

DANVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

DANVILLE COMMUNITY SCHOOL DISTRICT
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DANVILLE COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Jeff Taeger	Board President	2006
Stan Nelson	Vice President	2007
Patty Brooks	Board Member	2006
Brian Bauer	Board Member	2008
Jim Hogberg	Board Member	2008
(After September 2006 Election)		
Jeff Taeger	Board President	2009
Stan Nelson	Vice President	2007
Brian Bauer	Board Member	2008
Jim Hogberg	Board Member	2008
Dwight Byerly, Jr.	Board Member	2009
School Officials		
Stephen McAllister	Superintendent	2007
Nancy House	Board Secretary/Treasurer	2007
Ahlers & Cooney, PC	Attorney	2007

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, 2007, 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, 2007, 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 May 28, 2008 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 44 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. Other supplementary information included in Schedules 1 through 6, 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. 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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
May 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,020,982 in fiscal 2006 to \$4,428,141 in fiscal 2007, and General Fund expenditures increased from \$4,215,321 in fiscal 2006 to \$4,585,848 in fiscal 2007. The District's General Fund balance decreased from \$(543,310) in fiscal 2006 to \$(699,410) in fiscal 2007, a 28% decrease.
- The increase in General Fund revenues was attributable to an increase in state aid in fiscal 2007. 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 2007. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

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 a 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.

