

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, 2014 to June 30, 2016



FILED
05/15/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kim Baker	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Tracey Shafer	07-01-14 to 06-30-18
President of the School Board	Matt Steward Dr. Michael C. Beaty	07-01-14 to 01-13-16 01-14-16 to 01-13-19



STATE OF INDIANA
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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, 2014 to June 30, 2016, 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 from 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 to 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, 2014 to June 30, 2016.

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, 2014 to June 30, 2016, 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, Schedule of Payables and Receivables, and Schedule of Leases and Debt, 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 April 16, 2018, 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 solely 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 effectiveness of the School Corporation's 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

April 16, 2018



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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, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated April 16, 2018, 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 a material weakness.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation'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 2016-001 to be a material weakness.

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 from 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 2016-001.

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

April 16, 2018

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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, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,797,171	\$ 15,040,055	\$ 14,699,384	\$ (97,173)	\$ 2,040,669	\$ 15,451,217	\$ 15,131,578	\$ -	\$ 2,360,308
Debt Service	3,196,149	6,546,260	6,968,204	-	2,774,205	7,158,333	6,538,619	(168,607)	3,225,312
Retirement/Severance Bond Debt Service	123,924	292,546	307,170	-	109,300	319,278	304,053	122,912	247,437
Capital Projects	1,244,310	1,841,341	1,747,629	-	1,338,022	1,652,962	2,352,154	216	639,046
School Transportation	514,060	1,494,060	1,688,028	-	320,092	1,285,827	1,373,942	151,538	383,515
School Bus Replacement	269,399	183,795	-	-	453,194	88,729	354,251	-	187,672
Rainy Day	1,994,297	-	205,000	-	1,789,297	142,639	-	-	1,931,936
Retirement/Severance Bond	122,912	-	-	-	122,912	-	-	(122,912)	-
Construction	-	-	-	-	-	1,561,408	-	-	1,561,408
School Lunch	294,616	1,145,672	1,397,816	49,311	91,783	1,314,319	1,257,398	49,270	197,974
Textbook Rental	308,592	258,580	164,883	-	402,289	236,977	504,974	17,069	151,361
Levy Excess	-	1,784	-	-	1,784	-	-	-	1,784
Educational License Plates	-	469	488	-	(19)	431	300	-	112
Alternative Education	88,954	86,353	190,051	127,002	112,258	74,414	92,016	-	94,656
Donations, Gifts and Trusts	50,000	50,451	-	-	100,451	50,000	-	-	150,451
G/T 14-15	-	34,336	24,331	-	10,005	-	10,005	-	-
15-16 Gifted/Talented Grant	-	-	-	-	-	35,375	23,518	-	11,857
Computer Consortium/Ed Tech Advance	-	263,307	263,307	-	-	343,383	343,383	-	-
Medicaid Reimbursement	59,741	11,884	13,538	(29,829)	28,258	7,912	11,471	-	24,699
Scholarships and Awards	-	-	-	-	-	3,165	3,165	-	-
School Technology	59,265	21,929	49,953	-	31,241	31,070	42,531	-	19,780
Performance Based Awards	-	9,983	9,983	-	-	-	-	-	-
Senator David Ford Technology	(16,473)	80,461	63,988	-	-	-	-	-	-
Title I 2013-14	(12,848)	19,776	6,928	-	-	-	-	-	-
Title I 14-15	-	129,159	142,574	-	(13,415)	25,356	11,941	-	-
Title I 15-16	-	-	-	-	-	124,557	144,137	-	(19,580)
IDEA	16,332	-	-	-	16,332	-	-	-	16,332
PL 108-446 15-16	-	110	110	-	-	412,838	457,285	-	(44,447)
PL 408-446, IDEA Part B 2013-14	(55,920)	63,044	7,124	-	-	-	-	-	-
IDEA Part B 2014-2015	-	415,714	455,725	-	(40,011)	55,584	15,573	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	14,187	14,187	-	-	-	-	-	-
IDEA 2015-16	-	-	-	-	-	14,065	14,065	-	-
SPC Educ-Tech Asst Grant 13-14	-	2,976	2,976	-	-	-	-	-	-
Medicaid Reimbursement - Federal	-	-	-	-	-	-	-	-	-
IDEA 2013-14	(1,497)	3,299	1,802	-	-	-	-	-	-
Title II Part A	-	10,082	10,943	-	(861)	10,941	10,646	-	(566)
Improving Teacher Quality, No Child Left, Title II, Part A	-	-	-	-	-	-	-	-	-
Summer of Learning Grant 2013-14	(9,131)	15,412	6,281	-	-	-	-	-	-
Payroll Withholdings	104,570	16,537,679	16,533,079	-	109,170	17,006,348	17,003,287	-	112,231
Prepaid Food Account	-	-	-	-	-	673,843	673,387	-	456
Totals	\$ 10,148,423	\$ 44,574,704	\$ 44,975,482	\$ 49,311	\$ 9,796,956	\$ 48,080,971	\$ 46,673,679	\$ 49,486	\$ 11,253,734

