

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, 2016 to June 30, 2018



FILED
05/08/2019

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SCHEDULE OF OFFICIALS

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



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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, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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 11, 2019, 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 11, 2019



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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, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 11, 2019, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

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 11, 2019

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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, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 2,360,315	\$ 15,957,657	\$ 15,945,963	\$ -	\$ 2,372,009	\$ 16,348,732	\$ 15,796,243	\$ -	\$ 2,924,498
Debt Service	3,225,313	6,846,584	6,810,589	(255,386)	3,005,922	7,581,541	6,912,353	(846,378)	2,828,732
Retirement/Severance Bond Debt Service	247,437	202,215	305,138	-	144,514	183,754	305,150	-	23,118
Capital Projects	639,050	3,072,598	2,612,556	-	1,099,092	1,906,230	2,134,265	746,378	1,617,435
School Transportation	383,514	1,914,174	1,426,883	255,386	1,126,191	1,433,015	1,785,849	25,000	798,357
School Bus Replacement	187,673	125,371	110,424	-	202,620	363,764	158,794	75,000	482,590
Rainy Day	1,931,937	-	2,816	-	1,929,121	-	-	-	1,929,121
Construction	1,561,408	-	531,378	-	1,030,030	1,500	986,120	-	45,410
School Lunch	197,975	1,215,941	1,309,381	27,434	131,969	1,323,413	1,331,580	56,438	180,240
Textbook Rental	151,361	314,784	187,738	-	278,407	301,982	334,700	-	245,689
Levy Excess	1,784	-	-	-	1,784	-	-	-	1,784
Child Care Program	-	-	-	-	-	66,203	38,700	-	27,503
Educational License Plates	113	375	431	-	57	281	338	-	-
Alternative Education	94,656	100,489	23,036	-	172,109	72,799	40,998	-	203,910
Lilly Endowment- Comp Counsel	-	30,000	15,255	-	14,745	-	6,744	-	8,001
Donations, Gifts and Trusts	150,451	50,000	-	-	200,451	53,000	-	-	253,451
Formative Assessment	-	31,415	3,558	-	27,857	30,055	57,912	-	-
Gifted/Talented 17-18	-	-	-	-	-	34,721	34,626	-	95
Gifted/Talented 16-17	-	35,158	33,827	-	1,331	-	1,331	-	-
15-16 Gifted/Talented Grant	11,858	-	11,858	-	-	-	-	-	-
Computer Consortium/Ed Tech Advance	-	260,864	261,329	-	(465)	189,671	189,206	-	-
Medicaid Reimbursement	24,700	3,937	13,903	-	14,734	-	4,043	-	10,691
Non-English Speaking Programs 17-18	-	-	-	-	-	5,000	4,423	-	577
Non-English Speaking Programs 16-17	-	3,000	3,000	-	-	-	-	-	-
School Technology	19,781	20,191	13,948	-	26,024	55,221	21,066	-	60,179
Career and Technical Performance Grant	-	7,473	3,736	-	3,737	8,519	10,902	-	1,354
Title I 16-17	-	145,017	152,295	-	(7,278)	26,454	19,176	-	-
Title I 17-18	-	-	-	-	-	114,735	148,198	-	(33,463)
Title I 15-16	(19,581)	55,710	36,129	-	-	-	-	-	-
PL 101-476	16,332	-	-	-	16,332	-	-	-	16,332
PL 108-446 15-16	(44,447)	49,041	4,594	-	-	-	-	-	-
P.L. 408-446 IDEA Part B 16-17	-	423,622	452,170	-	(28,548)	60,235	31,687	-	-
IDEA Part B 2017-18	-	-	-	-	-	385,649	448,729	-	(63,080)
Spec Educ Preschool 17-18	-	-	-	-	-	14,428	14,428	-	-
IDEA Part B Preschool 16-17	-	14,805	14,805	-	-	-	-	-	-
Title II Part A FFY 2016	-	-	-	-	-	13,020	18,416	-	(5,396)
Title II Part A 14-15	(565)	22,378	21,813	-	-	-	-	-	-
Title II Part A FFY 2015	-	9,914	12,883	-	(2,969)	40,307	37,338	-	-
Payroll Withholding	118,164	19,992,256	19,994,928	-	115,492	17,601,271	17,616,122	-	100,641
Prepaid Food Account	456	792,634	768,417	-	24,673	804,731	811,131	-	18,273
Totals	\$ 11,259,685	\$ 51,697,603	\$ 51,084,781	\$ 27,434	\$ 11,899,941	\$ 49,020,231	\$ 49,300,568	\$ 56,438	\$ 11,676,042