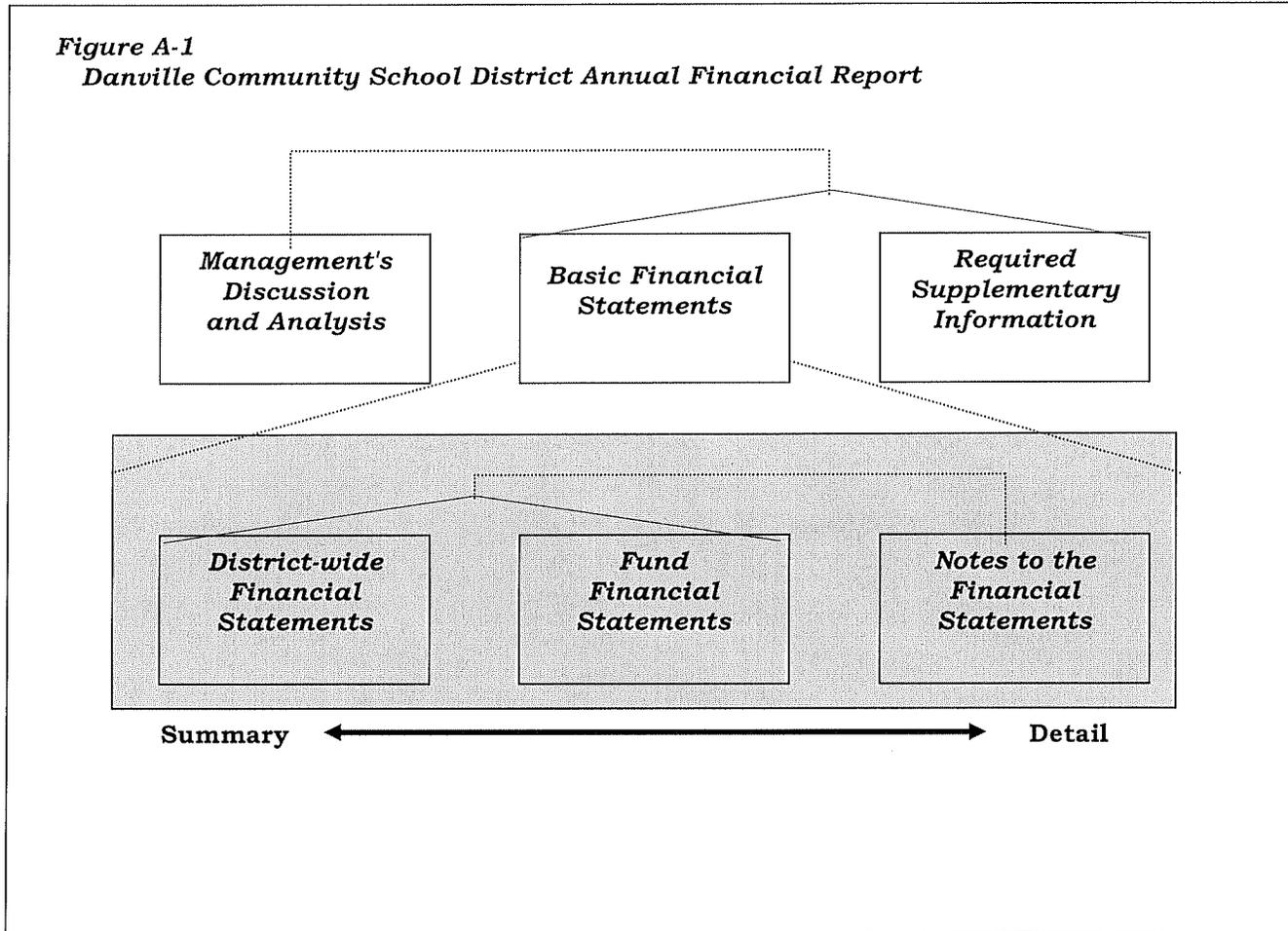


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	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 preschool operation	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 and preschool program are 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 two enterprise funds, the School Nutrition Fund and the Preschool 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, 2007 compared to June 30, 2006.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Current and other assets	\$ 5,086,215	\$ 3,026,716	\$ 39,889	\$ 25,105	\$ 5,126,104	\$ 3,051,821	67.97%
Capital assets	<u>5,192,103</u>	<u>5,153,327</u>	<u>10,712</u>	<u>11,952</u>	<u>5,202,815</u>	<u>5,165,279</u>	0.73%
Total assets	<u>10,278,318</u>	<u>8,180,043</u>	<u>50,601</u>	<u>37,057</u>	<u>10,328,919</u>	<u>8,217,100</u>	25.70%
Long-term obligations	3,449,898	2,018,816	-	-	3,449,898	2,018,816	70.89%
Other liabilities	<u>3,880,926</u>	<u>3,482,658</u>	<u>36,037</u>	<u>40,372</u>	<u>3,916,963</u>	<u>3,523,030</u>	11.18%
Total liabilities	<u>7,330,824</u>	<u>5,501,474</u>	<u>36,037</u>	<u>40,372</u>	<u>7,366,861</u>	<u>5,541,846</u>	32.93%
Net assets							
Invested in capital assets, net of related debt	3,407,809	3,213,327	10,712	11,952	3,418,521	3,225,279	5.99%
Restricted	88,325	119,742	-	-	88,325	119,742	-26.24%
Unrestricted	<u>(548,640)</u>	<u>(654,500)</u>	<u>3,852</u>	<u>(15,267)</u>	<u>(544,788)</u>	<u>(669,767)</u>	18.66%
Total net assets	<u>\$ 2,947,494</u>	<u>\$ 2,678,569</u>	<u>\$ 14,564</u>	<u>\$ (3,315)</u>	<u>\$ 2,962,058</u>	<u>\$ 2,675,254</u>	10.72%

The District's combined net assets increased by approximately 11%, or \$286,804, from 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 \$31,417, or approximately 26 % from the prior year. The increase was primarily a result of expending Capital Projects Fund revenues for expenditures related to the expansion of the kitchen and the elementary classrooms addition.

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 – increased \$124,979, or approximately 19%. This incline 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 year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues							
Program revenues							
Charges for service and sales	\$ 1,048,606	\$ 889,494	\$ 240,476	\$ 204,276	\$ 1,289,082	\$ 1,093,770	17.86%
Operating grants	487,093	411,215	165,694	120,670	652,787	531,885	22.73%
General revenues							
Property tax	1,691,331	1,461,348	-	-	1,691,331	1,461,348	15.74%
Sales and services tax	415,715	372,265	-	-	415,715	372,265	11.67%
Unrestricted state grants	1,770,343	1,666,533	-	-	1,770,343	1,666,533	6.23%
Contributions and donations	15,406	2,010	-	-	15,406	2,010	666.47%
Unrestricted investment earnings	122,912	80,489	459	320	123,371	80,809	52.67%
Other	<u>12,876</u>	<u>6,414</u>	<u>-</u>	<u>-</u>	<u>12,876</u>	<u>6,414</u>	<u>100.75%</u>
Total revenues	<u>5,564,282</u>	<u>4,889,768</u>	<u>406,629</u>	<u>325,266</u>	<u>5,970,911</u>	<u>5,215,034</u>	14.49%
Program expenses							
Governmental activities							
Instruction	3,271,201	3,010,030	-	-	3,271,201	3,010,030	8.68%
Support services	1,695,440	1,486,413	-	-	1,695,440	1,486,413	14.06%
Non-instructional programs	2,428	2,417	388,750	350,086	391,178	352,503	10.97%
Other expenses	<u>326,288</u>	<u>443,761</u>	<u>-</u>	<u>-</u>	<u>326,288</u>	<u>443,761</u>	<u>-26.47%</u>
Total expenses	<u>5,295,357</u>	<u>4,942,621</u>	<u>388,750</u>	<u>350,086</u>	<u>5,684,107</u>	<u>5,292,707</u>	7.40%
Change in net assets	<u>\$ 268,925</u>	<u>\$ (52,853)</u>	<u>\$ 17,879</u>	<u>\$ (24,820)</u>	<u>\$ 286,804</u>	<u>\$ (77,673)</u>	469.25%

In fiscal 2007, property tax and unrestricted state grants account for 62% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$5,970,911 of which \$5,564,282 was for governmental activities and \$406,629 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14 % increase in revenues and a 7% increase in expenses. Property tax increased \$229,983 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$5,564,282 and expenses were \$5,295,357.

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 Cost of Services			Net Cost of Services		
	2007	2006	Change 2006- 2007	2007	2006	Change 2006- 2007
Instruction	\$ 3,271,201	\$ 3,010,030	8.7%	\$ 1,887,389	\$ 1,839,935	2.6%
Support services	1,695,440	1,486,413	14.1%	1,686,945	1,485,230	13.6%
Non-instructional programs	2,428	2,417	0.5%	2,428	2,417	0.5%
Other expenses	<u>326,288</u>	<u>443,761</u>	-26.5%	<u>182,896</u>	<u>314,330</u>	-41.8%
Total expenses	<u>\$ 5,295,357</u>	<u>\$ 4,942,621</u>	7.1%	<u>\$ 3,759,658</u>	<u>\$ 3,641,912</u>	3.2%

- The cost financed by users of the District's programs was \$1,048,606.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$487,093.
- The net cost of governmental activities was financed with \$2,107,046 in property and other taxes and \$1,770,343 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$406,629 representing a 25% increase over the prior year and expenses were \$388,750, an 11% increase over the prior year. The District's business type activities consist of the School Nutrition Fund and the Preschool/Daycare Fund, which was started in fiscal 2006. The Preschool/Daycare continues to grow, accounting for much of the increase in expenditures. Revenues of these activities were comprised of charges for service, federal and state reimbursements, empowerment grant and investment income.

During the year ended June 30, 2007, the District increased meal prices. In addition to meal price increases, the District continued to hold steady the labor hours in the Nutrition program. The savings helped to reduce the amount owed to 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 \$1,068,941, well above last year's ending fund balances of \$(431,396). 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 2007. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance. The fund balance of the Capital Projects fund increased due to issuance of \$1,800,000 of revenue bonds during 2007.

