

DANVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2005

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DANVILLE COMMUNITY SCHOOL DISTRICT

Officials  
June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September 2004 Election)		
Judith Shotwell	Board President	2005
Russ Reed	Vice President	2005
Stan Nelson	Board Member	2004
Dwight Byerly, Jr.	Board Member	2006
Jeff Taeger	Board Member	2006
(After September 2004 Election)		
Judith Shotwell	Board President	2005
Stan Nelson	Vice President	2007
Russ Reed	Board Member	2005
Dwight Byerly, Jr.	Board Member	2006
Jeff Taeger	Board Member	2006
<b>School Officials</b>		
Stephen McAllister	Superintendent	2005
Nancy House	Board Secretary/Treasurer	2005
Ahlers & Cooney, PC	Attorney	2005

# KAY L. CHAPMAN, CPA PC

210 Cedar Street  
Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report

To the Board of Education  
Danville Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Danville Community School District, Danville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Danville Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 23, 2005 on my consideration of Danville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 43 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Danville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC  
September 23, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Danville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,653,732 in fiscal 2004 to \$4,019,395 in fiscal 2005, and General Fund expenditures increased from \$3,807,558 in fiscal 2004 to \$4,134,919 in fiscal 2005. The District's General Fund balance decreased from \$(233,872) in fiscal 2004 to \$(349,346) in fiscal 2005, a 49% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- Interest earnings in the General Fund increased from \$15,559 to \$29,923 in fiscal year 2005.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Danville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Danville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Danville Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