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.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

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

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, 2017 and 2018.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with the Danville Multi-School Building Corp. 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 2017 and 2018 totaled \$6,178,083 and \$5,979,233, respectively.

DANVILLE COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 9. Restatements

For the year ended June 30, 2016, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2016	Prior Period Adjustment	Balance as of July 1, 2016
Payroll Withholding	\$ 112,231	\$ 5,933	\$ 118,164

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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, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 2,360,315	\$ 3,225,313	\$ 247,437	\$ 639,050	\$ 383,514	\$ 187,673	\$ 1,931,937
Receipts:							
Local sources	493,804	6,846,584	202,215	1,999,909	1,594,379	125,371	-
Intermediate sources	21	-	-	-	-	-	-
State sources	15,459,531	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	1,072,054	319,795	-	-
Other receipts	4,301	-	-	635	-	-	-
Total receipts	15,957,657	6,846,584	202,215	3,072,598	1,914,174	125,371	-
Disbursements:							
Instruction	9,823,713	-	-	-	-	-	-
Support services	5,698,257	-	-	1,417,740	1,417,775	110,424	-
Noninstructional services	423,993	-	-	-	-	-	2,816
Facilities acquisition and construction	-	-	-	658,789	9,108	-	-
Debt service	-	6,810,589	305,138	536,027	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	15,945,963	6,810,589	305,138	2,612,556	1,426,883	110,424	2,816
Excess (deficiency) of receipts over disbursements	11,694	35,995	(102,923)	460,042	487,291	14,947	(2,816)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	255,386	-	-
Transfers out	-	(255,386)	-	-	-	-	-
Total other financing sources (uses)	-	(255,386)	-	-	255,386	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,694	(219,391)	(102,923)	460,042	742,677	14,947	(2,816)
Cash and investments - ending	\$ 2,372,009	\$ 3,005,922	\$ 144,514	\$ 1,099,092	\$ 1,126,191	\$ 202,620	\$ 1,929,121

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, 2017

	Construction	School Lunch	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 1,561,408	\$ 197,975	\$ 151,361	\$ 1,784	\$ -	\$ 113	\$ 94,656
Receipts:							
Local sources	-	749,148	239,466	-	-	-	82,196
Intermediate sources	-	-	-	-	-	375	-
State sources	-	15,121	50,523	-	-	-	18,293
Federal sources	-	451,672	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	24,795	-	-	-	-
Total receipts	-	1,215,941	314,784	-	-	375	100,489
Disbursements:							
Instruction	-	-	-	-	-	-	23,036
Support services	-	50,038	187,738	-	-	431	-
Noninstructional services	-	1,259,343	-	-	-	-	-
Facilities acquisition and construction	531,378	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	531,378	1,309,381	187,738	-	-	431	23,036
Excess (deficiency) of receipts over disbursements	(531,378)	(93,440)	127,046	-	-	(56)	77,453
Other financing sources (uses):							
Sale of capital assets	-	27,434	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	27,434	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(531,378)	(66,006)	127,046	-	-	(56)	77,453
Cash and investments - ending	\$ 1,030,030	\$ 131,969	\$ 278,407	\$ 1,784	\$ -	\$ 57	\$ 172,109