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 \$(543,310) to \$(699,410), due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased from \$41,503 to \$1,670,291 due to issuance of \$1,800,000 of revenue bonds during 2007.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$(3,315) at June 30, 2006 to \$14,564 at June 30, 2007, representing an increase of approximately 539%. For fiscal 2007, the District's Preschool/Daycare program expenditures were greater than the revenues generated by charge for services and empowerment grant revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Danville Community School District amended its annual budget one time by \$310,000 to reflect additional revenue and expenditures. The 2006/2007 budget amendment changed the estimates of expenditures in the areas of total Support Services from \$1,289,705 to \$1,364,705, a difference of \$75,000. The district had increased expenditures for ISCAP interest, energy costs, cleaning supplies, bus repairs, and technology. Total Other Expenditures changed from \$649,212 to \$729,212. Expenditures increased by \$80,000 due to the land, debt service and capital projects expenditures.

The District's revenues were \$145,633 more than budgeted revenues, a variance of 3%. The most significant variance resulted from the District receiving greater charges for services than originally anticipated.

Total expenditures were \$113,933 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 Instruction, Support Services and Non-instructional Programs functional areas, as well as in total, due to the disbursements paid at year-end. Support Services was exceeded due to under estimating interest expenditure for ISCAP. Non-instructional Programs in the area of Preschool/Daycare was a program in the second year with expenditures underestimated. Enrollment figures and grant amounts were not finalized by the end of the budget process for 2006/2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$5,202,815, 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 less than 1% 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 \$242,023.

The original cost of the District's capital assets was \$8,480,324. Governmental funds account for \$8,451,648, with the remainder of \$28,676 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$234,294 at June 30, 2007, compared to \$0 reported at June 30, 2006. This increase resulted from a new construction project being started during 2007.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Land	\$ 147,126	\$ 145,959	\$ -	\$ -	\$ 147,126	\$ 145,959	0.80%
Construction in progress	234,294	-	-	-	234,294	-	100.00%
Buildings and improvements	4,493,674	4,610,334	-	-	4,493,674	4,610,334	-2.53%
Improvements other than buildings	43,243	47,155	-	-	43,243	47,155	-8.30%
Furniture and equipment	<u>273,766</u>	<u>349,879</u>	<u>10,712</u>	<u>11,952</u>	<u>284,478</u>	<u>361,831</u>	-21.38%
Totals	<u>\$5,192,103</u>	<u>\$5,153,327</u>	<u>\$ 10,712</u>	<u>\$ 11,952</u>	<u>\$5,202,815</u>	<u>\$5,165,279</u>	0.73%

Long-Term Debt

At June 30, 2007, the District had \$3,449,898 in general obligation and other long-term debt outstanding. This represents an increase of approximately 71% over 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 2007, the District issued \$1,800,000 of revenue bonds for remodeling the kitchen, adding additional rooms and resurfacing the parking lot.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	<u>2007</u>	<u>2006</u>	<u>2006-</u> <u>2007</u>
General obligation bonds	\$ 1,550,000	\$ 1,680,000	-7.74%
Revenue bonds	1,800,000	220,000	718.18%
Bank loan	-	40,000	-100.00%
Early retirement	<u>99,898</u>	<u>78,816</u>	26.75%
Total	<u>\$ 3,449,898</u>	<u>\$ 2,018,816</u>	70.89%

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 2008. 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 2007/2008 budget includes a cash reserve levy in the amount of \$193,750.
- New money in the amount of approximately \$74,000 is included in the budget as a result of decreased enrollment of 12.5 students.

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, 2007

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$1,924,182	\$ -	\$1,924,182
Other	1,416,941	38,154	1,455,095
Receivables			
Property tax			
Delinquent	13,723	-	13,723
Succeeding year	1,418,395	-	1,418,395
Accounts receivable	1,191	-	1,191
Accrued interest			
ISCAP	16,760	-	16,760
Income surtaxes	152,389	-	152,389
Due from other governments	120,068	-	120,068
Due from other fund	22,566	-	22,566
Inventories	-	1,735	1,735
Non-depreciable capital assets	381,420	-	381,420
Capital assets, net of accumulated depreciation	<u>4,810,683</u>	<u>10,712</u>	<u>4,821,395</u>
Total assets	<u>10,278,318</u>	<u>50,601</u>	<u>10,328,919</u>
 Liabilities			
Accounts payable	106,419	-	106,419
Salaries and benefits payable	334,018	13,471	347,489
Accrued interest payable	16,041	-	16,041
Due to other fund	-	22,566	22,566
Due to other governments	52,463	-	52,463
Deferred revenue			
Succeeding year property tax	1,418,395	-	1,418,395
ISCAP warrants payable	1,928,000	-	1,928,000
ISCAP accrued interest payable	14,622	-	14,622
ISCAP unamortized premium	10,968	-	10,968
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	145,000	-	145,000
Revenue bonds payable	180,000	-	180,000
Early retirement payable	19,298	-	19,298