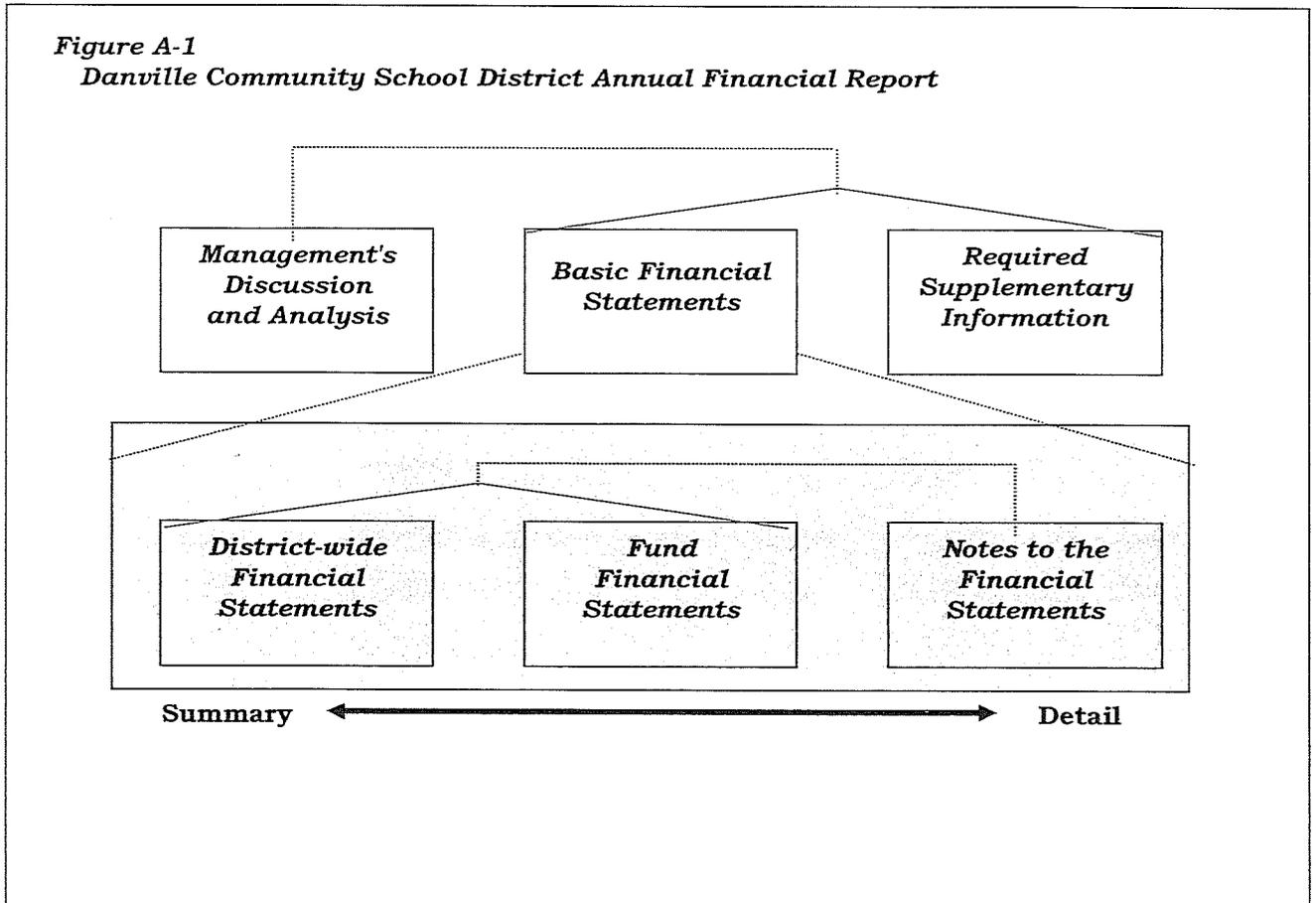


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds consist of a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Current and other assets	\$ 2,894,992	\$ 3,431,741	\$ 12,341	\$ 16,631	\$ 2,907,333	\$ 3,448,372	-15.69%
Capital assets	<u>5,312,800</u>	<u>5,171,821</u>	<u>12,436</u>	<u>2,216</u>	<u>5,325,236</u>	<u>5,174,037</u>	2.92%
Total assets	<u>8,207,792</u>	<u>8,603,562</u>	<u>24,777</u>	<u>18,847</u>	<u>8,232,569</u>	<u>8,622,409</u>	-4.52%
Long-term obligations	2,383,038	2,565,409	-	-	2,383,038	2,565,409	-7.11%
Other liabilities	<u>3,093,332</u>	<u>3,277,999</u>	<u>3,272</u>	<u>50,610</u>	<u>3,096,604</u>	<u>3,328,609</u>	-6.97%
Total liabilities	<u>5,476,370</u>	<u>5,843,408</u>	<u>3,272</u>	<u>50,610</u>	<u>5,479,642</u>	<u>5,894,018</u>	-7.03%
Net assets							
Invested in capital assets, net of related debt	3,032,800	2,656,821	12,436	2,216	3,045,236	2,659,037	14.52%
Restricted	233,765	465,998	-	-	233,765	465,998	-49.84%
Unrestricted	<u>(535,143)</u>	<u>(362,665)</u>	<u>9,069</u>	<u>(33,979)</u>	<u>(526,074)</u>	<u>(396,644)</u>	-32.63%
Total net assets	<u>\$ 2,731,422</u>	<u>\$ 2,760,154</u>	<u>\$ 21,505</u>	<u>\$ (31,763)</u>	<u>\$ 2,752,927</u>	<u>\$ 2,728,391</u>	0.90%

The District's combined net assets increased by 1%, or \$24,536, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$232,233, or approximately 50% from the prior year. The decrease was primarily a result of expending Capital Projects Fund revenues from prior years.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$129,430, or approximately 33%. This decline in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 1,042,349	\$ 855,596	\$ 164,965	\$ 164,830	\$ 1,207,314	\$ 1,020,426
Operating grants, contributions and restricted interest	394,887	388,598	80,872	76,502	475,759	465,100
General revenues						
Property and sales tax	1,781,862	1,794,609	-	-	1,781,862	1,794,609
Unrestricted state grants	1,645,014	1,469,656	-	-	1,645,014	1,469,656
Unrestricted investment earnings	38,790	20,569	260	252	39,050	20,821
Contributions and donations	15,079	15,817	-	-	15,079	15,817
Transfers	(12,235)	-	12,235	-	-	-
Other	50	-	-	-	50	-
Total revenues	<u>4,905,796</u>	<u>4,544,845</u>	<u>258,332</u>	<u>241,584</u>	<u>5,164,128</u>	<u>4,786,429</u>
Program expenses						
Governmental activities						
Instruction	2,950,111	2,842,651	-	-	2,950,111	2,842,651
Support services	1,437,130	1,110,239	-	-	1,437,130	1,110,239
Non-instructional programs	104,342	4,968	205,064	252,882	309,406	257,850
Other expenses	<u>442,945</u>	<u>392,825</u>	<u>-</u>	<u>-</u>	<u>442,945</u>	<u>392,825</u>
Total expenses	<u>4,934,528</u>	<u>4,350,683</u>	<u>205,064</u>	<u>252,882</u>	<u>5,139,592</u>	<u>4,603,565</u>
Change in net assets	<u>\$ (28,732)</u>	<u>\$ 194,162</u>	<u>\$ 53,268</u>	<u>\$ (11,298)</u>	<u>\$ 24,536</u>	<u>\$ 182,864</u>

Property and sales taxes and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$4,905,796 and expenses were \$4,934,528. In a difficult budget year, the District did not balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental  
Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 2,950,111	\$ 1,639,512
Support services	1,437,130	1,436,860
Non-instructional programs	104,342	104,342
Other expenses	<u>442,945</u>	<u>316,578</u>
Total expenses	<u>\$ 4,934,528</u>	<u>\$ 3,497,292</u>

- The cost financed by users of the District's programs was \$1,042,349.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$394,887.
- The net cost of governmental activities was financed with \$1,781,862 in property and other taxes and \$1,645,014 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$258,332 and expenses were \$205,064. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District increased meal prices for the first time in three years. In addition to meal price increases, the District cut labor hours in the Nutrition program. The savings helped to reduce the amount owed the General Fund for salaries and benefits at the end of the year.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Danville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$(181,906), well below last year's ending fund balances of \$171,874. The fund balance decreased in the General fund because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal year 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$(233,872) to \$(349,346), due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Capital Projects Fund balance decreased from \$346,380 in fiscal 2004 to \$95,490 in fiscal 2005 due to expenditures to remodel the server room, refinish high school lockers, purchase and install athletic field lighting, complete the track and football/soccer field work, purchase 18 acres of land, and principal and interest payments on revenue bonds.

### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$(31,763) at June 30, 2004 to \$21,505 at June 30, 2005, representing an increase of approximately 168%. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to reduce labor hours. This change resulted in a related increase in revenue and net assets.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Danville Community School District amended its annual budget one time by \$72,602 to reflect additional revenue and expenditures. The 2004/2005 budget amendment changed the estimates of expenditures in the areas of Total Support Services from \$1,157,398 to \$1,225,000, a difference of \$67,602. The district had increased expenditures for substitute personnel, salary and benefits for an additional associate, diesel fuel, utilities, bus tires, technology and textbooks. Noninstructional Programs (nutrition expenditures) changed from \$300,000 to \$305,000. Expenditures were under-estimated by \$5,000.

The District's receipts were \$178,291 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$72,215 more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Support Services and Other Expenditures functional areas due to the disbursements paid at year-end. Support Services was exceeded due to the account code changes related to technology hardware purchases. Other Expenditures was increased due to the closing of the purchase of 18 acres of land at the end of June.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$5,325,236, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 3% over last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$249,356.

The original cost of the District's capital assets was \$8,106,941. Governmental funds account for \$8,079,360, with the remainder of \$27,581 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements category. The District's improvements totaled \$50,823 at June 30, 2005, compared to \$13,328 reported at June 30, 2004. This significant increase resulted from (insert explanation) expenditures related to the construction of the new all-weather track, football and soccer fields.