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, 2017

	Lilly Endowment- Comp Counsel	Donations, Gifts and Trusts	Formative Assessment	Gifted/Talented 17-18	Gifted/Talented 16-17	15-16 Gifted/Talented Grant	Computer Consortium/ Ed Tech Advance
Cash and investments - beginning	\$ -	\$ 150,451	\$ -	\$ -	\$ -	\$ 11,858	\$ -
Receipts:							
Local sources	30,000	50,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	31,415	-	35,158	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	260,864
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>30,000</u>	<u>50,000</u>	<u>31,415</u>	<u>-</u>	<u>35,158</u>	<u>-</u>	<u>260,864</u>
Disbursements:							
Instruction	15,255	-	-	-	33,217	11,858	-
Support services	-	-	3,558	-	610	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	261,329
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>15,255</u>	<u>-</u>	<u>3,558</u>	<u>-</u>	<u>33,827</u>	<u>11,858</u>	<u>261,329</u>
Excess (deficiency) of receipts over disbursements	<u>14,745</u>	<u>50,000</u>	<u>27,857</u>	<u>-</u>	<u>1,331</u>	<u>(11,858)</u>	<u>(465)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>14,745</u>	<u>50,000</u>	<u>27,857</u>	<u>-</u>	<u>1,331</u>	<u>(11,858)</u>	<u>(465)</u>
Cash and investments - ending	<u>\$ 14,745</u>	<u>\$ 200,451</u>	<u>\$ 27,857</u>	<u>\$ -</u>	<u>\$ 1,331</u>	<u>\$ -</u>	<u>\$ (465)</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
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 For the Year Ended June 30, 2017

	Medicaid Reimbursement	Non-English Speaking Programs 17-18	Non-English Speaking Programs 16-17	School Technology	Career and Technical Performance Grant	Title I 16-17	Title I 17-18
Cash and investments - beginning	\$ 24,700	\$ -	\$ -	\$ 19,781	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	12,803	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	3,937	-	3,000	-	-	-	-
Federal sources	-	-	-	-	7,473	145,017	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	7,388	-	-	-
Total receipts	3,937	-	3,000	20,191	7,473	145,017	-
Disbursements:							
Instruction	-	-	3,000	6,565	3,736	152,295	-
Support services	13,903	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	7,383	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	13,903	-	3,000	13,948	3,736	152,295	-
Excess (deficiency) of receipts over disbursements	(9,966)	-	-	6,243	3,737	(7,278)	-
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	(9,966)	-	-	6,243	3,737	(7,278)	-
Cash and investments - ending	\$ 14,734	\$ -	\$ -	\$ 26,024	\$ 3,737	\$ (7,278)	\$ -

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, 2017

	Title I 15-16	PL 101-476	PL 108-446 15-16	P.L. 408-446 IDEA Part B 16-17	IDEA Part B 2017-18	Spec Educ Preschool 17-18	IDEA Part B Preschool 16-17
Cash and investments - beginning	\$ (19,581)	\$ 16,332	\$ (44,447)	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	55,710	-	49,041	423,622	-	-	14,805
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	55,710	-	49,041	423,622	-	-	14,805
Disbursements:							
Instruction	36,129	-	-	130,643	-	-	14,805
Support services	-	-	4,594	321,527	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	36,129	-	4,594	452,170	-	-	14,805
Excess (deficiency) of receipts over disbursements	19,581	-	44,447	(28,548)	-	-	-
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	19,581	-	44,447	(28,548)	-	-	-
Cash and investments - ending	\$ -	\$ 16,332	\$ -	\$ (28,548)	\$ -	\$ -	\$ -

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, 2017

	Title II Part A FFY 2016	Title II Part A 14-15	Title II Part A FFY 2015	Payroll Withholding	Prepaid Food Account	Totals
Cash and investments - beginning	\$ -	\$ (565)	\$ -	\$ 118,164	\$ 456	\$ 11,259,685
Receipts:						
Local sources	-	-	-	-	-	12,425,875
Intermediate sources	-	-	-	-	-	396
State sources	-	-	-	-	-	15,616,978
Federal sources	-	22,378	9,914	-	-	1,179,632
Temporary loans	-	-	-	-	-	1,652,713
Other receipts	-	-	-	19,992,256	792,634	20,822,009
Total receipts	-	22,378	9,914	19,992,256	792,634	51,697,603
Disbursements:						
Instruction	-	-	-	-	-	10,254,252
Support services	-	21,813	12,883	19,994,928	-	29,256,219
Noninstructional services	-	-	-	-	-	1,686,152
Facilities acquisition and construction	-	-	-	-	-	1,467,987
Debt service	-	-	-	-	-	7,651,754
Nonprogrammed charges	-	-	-	-	768,417	768,417
Total disbursements	-	21,813	12,883	19,994,928	768,417	51,084,781
Excess (deficiency) of receipts over disbursements	-	565	(2,969)	(2,672)	24,217	612,822
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	27,434
Transfers in	-	-	-	-	-	255,386
Transfers out	-	-	-	-	-	(255,386)
Total other financing sources (uses)	-	-	-	-	-	27,434
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	565	(2,969)	(2,672)	24,217	640,256
Cash and investments - ending	\$ -	\$ -	\$ (2,969)	\$ 115,492	\$ 24,673	\$ 11,899,941