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, the following: 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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans. Amounts 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. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

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:

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers in. Amounts 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. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

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.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: 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

Funding Policy and Annual Pension Cost

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

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursement for expenditures made by the School Corporation for federal reimbursable grants which had not been received by June 30, 2015 and 2016.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with the 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 year ending June 30, 2015, totaled \$976,005. This was the final payment due for this lease.

DANVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

The School Corporation has entered into a capital lease with the 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 ending June 30, 2015 and 2016, totaled \$3,350,083 and \$3,482,523, respectively.

The School Corporation has entered into a capital lease with the 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 ending June 30, 2015 and 2016, totaled \$2,302,000 and \$2,712,250, respectively.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 Indiana Gateway for Government Units 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 School Corporation's Financial Reports 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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,797,171	\$ 3,196,149	\$ 123,924	\$ 1,244,310	\$ 514,060	\$ 269,399	\$ 1,994,297	\$ 122,912
Receipts:								
Local sources	315,690	6,546,260	292,546	1,828,073	1,493,631	183,795	-	-
Intermediate sources	12	-	-	-	-	-	-	-
State sources	14,707,679	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	16,674	-	-	13,268	429	-	-	-
Total receipts	15,040,055	6,546,260	292,546	1,841,341	1,494,060	183,795	-	-
Disbursements:								
Instruction	9,146,304	-	-	-	-	-	-	-
Support services	5,136,407	-	-	1,154,692	1,370,680	-	205,000	-
Noninstructional services	416,673	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	592,937	-	-	-	-
Debt service	-	6,968,204	307,170	-	317,348	-	-	-
Total disbursements	14,699,384	6,968,204	307,170	1,747,629	1,688,028	-	205,000	-
Excess (deficiency) of receipts over disbursements	340,671	(421,944)	(14,624)	93,712	(193,968)	183,795	(205,000)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	29,829	-	122,911	-	-	-	-	122,911
Transfers out	(127,002)	-	(122,911)	-	-	-	-	(122,911)
Total other financing sources (uses)	(97,173)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	243,498	(421,944)	(14,624)	93,712	(193,968)	183,795	(205,000)	-
Cash and investments - ending	\$ 2,040,669	\$ 2,774,205	\$ 109,300	\$ 1,338,022	\$ 320,092	\$ 453,194	\$ 1,789,297	\$ 122,912

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, 2015

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Donations, Gifts and Trusts	G/T 14-15
Cash and investments - beginning	\$ -	\$ 294,616	\$ 308,592	\$ -	\$ -	\$ 88,954	\$ 50,000	\$ -
Receipts:								
Local sources	-	739,421	183,238	1,784	-	71,345	50,451	-
Intermediate sources	-	-	-	-	469	-	-	-
State sources	-	16,434	56,318	-	-	15,008	-	34,336
Federal sources	-	389,817	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	19,024	-	-	-	-	-
Total receipts	-	1,145,672	258,580	1,784	469	86,353	50,451	34,336
Disbursements:								
Instruction	-	-	-	-	-	190,051	-	21,904
Support services	-	40,516	164,883	-	488	-	-	2,427
Noninstructional services	-	1,357,300	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	1,397,816	164,883	-	488	190,051	-	24,331
Excess (deficiency) of receipts over disbursements	-	(252,144)	93,697	1,784	(19)	(103,698)	50,451	10,005
Other financing sources (uses):								
Sale of capital assets	-	49,311	-	-	-	-	-	-
Transfers in	-	-	-	-	-	127,002	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	49,311	-	-	-	127,002	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(202,833)	93,697	1,784	(19)	23,304	50,451	10,005
Cash and investments - ending	\$ -	\$ 91,783	\$ 402,289	\$ 1,784	\$ (19)	\$ 112,258	\$ 100,451	\$ 10,005

