	47,082,017
Excess (deficiency) of receipts over disbursements	(33,072)	(1,497)	2,161	6,553	(9,131)	(2)	-	21	(1,503,358)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	39,582
Total other financing sources (uses)	-	-	-	-	-	-	-	-	39,582
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,072)	(1,497)	2,161	6,553	(9,131)	(2)	-	21	(1,463,776)
Cash and investments - ending	\$ -	\$ (1,497)	\$ -	\$ -	\$ (9,131)	\$ -	\$ -	\$ 104,570	\$ 10,148,423

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Danville Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	3325	\$ 77,842	\$ 108,342
National School Lunch Program	10.555	3325	375,824	459,225
Total for federal grantor agency			453,666	567,567
<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	12-3325	14,250	-
Title I Grants to Local Educational Agencies		13-3325	186,942	60,576
Title I Grants to Local Educational Agencies		14-3325	-	175,908
Total for cluster			201,192	236,484
Pass-Through Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education - Grants to States				
Special Education - Grants to States	84.027	14213-063-PN01	404,226	49,627
Special Education - Grants to States		Indirect Costs	36,523	-
Special Education - Grants to States		14214-063-PN01	-	397,655
Special Education - Grants to States		Indirect Costs	-	25,660
Technical Assistance Grant, FY 2014 Part B Funds		99914-63-TA1	-	7,994
Total for program			440,749	480,936
Special Education - Preschool Grants	84.173	45712-063-PN01	4,566	-
Special Education - Preschool Grants		45713-063-PN01	15,181	-
Special Education - Preschool Grants		45714-063-PN01	-	14,266
Total for program			19,747	14,266
Total for cluster			460,496	495,202
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants				
	84.367	13-3325	48,482	90,236
Education Jobs Fund				
	84.410	SY2011-2012	458,083	-
Total for federal grantor agency			1,168,253	821,922
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Health				
Medicaid Cluster				
Medical Assistance Program	93.778	FY 2013	25,927	-
		FY 2014	-	34,406
Total for federal grantor agency			25,927	34,406
Total federal awards expended			\$ 1,647,846	\$ 1,423,895

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 78,850.24	\$ 73,628.54

DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Title I, Part B Cluster
	Special Education Cluster (IDEA)
84.410	Education Jobs Fund

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Several grants were not included on the SEFA for both school years presented. Federal awards on the SEFA were under reported by \$1,408,842.

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

During the audit of the SEFA, we noted the following errors: the Child Nutrition Cluster for both school years was not included on the SEFA. In school year 2012-2013 the Education Jobs Fund program was not included on the SEFA. Several other program amounts reported were incorrect. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - ALLOWABLE COSTS

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-3325, 13-3325, 14-3325

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs compliance requirement.

The School Corporation has time and effort reporting sheets for those teachers that are funded partially through Title I program and also other efforts. Teachers that are compensated solely through Title I did not have semiannual certifications for either school year.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

OMB Circular A-87, Attachment B, paragraph 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

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

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the school.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above. In addition, we recommended the School Corporation comply with the Allowable Costs compliance requirement.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



SUMMARY OF CORRECTIVE ACTION PLAN

Finding 2014-001 – Preparation of the Schedule of Expenditures of Federal Awards

Corrective Action: Errors in reporting expenditures of SEFA will be addressed through internal controls. After SEFA is prepared, the report will be reviewed by the Treasurer and/or Assistant Treasurer.

Finding 2014-002 – Allowable Costs

The Director of Academic Services will certify the monthly Title 1 reports of individuals who are partially paid from Title 1 and the semi-annual certification reports for those individuals who are paid entirely from Title 1.



Dr. Tracey Shafer, Superintendent



Date



Tom Johnson, Asst. Superintendent



Date

THE **DANVILLE** DIFFERENCE

Dr. Tracey R. Shafer, Superintendent

200 Warrior Way | Danville, IN 46122 | P: (317) 745-2212 | F: (317) 745-3924

www.danville.k12.in.us

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.