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 2,372,009	\$ 3,005,922	\$ 144,514	\$ 1,099,092	\$ 1,126,191	\$ 202,620	\$ 1,929,121
Receipts:							
Local sources	473,337	7,581,541	183,754	1,906,230	1,433,015	363,764	-
Intermediate sources	22	-	-	-	-	-	-
State sources	15,873,255	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	2,118	-	-	-	-	-	-
Total receipts	16,348,732	7,581,541	183,754	1,906,230	1,433,015	363,764	-
Disbursements:							
Instruction	9,792,896	-	-	-	-	-	-
Support services	5,588,158	-	-	1,089,739	1,436,435	158,794	-
Noninstructional services	415,189	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	508,499	29,619	-	-
Debt service	-	6,912,353	305,150	536,027	319,795	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	15,796,243	6,912,353	305,150	2,134,265	1,785,849	158,794	-
Excess (deficiency) of receipts over disbursements	552,489	669,188	(121,396)	(228,035)	(352,834)	204,970	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	746,378	25,000	75,000	-
Transfers out	-	(846,378)	-	-	-	-	-
Total other financing sources (uses)	-	(846,378)	-	746,378	25,000	75,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	552,489	(177,190)	(121,396)	518,343	(327,834)	279,970	-
Cash and investments - ending	\$ 2,924,498	\$ 2,828,732	\$ 23,118	\$ 1,617,435	\$ 798,357	\$ 482,590	\$ 1,929,121

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, 2018

	Construction	School Lunch	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 1,030,030	\$ 131,969	\$ 278,407	\$ 1,784	\$ -	\$ 57	\$ 172,109
Receipts:							
Local sources	1,500	790,273	209,701	-	66,203	-	55,669
Intermediate sources	-	-	-	-	-	281	-
State sources	-	15,393	60,910	-	-	-	17,130
Federal sources	-	517,747	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	31,371	-	-	-	-
Total receipts	1,500	1,323,413	301,982	-	66,203	281	72,799
Disbursements:							
Instruction	-	-	-	-	-	-	40,998
Support services	-	54,291	334,700	-	-	338	-
Noninstructional services	-	1,277,289	-	-	38,700	-	-
Facilities acquisition and construction	986,120	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	986,120	1,331,580	334,700	-	38,700	338	40,998
Excess (deficiency) of receipts over disbursements	(984,620)	(8,167)	(32,718)	-	27,503	(57)	31,801
Other financing sources (uses):							
Sale of capital assets	-	56,438	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	56,438	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(984,620)	48,271	(32,718)	-	27,503	(57)	31,801
Cash and investments - ending	\$ 45,410	\$ 180,240	\$ 245,689	\$ 1,784	\$ 27,503	\$ -	\$ 203,910

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2018

	Lilly Endowment- Comp Counsel	Donations, Gifts and Trusts	Formative Assessment	Gifted/Talented 17-18	Gifted/Talented 16-17	15-16 Gifted/Talented Grant	Computer Consortium/ Ed Tech Advance
Cash and investments - beginning	\$ 14,745	\$ 200,451	\$ 27,857	\$ -	\$ 1,331	\$ -	\$ (465)
Receipts:							
Local sources	-	53,000	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	30,055	34,721	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	189,671
Other receipts	-	-	-	-	-	-	-
Total receipts	-	53,000	30,055	34,721	-	-	189,671
Disbursements:							
Instruction	6,744	-	-	10,824	1,260	-	-
Support services	-	-	57,912	23,802	71	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	189,206
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	6,744	-	57,912	34,626	1,331	-	189,206
Excess (deficiency) of receipts over disbursements	(6,744)	53,000	(27,857)	95	(1,331)	-	465
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	(6,744)	53,000	(27,857)	95	(1,331)	-	465
Cash and investments - ending	\$ 8,001	\$ 253,451	\$ -	\$ 95	\$ -	\$ -	\$ -

DANVILLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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	Medicaid Reimbursement	Non-English Speaking Programs 17-18	Non-English Speaking Programs 16-17	School Technology	Career and Technical Performance Grant	Title I 16-17	Title I 17-18
Cash and investments - beginning	\$ 14,734	\$ -	\$ -	\$ 26,024	\$ 3,737	\$ (7,278)	\$ -
Receipts:							
Local sources	-	-	-	45,831	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	5,000	-	-	-	-	-
Federal sources	-	-	-	-	8,519	26,454	114,735
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	9,390	-	-	-
Total receipts	-	5,000	-	55,221	8,519	26,454	114,735
Disbursements:							
Instruction	-	4,423	-	7,566	10,902	19,176	143,198
Support services	4,043	-	-	-	-	-	5,000
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	13,500	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	4,043	4,423	-	21,066	10,902	19,176	148,198
Excess (deficiency) of receipts over disbursements	(4,043)	577	-	34,155	(2,383)	7,278	(33,463)
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	(4,043)	577	-	34,155	(2,383)	7,278	(33,463)
Cash and investments - ending	\$ 10,691	\$ 577	\$ -	\$ 60,179	\$ 1,354	\$ -	\$ (33,463)

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, 2018

	Title I 15-16	PL 101-476	PL 108-446 15-16	P.L. 408-446 IDEA Part B 16-17	IDEA Part B 2017-18	Spec Educ Preschool 17-18	IDEA Part B Preschool 16-17
Cash and investments - beginning	\$ -	\$ 16,332	\$ -	\$ (28,548)	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	385,649	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	60,235	-	14,428	-
Temporary loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	-	60,235	385,649	14,428	-
Disbursements:							
Instruction	-	-	-	14,676	134,244	14,428	-
Support services	-	-	-	17,011	314,485	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	31,687	448,729	14,428	-
Excess (deficiency) of receipts over disbursements	-	-	-	28,548	(63,080)	-	-
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	-	-	-	28,548	(63,080)	-	-
Cash and investments - ending	\$ -	\$ 16,332	\$ -	\$ -	\$ (63,080)	\$ -	\$ -

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, 2018

	Title II Part A FFY 2016	Title II Part A 14-15	Title II Part A FFY 2015	Payroll Withholding	Prepaid Food Account	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (2,969)	\$ 115,492	\$ 24,673	\$ 11,899,941
Receipts:						
Local sources	-	-	-	-	-	13,549,467
Intermediate sources	-	-	-	-	-	303
State sources	-	-	-	-	-	16,036,464
Federal sources	13,020	-	40,307	-	-	795,445
Temporary loans	-	-	-	-	-	189,671
Other receipts	-	-	-	17,601,271	804,731	18,448,881
Total receipts	13,020	-	40,307	17,601,271	804,731	49,020,231
Disbursements:						
Instruction	-	-	-	-	-	10,201,335
Support services	18,416	-	37,338	17,616,122	-	26,756,655
Noninstructional services	-	-	-	-	-	1,731,178
Facilities acquisition and construction	-	-	-	-	-	1,726,944
Debt service	-	-	-	-	-	8,073,325
Nonprogrammed charges	-	-	-	-	811,131	811,131
Total disbursements	18,416	-	37,338	17,616,122	811,131	49,300,568
Excess (deficiency) of receipts over disbursements	(5,396)	-	2,969	(14,851)	(6,400)	(280,337)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	56,438
Transfers in	-	-	-	-	-	846,378
Transfers out	-	-	-	-	-	(846,378)
Total other financing sources (uses)	-	-	-	-	-	56,438
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,396)	-	2,969	(14,851)	(6,400)	(223,899)
Cash and investments - ending	\$ (5,396)	\$ -	\$ -	\$ 100,641	\$ 18,273	\$ 11,676,042