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, 2015

	15-16 Gifted/ Talented Grant	Computer Consortium/ Ed Tech Advance	Medicaid Reimbursement	Scholarships and Awards	School Technology	Performance Based Awards	Senator David Ford Technology	Title I 2013-14
Cash and investments - beginning	\$ -	\$ -	\$ 59,741	\$ -	\$ 59,265	\$ -	\$ (16,473)	\$ (12,848)
Receipts:								
Local sources	-	-	441	-	13,388	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	11,443	-	-	9,983	80,461	-
Federal sources	-	-	-	-	-	-	-	19,776
Temporary loans	-	263,307	-	-	-	-	-	-
Other receipts	-	-	-	-	8,541	-	-	-
Total receipts	-	263,307	11,884	-	21,929	9,983	80,461	19,776
Disbursements:								
Instruction	-	-	-	-	19,657	-	-	6,928
Support services	-	-	13,538	-	8,001	9,983	42,513	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	263,307	-	-	22,295	-	21,475	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	263,307	13,538	-	49,953	9,983	63,988	6,928
Excess (deficiency) of receipts over disbursements	-	-	(1,654)	-	(28,024)	-	16,473	12,848
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(29,829)	-	-	-	-	-
Total other financing sources (uses)	-	-	(29,829)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(31,483)	-	(28,024)	-	16,473	12,848
Cash and investments - ending	\$ -	\$ -	\$ 28,258	\$ -	\$ 31,241	\$ -	\$ -	\$ -

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, 2015

	Title I 14-15	Title I 15-16	IDEA	PL 108-446 15-16	PL 408-446, IDEA Part B 2013-14	IDEA Part B 2014-2015	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	IDEA 2015-16
Cash and investments - beginning	\$ -	\$ -	\$ 16,332	\$ -	\$ (55,920)	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	415,714	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	129,159	-	-	110	63,044	-	14,187	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	129,159	-	-	110	63,044	415,714	14,187	-
Disbursements:								
Instruction	141,794	-	-	110	16,522	137,189	-	-
Support services	-	-	-	-	(9,398)	318,536	14,187	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	780	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	142,574	-	-	110	7,124	455,725	14,187	-
Excess (deficiency) of receipts over disbursements	(13,415)	-	-	-	55,920	(40,011)	-	-
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	(13,415)	-	-	-	55,920	(40,011)	-	-
Cash and investments - ending	\$ (13,415)	\$ -	\$ 16,332	\$ -	\$ -	\$ (40,011)	\$ -	\$ -

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, 2015

	SPC Educ- Tech Asst Grant 13-14	IDEA 2013-14	Title II Part A	Summer of Learning Grant 2013-14	Payroll Withholdings	Prepaid Food Account	Totals
Cash and investments - beginning	\$ -	\$ (1,497)	\$ -	\$ (9,131)	\$ 104,570	\$ -	\$ 10,148,423
Receipts:							
Local sources	-	-	-	-	16,537,679	-	28,673,456
Intermediate sources	-	-	-	-	-	-	481
State sources	-	-	-	-	-	-	14,931,662
Federal sources	2,976	3,299	10,082	15,412	-	-	647,862
Temporary loans	-	-	-	-	-	-	263,307
Other receipts	-	-	-	-	-	-	57,936
Total receipts	2,976	3,299	10,082	15,412	16,537,679	-	44,574,704
Disbursements:							
Instruction	-	-	-	-	16,533,079	-	26,213,538
Support services	2,976	1,802	10,943	6,281	-	-	8,494,455
Noninstructional services	-	-	-	-	-	-	1,773,973
Facilities acquisition and construction	-	-	-	-	-	-	900,794
Debt service	-	-	-	-	-	-	7,592,722
Total disbursements	2,976	1,802	10,943	6,281	16,533,079	-	44,975,482
Excess (deficiency) of receipts over disbursements	-	1,497	(861)	9,131	4,600	-	(400,778)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	49,311
Transfers in	-	-	-	-	-	-	402,653
Transfers out	-	-	-	-	-	-	(402,653)
Total other financing sources (uses)	-	-	-	-	-	-	49,311
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,497	(861)	9,131	4,600	-	(351,467)
Cash and investments - ending	\$ -	\$ -	\$ (861)	\$ -	\$ 109,170	\$ -	\$ 9,796,956