Figure A-6

#### Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 145,959	\$ 24,715	\$ -	\$ -	\$ 145,959	\$ 24,715	490.57%
Buildings and improvements	4,720,939	4,807,678	-	-	4,720,939	4,807,678	-1.80%
Improvements other than buildings	50,823	13,328	-	-	50,823	13,328	281.33%
Furniture and equipment	<u>395,079</u>	<u>326,100</u>	<u>12,436</u>	<u>2,216</u>	<u>407,515</u>	<u>328,316</u>	24.12%
Totals	<u>\$5,312,800</u>	<u>\$5,171,821</u>	<u>\$12,436</u>	<u>\$2,216</u>	<u>\$5,325,236</u>	<u>\$5,174,037</u>	2.92%

### Long-Term Debt

At June 30, 2005, the District had \$2,383,038 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

During fiscal year 1998, the District sold \$2.4 million in general obligation bonds, approved by voters to help finance new junior/senior high school classrooms addition and gymnasium. The bonds are to be repaid over a twenty-year period. In addition, the District issued revenue anticipation bonds in the amount of \$970,000 to be used for repairs and improvements to the junior high school gymnasium. These bonds will be repaid from revenue generated from the local sales and services tax. During the year ended June 30, 2002, these bonds were refinanced. The new bonds for \$1,185,000 were issued on July 11, 2001 and will be repaid over a six-year period. The District also issued \$80,000 revenue bonds in June 2005 to purchase land. These bonds will be repaid with the revenue generated by the local sales and services tax over a two-year period.

Figure A-7  
Outstanding Long-term Obligations

	Total		Total Change
	School District 2005	2004	
General obligation bonds	\$ 1,770,000	\$ 1,885,000	-6.10%
Revenue bonds	510,000	630,000	-19.05%
Early retirement	<u>103,038</u>	<u>50,409</u>	104.40%
Total	<u>\$ 2,383,038</u>	<u>\$ 2,565,409</u>	-7.11%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District will negotiate a new agreement with the Danville Education Association during fiscal 2006. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.
- The 2005/2006 budget includes a cash reserve levy in the amount of \$127,000.
- The 2005/2006 budget reflects a one dollar buy down from local option sales tax revenues to pay bond debt. The one dollar buy down has come from the instructional support levy in past years. This will provide an additional \$79,672 in the General Fund.
- Many school districts in Iowa, including Danville Community School District, saw a significant reduction in agricultural valuations which affected the 2005/2006 budget. Residential property was subject to a rollback in taxable valuation from 48.46 percent to 47.96 percent of a home’s value. Valuation for the Danville Community School District in Des Moines and Henry counties fell increased slightly from \$79,534,753 for budget year 2004/2005 to \$79,672,010 for budget year 2005/2006 or an increase of less than 1 percent.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy House, District Secretary/Treasurer and Business Manager, Danville Community School District, 419 South Main Street, Danville, Iowa, 52623.

## Basic Financial Statements

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

<b>ASSETS</b>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 1,382,421	\$ -	\$ 1,382,421
Other	73,171	9,752	82,923
Receivables			
Property tax			
Delinquent	16,161	-	16,161
Succeeding year	1,312,677	-	1,312,677
Accrued interest			
ISCAP	5,539	-	5,539
Other	66	-	66
Accounts receivable	1,465	-	1,465
Due from other governments	100,220	-	100,220
Due from other funds	3,272	-	3,272
Inventories	-	2,589	2,589
Capital assets, net of accumulated depreciation	5,312,800	12,436	5,325,236
Total assets	<u>8,207,792</u>	<u>24,777</u>	<u>8,232,569</u>
<b>LIABILITIES</b>			
Accounts payable	21,894	-	21,894
Salaries and benefits payable	342,673	-	342,673
Due to other funds	-	3,272	3,272
Accrued interest payable	16,434	-	16,434
Deferred revenue - succeeding year property tax	1,312,677	-	1,312,677
ISCAP warrants payable	1,377,000	-	1,377,000
ISCAP accrued interest payable	8,329	-	8,329
ISCAP unamortized premium	14,325	-	14,325
Long-term liabilities			
Portion due within one year			
Bonds payable	120,000	-	120,000
Revenue bonds payable	250,000	-	250,000
Early retirement	28,148	-	28,148
Portion due after one year			
Bonds payable	1,650,000	-	1,650,000
Revenue bonds payable	260,000	-	260,000
Early retirement	74,890	-	74,890
Total liabilities	<u>5,476,370</u>	<u>3,272</u>	<u>5,479,642</u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,032,800	\$ 12,436	3,045,236
Restricted for			
Talented and Gifted Program	32,707	-	32,707
Phase III	20,674	-	20,674
Other special revenue purposes	84,419	-	84,419
Physical Plant and Equipment Levy	475	-	475
Capital Projects	95,490	-	95,490
Unrestricted	(535,143)	9,069	(526,074)
 Total net assets	 \$ 2,731,422	 \$ 21,505	 \$ 2,752,927