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DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 821,039</u>	<u>\$ 89,597</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Danville Multi-School Building Corp	Refunding Series 2014	\$ 231,000	1/15/2015	1/15/2026
Danville Multi-School Building Corp	Refunding Bond 2011	1,312,059	7/15/2011	1/15/2019
Danville Multi-School Building Corp	2007-2015 Refinance	2,979,250	1/15/2015	1/15/2027
Danville Multi-School Building Corp.	Qualified School Construction Bonds 2009	145,000	1/1/2011	1/1/2025
Danville Multi-School Building Corp.	Qualified School Construction Bonds 2010	<u>1,040,281</u>	7/15/2011	1/15/2020
Total governmental activities		<u>5,707,590</u>		
Total of annual lease payments		<u>\$ 5,707,590</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Pension 2003	\$ 145,000	\$ 148,988
General obligation bonds	Safety and Building Improvements	950,000	392,150
General obligation bonds	Stadium Revovation	1,300,000	346,126
Notes and loans payable	Common School Fund Loan	<u>731,603</u>	<u>300,008</u>
Total governmental activities		<u>3,126,603</u>	<u>1,187,272</u>
Totals		<u>\$ 3,126,603</u>	<u>\$ 1,187,272</u>

DANVILLE COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2018

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

	Ending Balance
Governmental activities:	
Land	\$ 19,375,347
Infrastructure	150,000
Buildings	114,544,509
Improvements other than buildings	13,042,131
Machinery, equipment, and vehicles	<u>7,604,348</u>
Total governmental activities	<u>154,716,335</u>
Total capital assets	<u>\$ 154,716,335</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-005 and 2018-006. 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 the Uniform Guidance, 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.


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003, 2018-004, 2018-005, and 2018-006, that we consider 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.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

April 11, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Lunch Program			FY 2017	\$ -	\$ 94,197	\$ -	\$ -
School Lunch Program			FY 2018	-	-	-	111,751
Total - School Breakfast Program				-	94,197	-	111,751
National School lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2017	-	357,475	-	-
Commodities			FY 2018	-	-	-	405,996
Commodities			FY 2017	-	78,729	-	-
Commodities			FY 2018	-	-	-	85,262
Total - National School lunch Program				-	436,204	-	491,258
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559					
			FY 2018	-	-	-	16,537
Total - Child Nutrition Cluster				-	530,401	-	619,546
Total - Department of Agriculture				-	530,401	-	619,546
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
IDEA Part B 611 Grant	Indiana Department of Education	84.027					
IDEA Part B 611 Grant			14215-119-PN01	-	49,041	-	-
IDEA Part B 611 Grant			14216-119-PN01	-	423,622	-	60,235
IDEA Part B 611 Grant			14217-119-PN01	-	-	-	385,648
Total - Special Education Grants to States				-	472,663	-	445,883
Special Education Preschool Grants							
Preschool Part B 619 Grant	Indiana Department of Education	84.173					
Preschool Part B 619 Grant			45716-119-PN01	-	14,805	-	-
Preschool Part B 619 Grant			45717-119-PN01	-	-	-	14,428
Total - Special Education Preschool Grants				-	14,805	-	14,428
Total - Special Education Cluster (IDEA)				-	487,468	-	460,311
Title I Grants to Local Educational Agencies							
Title I 2015-16	Indiana Department of Education	84.010					
Title I 2016-17			S010A150014	-	55,710	-	-
Title I 2017-18			S010A160014	-	145,017	-	26,453
			S010A170014	-	-	-	114,735
Total - Title I Grants to Local Educational Agencies				-	200,727	-	141,188
Supporting Effective Instruction State Grants							
Title II A FFY 2015	Indiana Department of Education	84.367					
Title II A FFY 2016			S367A150015	-	22,377	-	-
Title II A FFY 2017			S367A160015	-	9,914	-	40,307
			S367A170013	-	-	-	13,019
Total - Supporting Effective Instruction State Grants				-	32,291	-	53,326
Total - Department of Education				-	720,486	-	654,825
Total federal awards expended				\$ -	\$ 1,250,887	\$ -	\$ 1,274,371

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, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

DANVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant 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
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Section II - Financial Statement Findings

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting over receipts.