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Liabilities (continued)			
Long-term liabilities (continued)			
Portion due after one year			
General obligation bonds payable	\$1,405,000	\$ -	\$1,405,000
Revenue bonds payable	1,620,000	-	1,620,000
Early retirement payable	<u>80,600</u>	-	<u>80,600</u>
Total liabilities	<u>7,330,824</u>	<u>36,037</u>	<u>7,366,861</u>
Net Assets			
Invested in capital assets, net of related debt	3,407,809	10,712	3,418,521
Restricted for			
Physical plant and equipment levy	4,174	-	4,174
Other special revenue purposes	84,151	-	84,151
Unrestricted	<u>(548,640)</u>	<u>3,852</u>	<u>(544,788)</u>
Total net assets	<u>\$2,947,494</u>	<u>\$ 14,564</u>	<u>\$2,962,058</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Primary Government</u>	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Primary Government</u>
Governmental activities	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Instruction	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Regular instruction	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Special instruction	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Other instruction	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Support services	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Student	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Instructional staff	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Administration	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Operation and maintenance of plant	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Transportation	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Non-instructional programs	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Other expenditures	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Facilities acquisition	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Long-term debt interest	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
AEA flowthrough	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Depreciation (unallocated) *	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
Total governmental activities	<u>Expenses</u>	<u>for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>
	\$ 2,141,102	\$ 929,083	\$ 246,954	\$ (965,065)
	451,709	119,523	86,977	(245,209)
	678,390	-	1,275	(677,115)
	<u>3,271,201</u>	<u>1,048,606</u>	<u>335,206</u>	<u>(1,887,389)</u>
	51,024	-	-	(51,024)
	65,910	-	-	(65,910)
	747,224	-	-	(747,224)
	559,729	-	3,283	(556,446)
	271,553	-	5,212	(266,341)
	<u>1,695,440</u>	<u>-</u>	<u>8,495</u>	<u>(1,686,945)</u>
	<u>2,428</u>	<u>-</u>	<u>-</u>	<u>(2,428)</u>
	23,483	-	-	(23,483)
	142,801	-	-	(142,801)
	143,392	-	143,392	-
	16,612	-	-	(16,612)
	<u>326,288</u>	<u>-</u>	<u>143,392</u>	<u>(182,896)</u>
	<u>5,295,357</u>	<u>1,048,606</u>	<u>487,093</u>	<u>(3,759,658)</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

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	Primary Government		
	Expenses	Interest	Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs (continued)						
Primary Government (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 269,190	\$ 86,757	\$ -	\$ -	\$ 11,786	\$ 11,786
Preschool program	119,560	78,937	-	-	5,634	5,634
Total business type activities	388,750	240,476	-	-	17,420	17,420
Total primary government	\$ 5,684,107	\$ 1,289,082	\$ -	\$ -	(3,759,658)	(3,742,238)
General Revenues						
Property tax levied for						
General purposes				1,534,212	-	1,534,212
Debt service				129,606	-	129,606
Capital outlay				27,513	-	27,513
Local option sales and services tax				415,715	-	415,715
Unrestricted state grants				1,770,343	-	1,770,343
Contributions and donations				15,406	-	15,406
Unrestricted investment earnings				122,912	459	123,371
Other				12,876	-	12,876
Total general revenues				4,028,583	459	4,029,042
Change in net assets				268,925	17,879	286,804
Net assets, beginning of year				2,678,569	(3,315)	2,675,254
Net assets, end of year				\$ 2,947,494	\$ 14,564	\$ 2,962,058

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

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments				
ISCAP	\$1,924,182	\$ -	\$ -	\$1,924,182
Other	-	1,321,096	95,845	1,416,941
Receivables				
Property tax				
Delinquent	11,589	-	2,134	13,723
Succeeding year	1,181,878	-	236,517	1,418,395
Accounts receivable	1,110	-	81	1,191
Accrued interest				
ISCAP	16,760	-	-	16,760
Income surtaxes	152,389	-	-	152,389
Due from other governments	58,170	61,898	-	120,068
Due from other funds	-	381,651	467	382,118
Total assets	<u>\$3,346,078</u>	<u>\$1,764,645</u>	<u>\$335,044</u>	<u>\$5,445,767</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 12,065	\$ 94,354	\$ -	\$ 106,419
Salaries and benefits payable	334,018	-	-	334,018
Due to other governments	52,463	-	-	52,463
Due to other fund	359,085	-	467	359,552
ISCAP warrants payable	1,928,000	-	-	1,928,000
ISCAP accrued interest payable	14,622	-	-	14,622
ISCAP unamortized premium	10,968	-	-	10,968
Deferred revenue				
Income surtaxes	152,389	-	-	152,389
Succeeding year property tax	1,181,878	-	236,517	1,418,395
Total liabilities	<u>4,045,488</u>	<u>94,354</u>	<u>236,984</u>	<u>4,376,826</u>
Fund balances				
Reserved for				
Debt service	-	-	642	642
Unreserved, governmental funds	(699,410)	1,670,291	-	970,881
Unreserved, special revenue funds	-	-	97,418	97,418
Total fund balances	<u>(699,410)</u>	<u>1,670,291</u>	<u>98,060</u>	<u>1,068,941</u>
Total liabilities and fund balances	<u>\$3,346,078</u>	<u>\$1,764,645</u>	<u>\$335,044</u>	<u>\$5,445,767</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$1,068,941
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,192,103
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	152,389
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.	(16,041)
Long-term liabilities, including bonds and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,449,898)</u>
Net assets of governmental activities	<u>\$2,947,494</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$1,288,300	\$ 415,715	\$ 249,134	\$1,953,149
Tuition	781,249	-	-	781,249
Other	108,419	2,660	314,362	425,441
State sources	2,117,363	-	274	2,117,637
Federal sources	132,810	-	-	132,810
Total revenues	<u>4,428,141</u>	<u>418,375</u>	<u>563,770</u>	<u>5,410,286</u>
Expenditures				
Current				
Instruction				
Regular	2,073,640	-	12,991	2,086,631
Special	444,791	-	3,922	448,713
Other	420,663	-	239,199	659,862
	<u>2,939,094</u>	<u>-</u>	<u>256,112</u>	<u>3,195,206</u>
Support services				
Student	42,013	-	6,849	48,862
Instructional staff	91,597	-	347	91,944
Administration	749,320	-	7,953	757,273
Operation and maintenance of plant	381,199	-	29,874	411,073
Transportation	239,233	-	16,130	255,363
	<u>1,503,362</u>	<u>-</u>	<u>61,153</u>	<u>1,564,515</u>
Non-instructional programs	-	-	2,428	2,428
Other expenditures				
Facilities acquisition	-	237,662	27,047	264,709
Long-term debt				
Principal	-	-	390,000	390,000
Interest and fiscal charges	-	-	151,306	151,306
AEA flowthrough	143,392	-	-	143,392
	<u>143,392</u>	<u>237,662</u>	<u>568,353</u>	<u>949,407</u>
Total expenditures	<u>4,585,848</u>	<u>237,662</u>	<u>888,046</u>	<u>5,711,556</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (157,707)	\$ 180,713	\$ (324,276)	\$ (301,270)
Other financing sources (uses)				
Sale of equipment and materials	1,607	-	-	1,607
Proceeds from bonds	-	1,800,000	-	1,800,000
Interfund operating transfers in	-	-	351,925	351,925
Interfund operating transfers (out)	-	(351,925)	-	(351,925)
Total other financing sources	<u>1,607</u>	<u>1,448,075</u>	<u>351,925</u>	<u>1,801,607</u>
Net change in fund balances	(156,100)	1,628,788	27,649	1,500,337
Fund balance, beginning of year	<u>(543,310)</u>	<u>41,503</u>	<u>70,411</u>	<u>(431,396)</u>
Fund balance, end of year	<u>\$ (699,410)</u>	<u>\$1,670,291</u>	<u>\$ 98,060</u>	<u>\$1,068,941</u>