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs</b>						
Governmental activities						
Instruction						
Regular instruction	\$ 1,867,702	\$ 923,539	\$ 200,082	\$ (744,081)	\$ -	\$ (744,081)
Special instruction	366,614	113,690	61,982	(190,942)	-	(190,942)
Other instruction	715,795	4,850	6,456	(704,489)	-	(704,489)
	<u>2,950,111</u>	<u>1,042,079</u>	<u>268,520</u>	<u>(1,639,512)</u>	-	<u>(1,639,512)</u>
Support services						
Student services	77,915	-	-	(77,915)	-	(77,915)
Instructional staff services	88,674	-	-	(88,674)	-	(88,674)
Administration services	604,109	-	-	(604,109)	-	(604,109)
Operation and maintenance of plant services	411,881	270	-	(411,611)	-	(411,611)
Transportation services	254,551	-	-	(254,551)	-	(254,551)
	<u>1,437,130</u>	<u>270</u>	-	<u>(1,436,860)</u>	-	<u>(1,436,860)</u>
Non-instructional programs	104,342	-	-	(104,342)	-	(104,342)
Other expenditures						
Facilities acquisition	66,519	-	-	(66,519)	-	(66,519)
Long-term debt interest	120,154	-	-	(120,154)	-	(120,154)
AEA flowthrough	126,367	-	126,367	-	-	-
Depreciation (unallocated) *	129,905	-	-	(129,905)	-	(129,905)
	<u>442,945</u>	-	<u>126,367</u>	<u>(316,578)</u>	-	<u>(316,578)</u>
Total governmental activities	<u>4,934,528</u>	<u>1,042,349</u>	<u>394,887</u>	<u>(3,497,292)</u>	-	<u>(3,497,292)</u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs</u></b>						
Business type activities						
Non-instructional programs						
Nutrition services	\$ 205,064	\$ 164,965	\$ 80,872	\$ -	\$ 40,773	\$ 40,773
Total business type activities	<u>205,064</u>	<u>164,965</u>	<u>80,872</u>	-	<u>40,773</u>	<u>40,773</u>
Total	<u>\$ 5,139,592</u>	<u>\$ 1,207,314</u>	<u>\$ 475,759</u>	<u>(3,497,292)</u>	<u>40,773</u>	<u>(3,456,519)</u>

**General Revenues**

Property tax levied for						
General purposes	1,283,183			-	-	1,283,183
Capital projects	128,132			-	-	128,132
Debt service	26,104			-	-	26,104
Sales and services tax	344,443			-	-	344,443
Unrestricted state grants	1,645,014			-	-	1,645,014
Contributions and donations	15,079			-	-	15,079
Unrestricted investment earnings	38,790			260	260	39,050
Transfers	(12,235)			12,235	12,235	-
Other	50			-	-	50
Total general revenues	<u>3,468,560</u>			<u>12,495</u>	<u>12,495</u>	<u>3,481,055</u>
Change in net assets	(28,732)			53,268	53,268	24,536
Net assets, beginning of year	2,760,154			(31,763)	(31,763)	2,728,391
Net assets, end of year	<u>\$ 2,731,422</u>			<u>\$ 21,505</u>	<u>\$ 21,505</u>	<u>\$ 2,752,927</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2005

Exhibit C

<b>ASSETS</b>	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 1,382,421	\$ -	\$ -	\$ 1,382,421
Other	-	62,085	11,086	73,171
Receivables				
Property tax				
Delinquent	13,174	-	2,987	16,161
Succeeding year	1,070,987	-	241,690	1,312,677
Accounts receivable	1,465	-	-	1,465
Accrued interest				
ISCAP	5,539	-	-	5,539
Other	66	-	-	66
Due from other funds	10,654	-	73,482	84,136
Due from other governments	59,433	40,787	-	100,220
Total assets and other debits	<u>\$ 2,543,739</u>	<u>\$ 102,872</u>	<u>\$ 329,245</u>	<u>\$ 2,975,856</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 21,894	\$ -	\$ -	\$ 21,894
Salaries and benefits payable	332,268	-	10,405	342,673
Due to other funds	68,282	7,382	5,200	80,864
ISCAP warrants payable	1,377,000	-	-	1,377,000
ISCAP accrued interest payable	8,329	-	-	8,329
ISCAP unamortized premium	14,325	-	-	14,325
Deferred revenue	-			
Succeeding year property tax	1,070,987	-	241,690	1,312,677
Total liabilities	<u>2,893,085</u>	<u>7,382</u>	<u>257,295</u>	<u>3,157,762</u>
Fund balances				
Reserved for				
Phase III	20,674	-	-	20,674
Talented and Gifted Program	32,707	-	-	32,707
Capital projects	-	95,490	-	95,490
Unreserved, undesignated				
Governmental	(402,727)	-	(220)	(402,947)
Special revenue	-	-	72,170	72,170
Total fund balances	<u>(349,346)</u>	<u>95,490</u>	<u>71,950</u>	<u>(181,906)</u>
Total liabilities and fund balances	<u>\$ 2,543,739</u>	<u>\$ 102,872</u>	<u>\$ 329,245</u>	<u>\$ 2,975,856</u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2005

Exhibit D

<b>Total fund balances of governmental funds</b>	\$ (181,906)
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,312,800
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,434)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,383,038)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 2,731,422</u></u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,197,416	\$ 344,443	\$ 238,502	\$ 1,780,361
Tuition	678,983	-	-	678,983
Other	101,871	2,302	313,062	417,235
Intermediate sources	-	-	-	-
State sources	1,916,517	-	277	1,916,794
Federal sources	124,608	-	-	124,608
Total revenues	<u>4,019,395</u>	<u>346,745</u>	<u>551,841</u>	<u>4,917,981</u>
Expenditures				
Current				
Instruction				
Regular instruction	1,880,369	-	9,159	1,889,528
Special instruction	363,474	-	-	363,474
Other instruction	407,744	-	323,451	731,195
	<u>2,651,587</u>	<u>-</u>	<u>332,610</u>	<u>2,984,197</u>
Support services				
Student services	60,631	-	15,503	76,134
Instructional staff services	105,937	-	139	106,076
Administration services	523,351	-	11,377	534,728
Operation and maintenance of plant services	355,536	-	27,331	382,867
Transportation services	212,445	-	14,449	226,894
	<u>1,257,900</u>	<u>-</u>	<u>68,799</u>	<u>1,326,699</u>
Non-instructional programs	99,065	-	5,277	104,342
Other expenditures				
Facilities acquisition	-	357,523	3,596	361,119
Long-term debt				
Principal	-	-	315,000	315,000
Interest and fiscal charges	-	-	121,852	121,852
AEA flowthrough	126,367	-	-	126,367
	<u>126,367</u>	<u>357,523</u>	<u>440,448</u>	<u>924,338</u>
Total expenditures	<u>4,134,919</u>	<u>357,523</u>	<u>847,134</u>	<u>5,339,576</u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Deficiency of revenues under expenditures	\$ (115,524)	\$ (10,778)	\$ (295,293)	\$ (421,595)
Other financing sources (uses)				
Sale of equipment and materials	50	-	-	50
Proceeds from issuance of bonds	-	80,000	-	80,000
Interfund operating transfers in (out)	-	(320,112)	307,877	(12,235)
Total other financing sources (uses)	<u>50</u>	<u>(240,112)</u>	<u>307,877</u>	<u>67,815</u>
Net change in fund balances	(115,474)	(250,890)	12,584	(353,780)
Fund balance, beginning of year	<u>(233,872)</u>	<u>346,380</u>	<u>59,366</u>	<u>171,874</u>
Fund balance, end of year	<u>\$ (349,346)</u>	<u>\$ 95,490</u>	<u>\$ 71,950</u>	<u>\$ (181,906)</u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2005