One employee was responsible for writing the receipts, recording them in the ledger, and preparing the daily deposits for the bank accounts. No control was identified, such as an oversight, review, or approval process over receipts.

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

Context

The lack of internal control was a systemic issue throughout the audit period.

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control related to financial transactions and reporting over receipts.

Effect

The failure to establish a system of internal controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls, including segregation of duties, related to financial transactions and reporting over receipts.

Views of Responsible Officials

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

FINDING 2018-002

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

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

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).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's SEFA.

Context

The SEFA presented for audit contained the following errors:

1. The Federal expenditures were overstated for six programs.
2. The Federal expenditures were understated for five programs.

In total, the SEFA was understated by \$359,904.

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

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, material 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 a system of internal controls related to the preparation of the SEFA.

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-003

Subject: School Breakfast Program, National School Lunch Program - Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

There were no controls in place to ensure that the required Verification Summary Reports were completed and accurate prior to submission. One employee prepared the Verification Summary Report without any oversight, review, or approval process over the report.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

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

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 2018-004

Subject: School Breakfast Program, National School Lunch Program - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

Condition

An effective internal control system was not in place at the School Corporation in order 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 price meals was correct. An oversight, review, or approval process had not been established for online applications submitted. The School Corporation's food management system approved applications submitted online without any review from a member of the food service staff to ensure that applications submitted were accurate and that the system was correctly determining income eligibility.

Context

The lack of controls was a systemic issue throughout the audit period.

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

Criteria

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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of 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 a system of internal controls 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 2018-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

No controls were identified which would have ensured that the School Corporation was following procurement policies and procedures, or would prevent the School Corporation from conducting business with a vendor who was suspended or debarred.

The School Corporation did not retain supporting documentation for procurements from produce and bakery vendors in fiscal year 2016-2017, so we were unable to determine whether these items were in compliance with the procurement policy adopted by the School Corporation. There were 20 checks written to vendors, totaling \$47,033 during 2016-2017. Additionally, the School Corporation did not retain supporting documentation for the same vendors, so we were unable to determine whether the School Corporation verified that the vendors were not suspended or debarred from participation in federal awards.

Context

The lack of controls and noncompliance was isolated to two vendors during 2016-2017.

Criteria

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). . . ."

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified."

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

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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 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

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure 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.

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

FINDING 2018-006

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14215-119-PN01, 14216-119-PN01,
14217-119-PN01, 45716-119-PN01,
45717-119-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

No controls were identified which would have prevented the School Corporation from conducting business with a vendor who was suspended or debarred from participation in federal programs. The School Corporation did not verify suspension or debarment for two vendors of the Special Education program.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

Criteria

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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

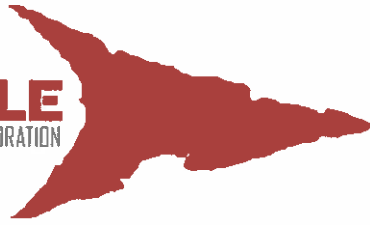
Views of Responsible Officials

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

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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.



FINDING 2016-001

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Contact Person Responsible for Corrective Action: Tom Johnson

Contact Phone Number: 317-745-2212

Status of Audit Finding:

For the AFR reporting period 7/1/17 – 6/30/18 I had the Director of Food Service, Director of Special Education and Title 1 Director present in my office as I completed the AFR to ensure accuracy of the report.

Tom Johnson
3-7-19

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-002

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Stuemke
Contact Phone Number: 317-745-0366

Status of Audit Finding: **To start, we put together a written internal control policy where I changed our policy from checking 10% of applications to 100% of applications. That is easier for us since we are getting less paper applications due to online applications. In 2016-17 online applications were not available, so 39% of applications had a second check, which totaled 163 applications out of 415 total applications. When online applications started in 2017-18, we second checked 100% of all paper applications. I am using the computer as a second check. Yearly new income guidelines are inputted by the Infinite Campus program and are double checked by myself.**

Copies of approval/denial notifications have been kept electronically, as opposed to printing a second copy on paper.