See notes to financial statements.

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, 2007

Exhibit F

Net change in fund balances - total governmental funds \$1,500,337

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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 279,559	
Depreciation expense	<u>(240,783)</u>	38,776

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 152,389

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 repayments exceeded issues, as follows:

Issued	\$(1,800,000)	
Repaid	<u>390,000</u>	(1,410,000)

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		(21,082)
------------------	--	----------

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. 8,505

Change in net assets of governmental activities \$ 268,925

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2007

Exhibit G

	<u>Nonmajor Enterprise</u>
Assets	
Cash and cash equivalents	\$ 38,154
Inventories	1,735
Capital assets, net of accumulated depreciation	<u>10,712</u>
Total assets	<u>50,601</u>
 Liabilities	
Salaries and benefits payable	13,471
Due to other funds	<u>22,566</u>
Total liabilities	<u>36,037</u>
 Net Assets	
Invested in capital assets, net of related debt	10,712
Unrestricted	<u>3,852</u>
Total net assets	<u><u>\$ 14,564</u></u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit H

	Nonmajor <u>Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$240,476</u>
 Operating expenses	
Instruction	
Salaries	43,799
Purchased services	210
Supplies	<u>2,306</u>
	<u>46,315</u>
Non-instructional programs	
Food service operations	
Salaries and benefits	79,184
Benefits	27,321
Purchased services	1,930
Supplies	159,515
Depreciation	<u>1,240</u>
	<u>269,190</u>
Preschool operations	
Salaries	40,109
Benefits	32,921
Purchased services	215
	<u>73,245</u>
Total operating expenses	<u>388,750</u>
 Operating (loss)	 <u>(148,274)</u>
 Non-operating revenues	
Interest income	459
State sources	82,350
Federal sources	<u>83,344</u>
Total non-operating revenues	<u>166,153</u>
 Net income	 17,879
Net assets, beginning of year	<u>(3,315)</u>
Net assets, end of year	<u><u>\$ 14,564</u></u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 240,476
Cash payments to employees for services	(219,466)
Cash payments to suppliers for goods and services	<u>(163,914)</u>
Net cash used in operating activities	<u>(142,904)</u>
Cash flows from non-capital financing activities	
State grants received	82,350
Federal grants received	<u>76,587</u>
Net cash provided by non-capital financing activities	<u>158,937</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>459</u>
Net increase in cash and cash equivalents	16,492
Cash and cash equivalents, beginning of year	<u>21,662</u>
Cash and cash equivalents, end of year	<u><u>\$ 38,154</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(148,274)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,240
Commodities used	6,757
Decrease in inventory	1,708
(Decrease) in accounts payable	(30,769)
Increase in due to other funds	22,566
Increase in accrued salaries and benefits	<u>3,868</u>
Net cash used in operating activities	<u><u>\$(142,904)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$6,757 of federal commodities.

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	\$10,731
Liabilities	
Due to others	<u>219</u>
Net assets	
Reserved for scholarships	<u>\$10,512</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2007

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	
Local sources	
Interest	\$ 175
Deductions	
Instruction, regular	
Scholarships	<u>429</u>
Change in net assets	(254)
Net assets, beginning of year	<u>10,766</u>
Net assets, end of year	<u><u>\$ 10,512</u></u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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 not meeting 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 utilized to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds. However, it reports two nonmajor enterprise funds, the School Nutrition Fund which is used to account for the food service operations of the District and the Preschool Fund which accounts for the operation of the District's preschool program.

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 funds 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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, 2007 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, 2007. 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 and income surtaxes 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 Balance - 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.

Designated Fund Balance - The District has designated a portion of its fund balance for specific programs.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports no net assets which are restricted by 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, 2007, disbursements exceeded the amended amounts budgeted in the Support Services and Non-instructional Programs 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, 2007 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, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 4,977

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

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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major governmental	Non-major governmental	\$ 467
Capital projects fund	General fund	359,085
Capital projects fund	Non-major enterprise	<u>22,566</u>
Totals		<u>\$ 382,118</u>

The Debt Service Fund owes the Management Fund, the Preschool Fund and the General Fund owe the Capital Projects 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, 2007 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects Fund	\$ -	\$ 351,925
Non-major governmental	<u>351,925</u>	<u>-</u>
Total	<u>\$ 351,925</u>	<u>\$ 351,925</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Capital Projects Fund

transferred money to the Debt Service Fund to make principal and interest payments on long-term debt.