Exhibit F

**Net change in fund balances - total governmental funds** \$ (353,780)

**Amounts reported for governmental activities in the statement of activities  
 are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 388,320	
Depreciation expense	<u>(247,341)</u>	140,979

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(80,000)	
Repaid	<u>315,000</u>	235,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement		(52,629)
------------------	--	----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,698

**Change in net assets of governmental activities** **\$ (28,732)**

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

Exhibit G

	<u>Nonmajor School Nutrition</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 9,752
Inventories	2,589
Capital assets, net of accumulated depreciation	<u>12,436</u>
Total assets	<u>24,777</u>
 <b>LIABILITIES</b>	
Due to other fund	<u>3,272</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	12,436
Unreserved retained earnings	<u>9,069</u>
Total net assets	<u><u>\$ 21,505</u></u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2005

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 164,965</u>
Operating expenses	
Non-instructional programs	
Salaries	43,218
Benefits	13,228
Purchased services	1,817
Supplies	144,786
Depreciation	<u>2,015</u>
Total operating expenses	<u>205,064</u>
Operating loss	<u>(40,099)</u>
Non-operating revenues	
Operating transfers in	12,235
Interest income	260
State sources	3,312
Federal sources	<u>77,560</u>
Total non-operating revenues	<u>93,367</u>
Change in net assets	53,268
Net assets, beginning of year	<u>(31,763)</u>
Net assets, end of year	<u>\$ 21,505</u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2005

Exhibit I

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 164,965
Cash payments to employees for services	(103,784)
Cash payments to suppliers for goods and services	<u>(137,268)</u>
Net cash used in operating activities	<u>(76,087)</u>
Cash flows from non-capital financing activities	
State grants received	3,312
Federal grants received	<u>68,888</u>
Net cash provided by non-capital financing activities	<u>72,200</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>260</u>
Net decrease in cash and cash equivalents	(3,627)
Cash and cash equivalents, beginning of year	<u>13,379</u>
Cash and cash equivalents, end of year	<u>\$ 9,752</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (40,099)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,015
Commodities used	8,672
Decrease in inventories	663
(Decrease) in due to other funds	(37,179)
(Decrease) in salaries and benefits payable	<u>(10,159)</u>
Net cash used in operating activities	<u>\$ (76,087)</u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2005, the District received \$8,672 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2005

Exhibit J

	Private Purpose <u>Trust</u> <u>Scholarships</u>
Assets	
Cash and pooled investments	\$10,639
Accrued interest	<u>2</u>
Total assets	10,641
Liabilities	<u>-</u>
Net assets	
Reserved for scholarships	<u>\$10,641</u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2005

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$ 113
Deductions	<u>-</u>
Change in net assets	113
Net assets, beginning of year	<u>10,528</u>
Net assets, end of year	<u><u>\$ 10,641</u></u>

See notes to financial statements and Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2005

**Note 1. Summary of Significant Accounting Policies**

The Danville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Danville, Iowa, and the agricultural territory in Des Moines and Henry Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Danville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Danville Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds. However, it reports one nonmajor enterprise fund, the School Nutrition Fund which is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds consist of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and early retirement benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$2,500
Buildings	\$1,000
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenses for services performed by hourly employees prior to June 30, 2005 and payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2005. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amended amounts budgeted in the Support Services and Other Expenditures functions. However, General Fund disbursements did not exceed the District's unspent authorized budget.

#### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 3,934

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Investment rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investment in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 7,382
General	School Nutrition	3,272
Student Activities	General	68,282
Student Activities	Management Levy	3,376
Student Activities	Physical Plant and Equipment Levy	<u>1,824</u>
Totals		<u>\$ 84,136</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits which were originally paid from General Fund. The Management Fund, PPEL Fund and Capital Projects Fund owe the Student Activities Fund for monies borrowed from a shared bank account to cover disbursements.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service Fund	Capital Projects	\$ 307,877
School Nutrition	Capital Projects	<u>12,235</u>
Total		<u>\$ 320,112</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The School Nutrition Fund transferred money to the Capital Projects Fund as reimbursement for equipment purchased.

**Note 5. Iowa Schools Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2004-05A	6/30/04	6/30/05	\$ 178	\$ -	\$ -	\$ -	\$ -
2004-05B	1/28/05	1/27/05	558,610	5,363	557,000	8,172	3,312
2005-06A	6/30/05	6/30/06	<u>823,633</u>	<u>176</u>	<u>820,000</u>	<u>157</u>	<u>11,013</u>
			<u>\$ 1,382,421</u>	<u>\$ 5,539</u>	<u>\$ 1,377,000</u>	<u>\$ 8,329</u>	<u>\$14,325</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

<u>Series</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2004-05A	\$ -	\$ 500,000	\$ 500,000	\$ -
2004-05B	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.4630%
2004-05B	3.500%	2.2800%
2005-06A	3.500%	3.9030%

#### Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 24,715	\$ 121,244	\$ -	\$ 145,959
Capital assets being depreciated:				
Buildings and improvements	6,154,572	35,504	-	6,190,076
Improvements other than buildings	236,085	45,159	-	281,244
Furniture and equipment	<u>1,275,668</u>	<u>186,413</u>	<u>-</u>	<u>1,462,081</u>
Total capital assets being depreciated	<u>7,666,325</u>	<u>267,076</u>	<u>-</u>	<u>7,933,401</u>
Less accumulated depreciation for:				
Buildings and improvements	1,346,894	122,243	-	1,469,137
Improvements other than buildings	222,757	7,664	-	230,421
Furniture and equipment	<u>949,568</u>	<u>117,434</u>	<u>-</u>	<u>1,067,002</u>
Total accumulated depreciation	<u>2,519,219</u>	<u>247,341</u>	<u>-</u>	<u>2,766,560</u>
Total capital assets being depreciated, net	<u>5,147,106</u>	<u>19,735</u>	<u>-</u>	<u>5,166,841</u>
Governmental activities capital assets, net	<u>\$ 5,171,821</u>	<u>\$ 140,979</u>	<u>\$ -</u>	<u>\$ 5,312,800</u>

Business type activities

Furniture and equipment	\$ 15,346	\$ 12,235	\$ -	\$ 27,581
Less accumulated depreciation	<u>13,130</u>	<u>2,015</u>	<u>-</u>	<u>15,145</u>
Business type activities capital assets, net	<u>\$ 2,216</u>	<u>\$ 10,220</u>	<u>\$ -</u>	<u>\$ 12,436</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 28,866
Special	3,140
Other	11,910
Support services	
Student	1,781
Instructional staff	2,602
Administration	8,468
Operation and maintenance of plant	33,012
Transportation	27,657
Unallocated depreciation	<u>129,905</u>
Total governmental activities depreciation expense	<u>\$ 247,341</u>

**Business type activities**

Food services	<u>\$ 2,015</u>
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**Note 7. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 1,885,000	\$ -	\$(115,000)	\$ 1,770,000	\$ 120,000
Revenue bonds	630,000	80,000	(200,000)	510,000	250,000
Early retirement	<u>50,409</u>	<u>72,832</u>	<u>(20,203)</u>	<u>103,038</u>	<u>28,148</u>
Totals	<u>\$ 2,565,409</u>	<u>\$ 152,832</u>	<u>\$(335,203)</u>	<u>\$ 2,383,038</u>	<u>\$ 398,148</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be between the ages of fifty-five and sixty-four and have completed fifteen years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. Early retirement benefits are paid in a lump sum payment equal to 15% of the last year's salary. The District also pays 95% of the retiree's medical and dental insurance premium until the retiree reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2005 totaled \$20,203.

Revenue Bonds

In June 2001 the District issued revenue anticipation bonds in the amount of \$970,000 to be used for repairs and improvements to the gym. During the year ended June 30, 2003, these bonds were refinanced. The new bonds for \$1,185,000 were issued on July 11, 2001. On June 15, 2005 the District issued \$80,000 in revenue anticipation bonds for land purchase. Both bond issues will be repaid from revenue generated from the local sales and services tax. Details of the revenue anticipation bonded indebtedness at June 30, 2005 are as follows:

Year Ending <u>June 30,</u>	Issue of July 12, 2001			
	Interest <u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	4.900	\$ 18,497	\$ 210,000	\$ 228,497
2007	4.900	8,085	220,000	228,085
Totals		<u>\$ 26,582</u>	<u>\$ 430,000</u>	<u>\$ 456,582</u>

Year Ending <u>June 30,</u>	Issue of June 15, 2005			
	Interest <u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	2.500	\$ 1,672	\$ 40,000	\$ 41,672
2007	2.500	750	40,000	40,750
Totals		<u>\$ 2,422</u>	<u>\$ 80,000</u>	<u>\$ 82,422</u>

Year Ending <u>June 30,</u>	Total		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	\$ 20,169	\$ 250,000	\$ 270,169
2007	8,835	260,000	268,835
Totals	<u>\$ 29,004</u>	<u>\$ 510,000</u>	<u>\$ 539,004</u>

## General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond issue of November 24, 1997</u>			
	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	4.800	\$ 88,070	\$ 120,000	\$ 208,070
2007	4.800	82,310	130,000	212,310
2008	4.800	76,070	135,000	211,070
2009	4.900	69,590	145,000	214,590
2010	4.900	62,486	150,000	212,486
2011	4.900	55,136	160,000	215,136
2012	4.900	47,296	170,000	217,296
2013	5.100	38,966	175,000	213,966
2014	5.100	30,040	185,000	215,040
2015	5.100	20,606	195,000	215,606
2016	5.200	<u>10,660</u>	<u>205,000</u>	<u>215,660</u>
Totals		<u>\$ 581,230</u>	<u>\$ 1,770,000</u>	<u>\$ 2,351,230</u>

### **Note 8. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$139,452, \$132,834 and \$128,294 respectively, equal to the required contributions for each year.

### **Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$126,367 adjusting entry to the cash basis financial statements.

**Note 11. Deficit Balances**

The District had unreserved undesignated fund deficits in the following funds at June 30, 2005:

General Fund	\$402,727
Management Fund	\$ 12,724
Physical Plant and Equipment Levy	\$ 220