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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 2,040,669	\$ 2,774,205	\$ 109,300	\$ 1,338,022	\$ 320,092	\$ 453,194	\$ 1,789,297	\$ 122,912
Receipts:								
Local sources	356,469	7,158,333	319,278	1,652,962	1,285,827	88,729	-	-
Intermediate sources	12	-	-	-	-	-	-	-
State sources	15,094,710	-	-	-	-	-	142,639	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	26	-	-	-	-	-	-	-
Total receipts	15,451,217	7,158,333	319,278	1,652,962	1,285,827	88,729	142,639	-
Disbursements:								
Instruction	9,325,995	-	-	-	-	-	-	-
Support services	5,374,762	-	-	1,365,011	1,368,342	354,251	-	-
Noninstructional services	430,821	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	987,143	5,600	-	-	-
Debt service	-	6,538,619	304,053	-	-	-	-	-
Total disbursements	15,131,578	6,538,619	304,053	2,352,154	1,373,942	354,251	-	-
Excess (deficiency) of receipts over disbursements	319,639	619,714	15,225	(699,192)	(88,115)	(265,522)	142,639	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	216	-	-	-	-
Transfers in	-	-	122,912	-	151,538	-	-	-
Transfers out	-	(168,607)	-	-	-	-	-	(122,912)
Total other financing sources (uses)	-	(168,607)	122,912	216	151,538	-	-	(122,912)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	319,639	451,107	138,137	(698,976)	63,423	(265,522)	142,639	(122,912)
Cash and investments - ending	\$ 2,360,308	\$ 3,225,312	\$ 247,437	\$ 639,046	\$ 383,515	\$ 187,672	\$ 1,931,936	\$ -

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, 2016

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Donations, Gifts and Trusts	G/T 14-15
Cash and investments - beginning	\$ -	\$ 91,783	\$ 402,289	\$ 1,784	\$ (19)	\$ 112,258	\$ 100,451	\$ 10,005
Receipts:								
Local sources	1,561,408	754,730	176,424	-	-	58,245	50,000	-
Intermediate sources	-	-	-	-	431	-	-	-
State sources	-	15,743	60,553	-	-	16,169	-	-
Federal sources	-	543,846	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	1,561,408	1,314,319	236,977	-	431	74,414	50,000	-
Disbursements:								
Instruction	-	-	-	-	-	92,016	-	9,519
Support services	-	37,461	504,974	-	300	-	-	486
Noninstructional services	-	1,219,937	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	-	1,257,398	504,974	-	300	92,016	-	10,005
Excess (deficiency) of receipts over disbursements	1,561,408	56,921	(267,997)	-	131	(17,602)	50,000	(10,005)
Other financing sources (uses):								
Sale of capital assets	-	49,270	-	-	-	-	-	-
Transfers in	-	-	17,069	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	49,270	17,069	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,561,408	106,191	(250,928)	-	131	(17,602)	50,000	(10,005)
Cash and investments - ending	\$ 1,561,408	\$ 197,974	\$ 151,361	\$ 1,784	\$ 112	\$ 94,656	\$ 150,451	\$ -