FINDING 2016-003

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Stuemke
Contact Phone Number: 317-746-0366

Status of Audit Finding: **Danville Community School Corporation joined the West Indy Coop in January 2016. Commodities, bread, milk, produce, and food vendors are procured by them.**

FINDING 2016-004

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Stuemke
Contact Phone Number: 317-745-0366

Status of Audit Finding: **The PLE tools have been completed for each audit year and both year's prices were raised by 10 cents. These are turned into the DOE for an approval and double check.**

FINDING 2016-005

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Stuemke
Contact Phone Number: 317-745-0366

Status of Audit Finding: **The verification summary report was submitted for both audit years. The DOE has reviewed 2016-17 SY.**

FINDING 2016-006

Fiscal year in which the finding initially occurred: 07/01/2014 to 06/30/2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Stephanie Stuemke
Contact Phone Number: 317-745-0366

Status of Audit Finding: **Prepaid money accounts have been created and money is transferred from the prepaid account to the food service account on a monthly basis. Amount transferred is based on the monthly sales report. Prepaid balance is available at any time.**



CORRECTIVE ACTION PLAN

FINDING 2018-001 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Tom Johnson
Contact Phone Number: 317-745-2212

Views of Responsible Official:

We concur with Finding 2018-001

Description of Corrective Action Plan:

2018-001: The CFO will review and initial the monthly revenue report prior to closing out each month.

Anticipated Completion Date: In place as of 4/11/2019.

FINDING 2018-002 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Tom Johnson
Contact Phone Number: 317-745-2212

Views of Responsible Official:

We concur with finding 2018-002

Description of Corrective Action Plan:

We concur with Finding 2018-002 although the errors were corrected during the most recent reporting period.

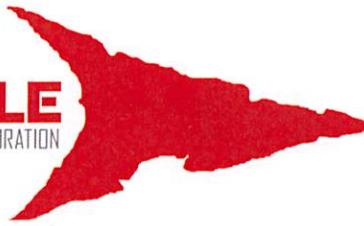
Anticipated Completion Date: This was corrected during the last audit period.

THE **DANVILLE** DIFFERENCE

Dr. Tracey R. Shafer, Superintendent

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

www.danville.k12.in.us



FINDING 2018-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

We concur with the finding 2018-003.

Views of Responsible Official:

We concur with Finding 2018-003

Description of Corrective Action Plan:

An internal control will be put in place for the Verification Summary Report prior to submission. The secretary to the food service director will be a second check to this report as well as all free and reduced meal applications.

Anticipated Completion Date: As of next due date of the Verification Summary Report in December 2019.

FINDING 2018-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

We concur with the finding 2018-004.

Views of Responsible Official:

We concur with Finding 2018-004

Description of Corrective Action Plan:

A review of online applications will be put in place starting immediately. Any online applications will be printed, recalculated, and signed off on by both the food service director and the food service secretary for a second check. The internal control policy for free and reduced meal applications will be updated to reflect this change. Income guidelines entered into the meal eligibility program will be checked yearly in July and signed off on.

Anticipated Completion Date: Immediately



FINDING 2018-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Stephanie Stuemke

Contact Phone Number: 317-745-0366

We concur with the finding 2018-005 although it has since been corrected.

Views of Responsible Official:

We concur with Finding 2018-005.

Description of Corrective Action Plan:

All food items including bakery and produce are properly procured. This audit period was the first year of my employment so procurement has been properly done since this time.

Anticipated Completion Date: Already completed.

FINDING 2018-006 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kelly Lacey

Contact Phone Number: 317-745-7487

Views of Responsible Official:

We concur with findings 2018-006.

Description of Corrective Action Plan:

We will require IEP therapy to provide a certification for the Occupational Therapist that the therapist has not been suspended or debarred. We will add a clause in both the Occupational Therapy contract and the Physical Therapy Contract stating that the therapist has not been suspended or debarred.

Anticipated Completion Date: By the beginning of the 19-20 school year.

THE **DANVILLE** DIFFERENCE

Dr. Tracey R. Shafer, Superintendent

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www.danville.k12.in.us



(Signature)

Tom Johnson

(Title)

Asst. Supt.

(Date)

4/11/19

THE **DANVILLE** DIFFERENCE

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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/>.