Required Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 For the Year Ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>	Budgeted Amounts <u>Original</u> <u>Final</u>	Final to Actual <u>Variance</u>	
Receipts						
Local sources	\$ 2,805,546	\$ 152,990	\$ 2,958,536	\$ 3,140,251	\$ 3,212,853	\$ (254,317)
Intermediate sources	-	-	-	15,000	15,000	(15,000)
State sources	1,916,771	3,312	1,920,083	1,946,095	1,946,095	(26,012)
Federal sources	113,150	68,888	182,038	65,000	65,000	117,038
Total receipts	<u>4,835,467</u>	<u>225,190</u>	<u>5,060,657</u>	<u>5,166,346</u>	<u>5,238,948</u>	<u>(178,291)</u>
Disbursements						
Instruction	2,974,705	-	2,974,705	2,980,917	2,980,917	6,212
Support services	1,272,936	-	1,272,936	1,157,398	1,225,000	(47,936)
Non-instructional programs	60,621	241,052	301,673	300,000	305,000	3,327
Other expenditures	922,403	-	922,403	888,585	888,585	(33,818)
Total disbursements	<u>5,230,665</u>	<u>241,052</u>	<u>5,471,717</u>	<u>5,326,900</u>	<u>5,399,502</u>	<u>(72,215)</u>
Deficiency of receipts under disbursements	(395,198)	(15,862)	(411,060)	(160,554)	(160,554)	(250,506)
Other financing sources, net	<u>67,815</u>	<u>12,235</u>	<u>80,050</u>	<u>-</u>	<u>-</u>	<u>80,050</u>
Deficiency of receipts and other financing sources under disbursements	(327,383)	(3,627)	(331,010)	(160,554)	(160,554)	(170,456)
Balance, beginning of year	400,554	13,379	413,933	378,644	378,644	35,289
Balance, end of year	<u>\$ 73,171</u>	<u>\$ 9,752</u>	<u>\$ 82,923</u>	<u>\$ 218,090</u>	<u>\$ 218,090</u>	<u>\$ (135,167)</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 For the Year Ended June 30, 2005

	Governmental Fund Types		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u> <u>Basis</u>
Revenues	\$ 4,835,467	\$ 82,514	\$ 4,917,981
Expenditures	<u>5,230,665</u>	<u>108,911</u>	<u>5,339,576</u>
Net	(395,198)	(26,397)	(421,595)
Other financing sources	67,815	-	67,815
Beginning fund balances	<u>400,554</u>	<u>(228,680)</u>	<u>171,874</u>
Ending fund balances	<u>\$ 73,171</u>	<u>\$ (255,077)</u>	<u>\$ (181,906)</u>

	Proprietary Fund Type		
	Enterprise		
	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$ 225,190	\$ 20,907	\$ 246,097
Expenditures	<u>241,052</u>	<u>(35,988)</u>	<u>205,064</u>
Net	(15,862)	56,895	41,033
Other financing sources	12,235	-	12,235
Beginning fund balances	<u>13,379</u>	<u>(45,142)</u>	<u>(31,763)</u>
Ending fund balances	<u>\$ 9,752</u>	<u>\$ 11,753</u>	<u>\$ 21,505</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing disbursements by \$72,602.

During the year ended June 30, 2005, District disbursements exceeded the amounts budgeted in the Support Services and Other Expenditures functions; however, General Fund disbursements did not exceed the District's unspent authorized budget.

## Other Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

Schedule 1

	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Debt Service</u>	
<b>ASSETS</b>					
Cash and pooled investments	\$ -	\$ 10,937	\$ 149	\$ -	\$ 11,086
Receivables					
Property tax					
Current year delinquent	1,057	-	326	1,604	2,987
Succeeding year	87,000	-	26,292	128,398	241,690
Due from other fund	-	73,482	-	-	73,482
Total assets	<u>\$ 88,057</u>	<u>\$ 84,419</u>	<u>\$ 26,767</u>	<u>\$ 130,002</u>	<u>\$ 329,245</u>
 <b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Due to other funds	\$ 3,376	\$ -	\$ -	\$ 1,824	\$ 5,200
Salaries and benefits payable	10,405	-	-	-	10,405
Deferred revenue					
Succeeding year property tax	87,000	-	26,292	128,398	241,690
Total liabilities	<u>100,781</u>	<u>-</u>	<u>26,292</u>	<u>130,222</u>	<u>257,295</u>
Fund Equity					
Unreserved fund balances	(12,724)	84,419	475	(220)	71,950
Total fund equity	(12,724)	84,419	475	(220)	71,950
Total liabilities and fund equity	<u>\$ 88,057</u>	<u>\$ 84,419</u>	<u>\$ 26,767</u>	<u>\$ 130,002</u>	<u>\$ 329,245</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

Schedule 2

Revenues	Special Revenue				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Local sources					
Local taxes	\$ 84,445	\$ -	\$ 26,074	\$ 127,983	\$ 238,502
Other	-	312,755	-	307	313,062
State sources	98	-	30	149	277
Total revenues	84,543	312,755	26,104	128,439	551,841
Expenditures					
Instruction					
Regular program instruction	9,159	-	-	-	9,159
Other instruction	-	323,451	-	-	323,451
Support services					
Student services	15,503	-	-	-	15,503
Instructional staff services	139	-	-	-	139
Administration services	11,377	-	-	-	11,377
Operation and maintenance of plant	27,331	-	-	-	27,331
Transportation services	14,449	-	-	-	14,449
Noninstructional programs	5,277	-	-	-	5,277
Other expenditures					
Facilities acquisition services	-	-	3,596	-	3,596
Long-term debt					
Principal	-	-	-	315,000	315,000
Interest and fiscal charges	-	-	-	121,852	121,852
Total expenditures	83,235	323,451	3,596	436,852	847,134
Excess (deficiency) of revenues over (under) expenditures	1,308	(10,696)	22,508	(308,413)	(295,293)
Other financing sources					
Operating transfers in	-	-	-	307,877	307,877
Excess (deficiency) of revenues and other financing sources					
over (under) expenditures	1,308	(10,696)	22,508	(536)	12,584
Fund balances, beginning of year	(14,032)	95,115	(22,033)	316	59,366
Fund balances, end of year	\$ (12,724)	\$ 84,419	\$ 475	\$ (220)	\$ 71,950