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, 2016

	15-16 Gifted/ Talented Grant	Computer Consortium/ Ed Tech Advance	Medicaid Reimbursement	Scholarships and Awards	School Technology	Performance Based Awards	Senator David Ford Technology	Title I 2013-14
Cash and investments - beginning	\$ -	\$ -	\$ 28,258	\$ -	\$ 31,241	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	28,286	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	35,375	-	7,912	3,165	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	343,383	-	-	-	-	-	-
Other receipts	-	-	-	-	2,784	-	-	-
Total receipts	35,375	343,383	7,912	3,165	31,070	-	-	-
Disbursements:								
Instruction	19,523	-	-	3,165	19,242	-	-	-
Support services	3,995	-	11,471	-	1,412	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	343,383	-	-	21,877	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	23,518	343,383	11,471	3,165	42,531	-	-	-
Excess (deficiency) of receipts over disbursements	11,857	-	(3,559)	-	(11,461)	-	-	-
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	11,857	-	(3,559)	-	(11,461)	-	-	-
Cash and investments - ending	\$ 11,857	\$ -	\$ 24,699	\$ -	\$ 19,780	\$ -	\$ -	\$ -

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, 2016

	Title I 14-15	Title I 15-16	IDEA	PL 108-446 15-16	PL 408-446, IDEA Part B 2013-14	IDEA Part B 2014-2015	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	IDEA 2015-16
Cash and investments - beginning	\$ (13,415)	\$ -	\$ 16,332	\$ -	\$ -	\$ (40,011)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	36,042	55,584	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	25,356	124,557	-	412,838	(36,042)	-	-	14,065
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	25,356	124,557	-	412,838	-	55,584	-	14,065
Disbursements:								
Instruction	11,941	138,959	-	149,313	-	14,675	-	-
Support services	-	-	-	307,972	-	898	-	14,065
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	5,178	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Total disbursements	11,941	144,137	-	457,285	-	15,573	-	14,065
Excess (deficiency) of receipts over disbursements	13,415	(19,580)	-	(44,447)	-	40,011	-	-
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	13,415	(19,580)	-	(44,447)	-	40,011	-	-
Cash and investments - ending	\$ -	\$ (19,580)	\$ 16,332	\$ (44,447)	\$ -	\$ -	\$ -	\$ -

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, 2016

	SPC Educ- Tech Asst Grant 13-14	IDEA 2013-14	Title II Part A	Summer of Learning Grant 2013-14	Payroll Withholdings	Prepaid Food Account	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (861)	\$ -	\$ 109,170	\$ -	\$ 9,796,956
Receipts:							
Local sources	-	-	861	-	17,006,348	673,843	31,263,369
Intermediate sources	-	-	-	-	-	-	443
State sources	-	-	-	-	-	-	15,376,266
Federal sources	-	-	10,080	-	-	-	1,094,700
Temporary loans	-	-	-	-	-	-	343,383
Other receipts	-	-	-	-	-	-	2,810
Total receipts	-	-	10,941	-	17,006,348	673,843	48,080,971
Disbursements:							
Instruction	-	-	-	-	17,003,287	673,387	27,461,022
Support services	-	-	10,646	-	-	-	9,356,046
Noninstructional services	-	-	-	-	-	-	1,650,758
Facilities acquisition and construction	-	-	-	-	-	-	1,363,181
Debt service	-	-	-	-	-	-	6,842,672
Total disbursements	-	-	10,646	-	17,003,287	673,387	46,673,679
Excess (deficiency) of receipts over disbursements	-	-	295	-	3,061	456	1,407,292
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	49,486
Transfers in	-	-	-	-	-	-	291,519
Transfers out	-	-	-	-	-	-	(291,519)
Total other financing sources (uses)	-	-	-	-	-	-	49,486
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	295	-	3,061	456	1,456,778
Cash and investments - ending	\$ -	\$ -	\$ (566)	\$ -	\$ 112,231	\$ 456	\$ 11,253,734

DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 491,942</u>	<u>\$ 64,593</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Danville Multi-School Building Corporation	Refunding Series 2014	\$ 231,000	1/15/2015	1/15/2026
Danville Multi-School Building Corporation	Refunding Bond 2011	2,596,000	4/28/2011	1/15/2019
Danville 5/6 and 7/8 School Building Corporation	2007-2015 Refinance	2,861,250	1/15/2015	1/15/2027
Danville Multi-School Building Corporation	Qualified School Construction Bonds 2009	145,000	1/1/2011	1/1/2025
Danville Multi-School Building Corporation	First Mortgage Refunding Bonds 2010	335,000	1/15/2011	1/15/2017
Danville Multi-School Building Corporation	Qualified School Construction Bonds 2010	<u>102,750</u>	7/15/2011	1/15/2020
Total governmental activities		<u>6,271,000</u>		
Total of annual lease payments		<u>\$ 6,271,000</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	Stadium Revovation		\$ 1,300,000	\$ 21,125
General obligation bonds	Pension 2003		700,000	304,788
General obligation bonds	Safety and Building Improvements		1,500,000	211,250
Notes and Loans Payable	Common School Loan		<u>699,159</u>	<u>371,142</u>
Total governmental activities			<u>4,199,159</u>	<u>908,305</u>
Totals			<u>\$ 4,199,159</u>	<u>\$ 908,305</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2014 to June 30, 2016. 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. Except as discussed in the following paragraph, 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2016-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with Child Nutrition Cluster regarding Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Child Nutrition Cluster regarding Procurement and Suspension and Debarment, described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

Unmodified Opinion on Title I Grants to Local Educational Agencies

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2014 to June 30, 2016.

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 items 2016-002, 2016-004, 2016-005, and 2016-006. 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

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

of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 items 2016-002, 2015-003, 2016-004, 2016-005, and 2016-006 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

April 16, 2018

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.

DANVILLE COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	32-3325	\$ -	\$ 87,259	\$ -	\$ 119,978
School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555	32-3325	-	302,558	-	423,868
National School Lunch Program							
National School Lunch Program Commodities			32-3325	-	75,741	-	74,442
Total - National School Lunch Program				-	378,299	-	498,310
Total - Child Nutrition Cluster				-	465,558	-	618,288
Total - Department of Agriculture				-	465,558	-	618,288
<u>Institute of Museum and Library Services</u>							
Grants to States	Indiana State Library	45.310					
LSTA Grant FY15			LS-00-14-0015-14	-	9,983	-	-
Total - Grants to States				-	9,983	-	-
Total - Institute of Museum and Library Services				-	9,983	-	-
<u>Department of Education</u>							
Title I Grants To Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY14			14-3325	-	19,776	-	-
Title I FY15			15-3325	-	129,159	-	25,356
Title I FY16			16-3325	-	-	-	124,557
Total - Title I Grants To Local Educational Agencies				-	148,935	-	149,913

DANVILLE COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
IDEA Part B 611 Grant FY15			14215-063-PN01	-	478,868	-	-
IDEA Part B 611 Grant FY16			14216-063-PN01	-	-	-	468,423
Technical Assistance Grant FY15			99915-063-TA01	-	2,976	-	-
Total - Special Education Grants to States				-	481,844	-	468,423
Special Education Preschool Grants	Indiana Department of Education	84.173					
IDEA Preschool 619 Grant FY15			45715-063-PN01	-	14,187	-	-
IDEA Preschool 619 Grant FY16			45716-063-PN01	-	-	-	14,065
Total - Special Education Preschool Grants				-	14,187	-	14,065
Total - Special Education Cluster (IDEA)				-	496,031	-	482,488
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title IIA FY15			15-3325	-	28,793	-	-
Title IIA FY16			16-3325	-	-	-	10,941
Total - Improving Teacher Quality State Grants				-	28,793	-	10,941
Total - Department of Education				-	673,759	-	643,342
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Direct Grant	93.778					
Medical Assistance Program			FY16 Medical Assistance Program	-	13,537	-	7,859
Total - Department of Health and Human Services				-	13,537	-	7,859
Total federal awards expended				\$ -	\$ 1,162,837	\$ -	\$ 1,269,489

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for Title I Grants Local to Educational Agencies; Qualified for Child Nutrition Cluster
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>
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-001.

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

Condition

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).

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was understated \$440,470 during the audit period.
2. The National School Lunch Program Commodities were understated \$150,183 during the audit period.
3. The Special Education Cluster (IDEA) was overstated \$471,565 for the year ending June 30, 2015.
4. The Title I Grants to Local Educational Agencies were overstated \$46,749 for the year ending June 30, 2015.
5. The Improving Teacher Quality State Grants were overstated \$18,322 for the year ending June 30, 2015.
6. The Medical Assistance Program was understated \$21,396 for the audit period.
7. The Grants to States were understated \$9,983 for the year ending June 30, 2015.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § __.310. . . ."