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, 2007, 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>
2006-07B	1/26/07	1/25/08	\$ 793,970	\$ 16,422	\$ 796,000	\$ 14,366	\$ 2,568
2007-08A	6/27/07	6/27/08	<u>1,130,212</u>	<u>338</u>	<u>1,132,000</u>	<u>256</u>	<u>8,400</u>
			<u>\$ 1,924,182</u>	<u>\$ 16,760</u>	<u>\$ 1,928,000</u>	<u>\$ 14,622</u>	<u>\$ 10,968</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, 2007 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>
2005-06B	\$ -	\$ 267,000	\$ 267,000	\$ -
2006-07A	-	700,000	700,000	-
2006-07B	-	<u>210,000</u>	<u>210,000</u>	-
Total	<u>\$ -</u>	<u>\$ 1,177,000</u>	<u>\$ 1,177,000</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>
2006-07A	4.500%	5.6760%
2006-07B	4.250%	5.3150%
2007-08A	4.500%	5.4550%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 145,959	\$ 1,167	\$ -	\$ 147,126
Construction in progress	-	234,294	-	234,294
Total capital assets, not being depreciated	<u>145,959</u>	<u>235,461</u>	<u>-</u>	<u>381,420</u>
Capital assets being depreciated:				
Buildings and improvements	6,201,953	4,040	-	6,205,993
Improvements other than buildings	281,244	-	-	281,244
Furniture and equipment	<u>1,542,933</u>	<u>40,058</u>	<u>-</u>	<u>1,582,991</u>
Total capital assets being depreciated	<u>8,026,130</u>	<u>44,098</u>	<u>-</u>	<u>8,070,228</u>
Less accumulated depreciation for:				
Buildings and improvements	1,591,619	120,700	-	1,712,319
Improvements other than buildings	234,089	3,912	-	238,001
Furniture and equipment	<u>1,193,054</u>	<u>116,171</u>	<u>-</u>	<u>1,309,225</u>
Total accumulated depreciation	<u>3,018,762</u>	<u>240,783</u>	<u>-</u>	<u>3,259,545</u>
Total capital assets being depreciated, net	<u>5,007,368</u>	<u>(196,685)</u>	<u>-</u>	<u>4,810,683</u>
Governmental activities capital assets, net	<u>\$ 5,153,327</u>	<u>\$ 38,776</u>	<u>\$ -</u>	<u>\$ 5,192,103</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 28,676	\$ -	\$ -	\$ 28,676
Less accumulated depreciation	<u>(16,724)</u>	<u>(1,240)</u>	<u>-</u>	<u>(17,964)</u>
Business type activities capital assets, net	<u>\$ 11,952</u>	<u>\$ (1,240)</u>	<u>\$ -</u>	<u>\$ 10,712</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular		\$ 24,378
Special		2,996
Other		18,528
Support services		
Student support		2,162
Instructional staff support		2,042
Administration		9,219
Operation and maintenance of plant		148,656
Transportation		16,190
Unallocated depreciation		<u>16,612</u>
Total governmental activities depreciation expense		<u>\$ 240,783</u>

Business type activities

Food services		<u>\$ 1,240</u>
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Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 130,000	\$ -	\$ (130,000)	\$ -	\$ -
Refunded bonds	1,550,000	-	-	1,550,000	145,000
Revenue bonds	220,000	1,800,000	(220,000)	1,800,000	180,000
Bank loan	40,000	-	(40,000)	-	-
Early retirement	<u>78,816</u>	<u>45,259</u>	<u>(24,177)</u>	<u>99,898</u>	<u>19,298</u>
Totals	<u>\$ 2,018,816</u>	<u>\$ 1,845,259</u>	<u>\$ (414,177)</u>	<u>\$ 3,449,898</u>	<u>\$ 344,298</u>

Interest costs incurred and charged to expense on all long-term debt was \$150,205 for the year ended June 30, 2007.

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, 2007 totaled \$24,177.

Revenue Bonds

In June 2007 the District issued revenue anticipation bonds in the amount of \$1,800,000 to be used for remodeling and improvements to the kitchen. This bond issue will be repaid from revenue generated from the local sales and services tax. Details of the revenue anticipation bonded indebtedness at June 30, 2007 are as follows:

Year Ending June 30,	Bond issue of June 1, 2007			
	Interest Rates	Interest	Principal	Total
2008	4.000	\$ 72,530	\$ 180,000	\$ 252,530
2009	4.000	65,330	180,000	245,330
2010	4.000	58,730	120,000	178,730
2011	4.000	53,930	125,000	178,930
2012	4.050	48,814	130,000	178,814
2013	4.100	43,533	135,000	178,533
2014	4.100	37,895	140,000	177,895
2015	4.150	32,034	150,000	182,034
2016	4.200	25,791	155,000	180,791
2017	4.250	19,156	160,000	179,156
2018	4.300	12,336	165,000	177,336
2019	4.350	5,220	160,000	165,220
Totals		<u>\$ 475,299</u>	<u>\$ 1,800,000</u>	<u>\$ 2,275,299</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of November 1, 2005			
	Interest Rates	Interest	Principal	Total
2008	3.350	\$ 59,082	\$ 145,000	\$ 204,082
2009	3.450	54,225	155,000	209,225
2010	3.550	48,877	155,000	203,877
2011	3.700	43,375	165,000	208,375
2012	3.800	37,270	175,000	212,270
2013	3.900	30,620	175,000	205,620
2014	4.000	23,795	185,000	208,795
2015	4.100	16,395	195,000	211,395
2016	4.200	<u>8,400</u>	<u>200,000</u>	<u>208,400</u>
Totals		<u>\$ 322,039</u>	<u>\$ 1,550,000</u>	<u>\$ 1,872,039</u>

Refunded General Obligation Bonds

During the year ended June 30, 2006, the District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are not recorded by the District. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$1,520,000 at June 30, 2006.