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Funds, Student Activity Accounts  
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 7,958	\$ 54,446	\$ 50,691	\$ 11,713
Activity fees	588	8,487	8,059	1,016
Class of:				
2003	111	-	111	-
2004	61	-	61	-
2005	2,911	3,294	5,753	452
2006	2,412	11,079	10,070	3,421
2007	1,031	691	391	1,331
2008	20	2,798	1,293	1,525
2009	144	-	-	144
2010	56	-	-	56
Graduates	-	2,317	1,908	409
Playground equipment fund	3,318	-	-	3,318
Book clubs	-	3,232	3,232	-
Book fair	2,744	3,591	3,004	3,331
Parent volunteers	2,660	6,034	6,197	2,497
Jump Rope for Heart	1,193	589	879	903
Kindergarten workshop	62	-	-	62
Elementary school store	9	1,052	1,061	-
Speech	-	3,447	3,447	-
Drama	-	4,506	4,444	62
Cheerleaders	379	238	383	234
SCI program	201	-	72	129
Math/Science	217	-	-	217
High school student council	1,413	3,266	3,425	1,254
Jr high student council	7,656	7,507	7,328	7,835
Band	458	2,832	3,145	145
Vocal music	-	913	913	-
Swing choir	3,123	44,402	40,864	6,661
Music trip	14,905	95,457	110,023	339
High school pop	3,533	7,463	7,760	3,236

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Funds, Student Activity Accounts  
For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
School store	\$ 1,070	\$ 5,737	\$ 6,266	\$ 541
Seniors, Inc.	393	237	275	355
Shop	77	1,260	830	507
FHA	896	1,532	2,048	380
Mass media	383	-	-	383
Yearbook	14,834	14,810	16,999	12,645
Student pictures	15,071	7,415	9,474	13,012
Interest	5,228	1,078	-	6,306
General	-	13,219	13,219	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 95,115</u>	<u>\$ 312,929</u>	<u>\$ 323,625</u>	<u>\$ 84,419</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 1,780,361	\$ 1,793,022	\$ 1,758,474	\$ 1,703,867
Tuition	678,983	630,644	631,611	550,352
Other	417,235	261,089	243,038	252,703
Intermediate sources	-	14,812	13,872	1,567
State sources	1,916,794	1,737,471	1,764,781	1,675,917
Federal sources	124,608	107,508	59,029	56,207
Total revenues	<u>\$ 4,917,981</u>	<u>\$ 4,544,546</u>	<u>\$ 4,470,805</u>	<u>\$ 4,240,613</u>
Expenditures				
Instruction				
Regular instruction	1,889,528	1,887,401	1,803,750	1,767,952
Special instruction	363,474	434,193	430,750	373,458
Other instruction	731,195	474,810	445,315	432,722
Support services				
Student services	76,134	60,415	66,523	60,439
Instructional staff services	106,076	67,008	62,973	60,225
Administration services	534,728	464,840	445,837	388,544
Operation and maintenance of plant services	382,867	359,174	354,368	312,359
Transportation services	226,894	201,758	205,957	190,422
Central support services	-	479	750	1,581
Non-instructional programs	104,342	4,968	7,668	1,354
Other expenditures				
Facilities acquisition	361,119	152,193	472,516	385,766
Long-term debt				
Principal	315,000	332,512	321,000	1,051,000
Interest and other charges	121,852	137,185	152,396	165,171
AEA flowthrough	126,367	126,589	135,192	135,677
Total expenditures	<u>\$ 5,339,576</u>	<u>\$ 4,703,525</u>	<u>\$ 4,904,995</u>	<u>\$ 5,326,670</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

210 Cedar Street  
Muscatine, Iowa 52761  
563-264-1385

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education  
Danville Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Danville Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 23, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing my audit, I considered Danville Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Danville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Danville Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Danville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
September 23, 2005

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2005

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

(A) Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2005

**Part II. Other Findings Related to Statutory Reporting:**

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
2. Certified Budget - Disbursements for the year ended June 30, 2005 exceeded the amended amounts budgeted in the Support Services and Other Expenditures functions.

Recommendation - The District should have amended the budget in sufficient amounts before disbursements were allowed to exceed the budget.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

Conclusion - Response accepted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
5. Business Transactions - No business transactions between the District and District officials or employees were noted.
6. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2005

10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted a few errors in the amounts reported.

Recommendation - The District should correct the items affecting beginning balances on the Certified Annual Report for the fiscal year ending June 30, 2006.

Response - We will correct the necessary balances on our FY06 CAR.

Conclusion - Response accepted.

11. Financial Condition - The District had unreserved, undesignated deficits in the General Fund, Management Fund and Physical Plant and Equipment Levy Fund of \$402,727, \$12,724 and \$220, respectively at June 30, 2005.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

Response - We will review these situations and implement changes, as needed.

Conclusion - Response accepted.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2005

This audit was performed by

Kay Chapman, CPA  
Christina Chamberlin, staff accountant

# Danville Community School District

## Home of Quality Kids!

### *Board of Education*

Jeffrey Taeger, *President*

Stan Nelson, *Vice President*

Brian Bauer, *Member*

Dwight Byerly, Jr., *Member*

Jim Hogberg, *Member*

### *Board Secretary*

Nancy House, *Board Secretary*

### *Administration*

Stephen T. McAllister, *Superintendent*

Telephone: 319/392-4223

Paul Giehl, *7-12 Principal*

Theresa Ritters, *7-8 Assistant Principal*

Telephone: 319/392-4222

Steve Ita, *K-6 Principal & Athletic Director*

Telephone: 319/392-4221

## NEWS RELEASE

### FOR RELEASE:

Kay L. Chapman, CPA PC of Muscatine, Iowa today released an audit report on the Danville Community School District in Danville, Iowa.

The District's revenues totaled \$5,164,128 for the year ended June 30, 2005, a 7 percent increase from the prior year. Revenues included \$1,781,862 in local tax, charges for service of \$1,207,314, operating grants, contributions and restricted interest of \$475,759, unrestricted state grants of \$1,645,014, unrestricted interest of \$39,050 and other general revenues of \$15,129.

Expenses for District operations totaled \$5,139,592, an 11 percent increase from the prior year. Expenses included \$2,950,111 for instruction, \$1,437,130 for support services, \$309,406 for non-instructional programs and \$442,945 for other expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.