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

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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 32-3325
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the determination of the application for free or reduced priced meals was proper. An oversight, review, or approval process had not been established. The Food Service Director was the sole person responsible for determining eligibility of applications filed.

The School Corporation did not properly determine eligibility for seven of the forty free and reduced priced school meals applications tested.

Context

The lack of controls was a systemic problem during the audit period.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

7 CFR 245.6(c)(4) states:

"Calculating income. The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in § 245.2 and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

Cause

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Eligibility compliance requirement.

Effect

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 32-3325
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation was unable to provide any supporting documentation for this compliance requirement.

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

Context

The lack of controls was a systemic problem during the audit period.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b)(2) states:

"Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

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

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not established and implemented an effective internal control system that would have ensured records were properly maintained to verify compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish and implement an effective internal control system and to maintain records related to the Procurement and Suspension and Debarment compliance requirement caused the opinion over the compliance of the program to be qualified.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement an internal control system to ensure records are properly retained to verify compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-004

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): 32-3325
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

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

Condition

The School Corporation had not established an implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The School Corporation failed to retain supporting documentation for the Paid Lunch Equity calculation for the 2014-2015 fiscal period.

Context

The lack of controls and noncompliance occurred during the 2014-2015 fiscal year.

Criteria

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. . . ."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
 - (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
 - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years . . ."

Cause

The School Corporation had not established and implemented an effective internal control system that would have ensured records were properly maintained to verify compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish and implement an effective internal control system resulted in records not being properly retained by the School Corporation to verify compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement an internal control system to ensure records are properly retained to verify compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-005

Subject: Child Nutrition Cluster - Reporting and Special Tests and Provisions -
Verification of Free and Reduced Price Meal Applications

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 32-3325

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Meal Applications

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Meal Applications compliance requirements.

The School Corporation failed to retain supporting documentation of the applications selected for the verification of free and reduced price meal applications and the Verification Summary Report required by Indiana Department of Education for school year 2015-2016.

Context

The lack of controls and noncompliance occurred during the 2015-2016 fiscal year.

Criteria

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. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b)(2) states:

"Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
 - (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
 - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

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

Cause

The School Corporation had not established and implemented an effective internal control system that would have ensured records were properly maintained to verify compliance with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Meal Applications compliance requirements.

Effect

The failure to establish and implement an effective internal control system resulted in records not being properly retained by the School Corporation to verify compliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Meal Application compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement an internal control system to ensure records are properly retained to verify compliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Meal Applications compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-006

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 32-3325
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

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

The School Corporation did not actively maintain a Pre-Paid Food account for the purpose of recording program income. The School Corporation had not designed or implemented adequate policies and procedures over the Prepaid School Lunch fund (8400) until September 2015. All monthly receipts from sales, as well as prepayments for the school year 2014-2015, were recorded directly in the School Lunch fund (800). Beginning in September 2015, the School Corporation implemented policies and procedures which were effective. For the period covered by school year 2014-2015 and until September 2015, Program Income was not recorded properly. We were able to substantiate that the correct charges were being assessed for meals served.

Context

The lack of controls and noncompliance occurred during the 2014-2015 school year and until September 2015.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states:

"All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.13(i) states in part:

"Each State agency. . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . . In addition, School Food Authorities shall be required to account separately for other food services which are operated by the School Food Authority."

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

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Administrator and Uniform Compliance Guidelines, September 2008)

Cause

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Program Income compliance requirement for the period stated above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Program Income compliance requirement.

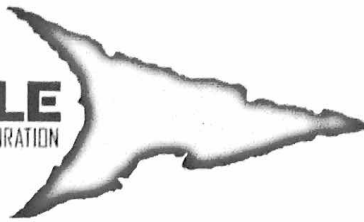
Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A

Contact Person Responsible for Corrective Action: Tom Johnson

Contact Phone Number: (317) 745-2212

Status of Audit Finding: We will verify amounts using the Budget History feature in our financial software program starting at the beginning of fiscal year 2019.