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, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$159,644, \$147,491 and \$139,452, 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 \$143,392 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, 2007:

General Fund	\$699,410
Preschool	\$ 32,878

Note 12. Subsequent Event

In June 2007, the District began a construction project to remodel the kitchen, construct additional classrooms and improve the parking lot, which is expected to be completed in the fall of 2007. The project is expected to cost approximately \$1,399,500.

In August 2007, the District entered into a loan agreement with a local bank for \$60,000 for the purchase of a bus.

Note 13. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Required Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2007

	Governmental Funds		Proprietary Funds	Total	Budgeted Amounts		Final to Actual Variance
	Actual		Actual	Actual	Original	Final	
Revenues							
Local sources	\$3,159,839	\$240,935	\$3,400,774	\$3,321,385	\$3,321,385	\$3,321,385	\$ 79,389
State sources	2,117,637	82,350	2,199,987	2,162,897	2,162,897	2,162,897	37,090
Federal sources	132,810	83,344	216,154	187,000	187,000	187,000	29,154
Total revenues	<u>5,410,286</u>	<u>406,629</u>	<u>5,816,915</u>	<u>5,671,282</u>	<u>5,671,282</u>	<u>5,671,282</u>	<u>145,633</u>
Expenditures							
Instruction	3,195,206	46,315	3,241,521	3,171,027	3,171,027	3,196,027	(45,494)
Support services	1,564,515	-	1,564,515	1,408,600	1,408,600	1,473,600	(90,915)
Non-instructional programs	2,428	342,435	344,863	392,000	392,000	412,000	67,137
Other expenditures	949,407	-	949,407	704,746	704,746	904,746	(44,661)
Total expenditures	<u>5,711,556</u>	<u>388,750</u>	<u>6,100,306</u>	<u>5,676,373</u>	<u>5,676,373</u>	<u>5,986,373</u>	<u>(113,933)</u>
Excess (deficiency) of revenues over (under) expenditures	(301,270)	17,879	(283,391)	(5,091)	(5,091)	(315,091)	31,700
Net other financing sources	<u>1,801,607</u>	<u>-</u>	<u>1,801,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,801,607</u>
Net change in fund balance	1,500,337	17,879	1,518,216	(5,091)	(5,091)	(315,091)	1,833,307
Balance, beginning of year	<u>(431,396)</u>	<u>(3,315)</u>	<u>(434,711)</u>	<u>(294,020)</u>	<u>(294,020)</u>	<u>(294,020)</u>	<u>(140,691)</u>
Balance, end of year	<u>\$1,068,941</u>	<u>\$ 14,564</u>	<u>\$1,083,505</u>	<u>\$ (299,111)</u>	<u>\$ (299,111)</u>	<u>\$ (609,111)</u>	<u>\$1,692,616</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2007

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 except Private Purpose Trust. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 function 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 budgeted expenditures by \$310,000.

During the year ended June 30, 2007, District expenditures exceeded the amounts budgeted in the Instruction, Support Services and Other Expenditures functions, as well as in total. However, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Schedule 1

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt	Total
	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u> </u>
Assets					
Cash and pooled investments	\$ 7,755	\$84,151	\$ 3,939	\$ -	\$ 95,845
Receivables					
Property tax					
Current year delinquent	790	-	235	1,109	2,134
Succeeding year	80,000	-	27,611	128,906	236,517
Accounts receivable	81	-	-	-	81
Due from other funds	467	-	-	-	467
Total assets	<u>\$ 89,093</u>	<u>\$84,151</u>	<u>\$ 31,785</u>	<u>\$130,015</u>	<u>\$ 335,044</u>
 Liabilities and Fund Balances					
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 467	\$ 467
Deferred revenue					
Succeeding year property tax	<u>80,000</u>	<u>-</u>	<u>27,611</u>	<u>128,906</u>	<u>236,517</u>
Total liabilities	<u>80,000</u>	<u>-</u>	<u>27,611</u>	<u>129,373</u>	<u>236,984</u>
 Fund balances					
Reserved for debt service	-	-	-	642	642
Unreserved fund balances	<u>9,093</u>	<u>84,151</u>	<u>4,174</u>	<u>-</u>	<u>97,418</u>
Total fund balances	<u>9,093</u>	<u>84,151</u>	<u>4,174</u>	<u>642</u>	<u>98,060</u>
Total liabilities and fund balances	<u>\$ 89,093</u>	<u>\$84,151</u>	<u>\$ 31,785</u>	<u>\$130,015</u>	<u>\$ 335,044</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, 2007

Schedule 2

Revenues	Special Revenue				
	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	Debt <u>Service</u>	<u>Total</u>
Local sources					
Local taxes	\$ 92,188	\$ -	\$ 27,483	\$ 129,463	\$ 249,134
Other	6,467	248,467	5	59,423	314,362
State sources	101	-	30	143	274
Total revenues	98,756	248,467	27,518	189,029	563,770
Expenditures					
Current					
Instruction					
Regular	12,991	-	-	-	12,991
Special	3,922	-	-	-	3,922
Other	1,347	237,852	-	-	239,199
Total instruction	18,260	237,852	-	-	256,112
Support services					
Student	6,849	-	-	-	6,849
Instructional staff	347	-	-	-	347
Administration	7,953	-	-	-	7,953
Operation and maintenance of plant	29,874	-	-	-	29,874
Transportation	15,130	-	1,000	-	16,130
Total support services	60,153	-	1,000	-	61,153
Non-instructional programs	2,428	-	-	-	2,428
Other expenditures					
Facilities acquisition	-	-	27,047	-	27,047
Long-term debt					
Principal	-	-	-	390,000	390,000
Interest and fiscal charges	-	-	-	151,306	151,306
Total other expenditures	-	-	27,047	541,306	568,353
Total expenditures	80,841	237,852	28,047	541,306	888,046
Excess (deficiency) of revenues over (under) expenditures	17,915	10,615	(529)	(352,277)	(324,276)
Other financing sources					
Interfund operating transfers in	-	-	-	351,925	351,925
Net change in fund balances	17,915	10,615	(529)	(352)	27,649
Fund balances, beginning of year	(8,822)	73,536	4,703	994	70,411
Fund balances, end of year	\$ 9,093	\$ 84,151	\$ 4,174	\$ 642	\$ 98,060