(Signature)

Asst. Supt.

(Title)

4-16-18

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

THE DANVILLE DIFFERENCE

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: [Morgan Walker]

Contact Phone Number: [317-745-2212]

Status of Audit Finding: [Title I Semi-Annual Certification forms have been filled out each year since 2014. The current Title I contact has received training on the process and I have checked in with her throughout the year to ensure this form and other forms have been filled out correctly.]



(Signature)

Director of Academic Services

(Title)

February 13, 2018

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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FINDING 2016-001

Contact Person Responsible for Corrective Action: Tom Johnson

Contact Phone Number: 317-745-2212

Views of Responsible Official:

We concur with the findings under errors # 1 & 2. The numbers for the Child Nutrition Cluster and the National School lunch program were supplied by the previous food service director.

We concur with findings under error #3, although the amount reported represented a 2-year period and not a 1- year period.

We concur with findings under error #4.

We concur with findings under error #5.

We concur with findings under error #6, although the individual responsible for supplying that information is no longer employed.

We concur with findings under error #7.

Description of Corrective Action Plan:

Errors 1-2. The new food service director will work with the central office personnel when the Annual Financial Report is submitted.

Error #3. The central office administrator responsible for reporting and Annual Financial Report (AFR) will work with the central office grant manager prior to completing the AFR.

Error #4. The central office administrator will work with the Title 1 Director and the central office personnel who manages grants before completing the AFR.

Error #5. The central office administrator will work with the Director of Academic Services and well as the Treasurer and Asst. Treasurer prior to completing the AFR.

Error #6. The central office administrator will work with the Special Education Medicaid staff before completing the AFR.

Error #7. The central office administrator will work with the central office personnel who manages grants before completing the AFR.

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Anticipated Completion Date: July 1, 2018

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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

Views of Responsible Official: We concur with the findings. These applications were approved from the previous food service director and the practices have been updated/corrected since.

Description of Corrective Action Plan:

Online applications are now being utilized and income calculations are automatically calculated by the computer program from data entered by the household. For paper applications, income/data is entered into the computer from the application where the computer then calculates the income to determine eligibility. My secretary then checks and initials 10% of the processed applications to double check proper income eligibility.

Copies of approval/denial notifications have been stored on a drive on the computer. Going forward, copies will be saved as the application is processed and notifications are sent to the household. We can show proof of postage where notifications were mailed out.

Anticipated Completion Date:

July 2017

(Signature)

(Title)

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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

Views of Responsible Official: We concur with the findings. We were unable to find bids/debarment documents from previous food service director.

Description of Corrective Action Plan:

Since this review, Danville Food Service has joined the West Indy Co-op in January 2016 which procures our bread, milk, produce, and food supply vendor/commodity goods. Documentation of debarment and contracts are supplied by the co-op. All bids and documentation are able to be located on the co-op's website.

Anticipated Completion Date:

July 2016

(Signature)

(Title)

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CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

Views of Responsible Official: We concur with the findings. We were unable to find the PLE tool for one year from previous food service director.

Description of Corrective Action Plan:

Since this review period, the Paid Lunch Equity tool has been kept on file. Paid Lunch Equity tools are available and calculated on an excel worksheet.

Anticipated Completion Date:

July 2016

(Signature)

(Title)

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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

Views of Responsible Official: We concur with the findings. We were unable to find one year of verification due to previous food service director.

Description of Corrective Action Plan:

Since this review period, verification and the verification summary have been completed and are available for review.

Anticipated Completion Date:

October 2016

(Signature)

(Title)

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CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

Views of Responsible Official: We concur with the findings. Prepaid food account set up in September 2015.

Description of Corrective Action Plan:

Prepaid money is kept in a separate account from sales, reimbursements, and money that has been spent. At the end of each month, the monthly sales are transferred into the food service (0800) account from the prepaid account (8400). Federal meal reimbursements automatically go into the food service account (0800). We also have a report that tells us the amount of prepaid money in all accounts at any given time.

Anticipated Completion Date:

July 2016

(Signature)

(Title)

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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/>.