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
 Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2007

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$38,154	\$ -	\$38,154
Inventories	1,735	-	1,735
Capital assets, net of accumulated depreciation	<u>10,712</u>	-	<u>10,712</u>
Total assets	<u>50,601</u>	<u>-</u>	<u>50,601</u>
Liabilities			
Salaries and benefits payable	3,159	10,312	13,471
Due to other funds	-	<u>22,566</u>	<u>22,566</u>
Total liabilities	<u>3,159</u>	<u>32,878</u>	<u>36,037</u>
Net Assets			
Invested in capital assets	10,712	-	10,712
Unrestricted	<u>36,730</u>	<u>(32,878)</u>	<u>3,852</u>
Total net assets	<u>\$47,442</u>	<u>\$(32,878)</u>	<u>\$14,564</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

Schedule 4

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue	<u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Local sources			
Charges for service	\$194,219	\$ 46,257	\$ 240,476
Operating expenses			
Instruction			
Salaries	-	43,799	43,799
Purchased services	-	210	210
Supplies	-	2,306	2,306
	<u>-</u>	<u>46,315</u>	<u>46,315</u>
Noninstructional programs			
Food service operations			
Salaries	79,184	-	79,184
Benefits	27,321	-	27,321
Purchased services	1,930	-	1,930
Supplies	159,515	-	159,515
Depreciation	1,240	-	1,240
	<u>269,190</u>	<u>-</u>	<u>269,190</u>
Preschool operations			
Salaries	-	40,109	40,109
Benefits	-	32,921	32,921
Purchased services	-	215	215
	<u>-</u>	<u>73,245</u>	<u>73,245</u>
Total operating expenses	<u>269,190</u>	<u>119,560</u>	<u>388,750</u>
Operating loss	<u>(74,971)</u>	<u>(73,303)</u>	<u>(148,274)</u>
Non-operating revenue			
Interest income	459	-	459
State sources	3,413	78,937	82,350
Federal sources	83,344	-	83,344
Total non-operating revenue	<u>87,216</u>	<u>78,937</u>	<u>166,153</u>
Net income	12,245	5,634	17,879
Net assets, beginning of year	<u>35,197</u>	<u>(38,512)</u>	<u>(3,315)</u>
Net assets, end of year	<u>\$ 47,442</u>	<u>\$ (32,878)</u>	<u>\$ 14,564</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

Schedule 5

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Cash flows from operating activities			
Cash received from sale of services	\$ 194,219	\$ 46,257	\$ 240,476
Cash payments to employees for services	(105,206)	(114,260)	(219,466)
Cash payments to suppliers for goods and services	<u>(152,980)</u>	<u>(10,934)</u>	<u>(163,914)</u>
Net cash used in operating activities	<u>(63,967)</u>	<u>(78,937)</u>	<u>(142,904)</u>
 Cash flows from non-capital financing activities			
State grants received	3,413	78,937	82,350
Federal grants received	<u>76,587</u>	<u>-</u>	<u>76,587</u>
Net cash provided by non-capital financing activities	<u>80,000</u>	<u>78,937</u>	<u>158,937</u>
 Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
 Cash flows from investing activities			
Interest on investments	<u>459</u>	<u>-</u>	<u>459</u>
Net increase in cash and cash equivalents	16,492	-	16,492
Cash and cash equivalents, beginning of year	<u>21,662</u>	<u>-</u>	<u>21,662</u>
Cash and cash equivalents, end of year	<u>\$ 38,154</u>	<u>\$ -</u>	<u>\$ 38,154</u>
 Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (74,971)	\$(73,303)	\$(148,274)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	1,240	-	1,240
Commodities used	6,757	-	6,757
Decrease in inventory	1,708	-	1,708
(Decrease) in accounts payable	-	(30,769)	(30,769)
Increase in due to other funds	-	22,566	22,566
Increase (decrease) in accrued salaries and benefits	<u>1,299</u>	<u>(2,569)</u>	<u>(1,270)</u>
Net cash used in operating activities	<u>\$ (63,967)</u>	<u>\$(84,075)</u>	<u>\$(148,042)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$6,757 of federal commodities.

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, 2007

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of Year
Athletics	\$ 6,499	\$ 44,911	\$ 52,811	\$ 5,657	\$ 4,256
Activity fees	-	6,338	27	(6,311)	-
Class of:					
2006	106	-	-	(106)	-
2007	3,514	1,560	4,611	-	463
2008	1,767	13,004	11,873	-	2,898
2009	1,197	721	309	-	1,609
2010	56	1,740	981	-	815
2011	409	-	-	-	409
2012	167	-	-	-	167
2013	439	2,317	2,621	-	135
2014	-	64	170	106	-
Playground equipment fund	3,318	18,666	376	-	21,608
Book clubs	-	2,922	2,937	15	-
Book fair	3,689	3,630	6,396	-	923
Parent volunteers	1,816	11,325	10,516	-	2,625
Jump Rope for Heart	723	-	-	-	723
Kindergarten workshop	62	-	-	-	62
Elementary school store	8	909	943	26	-
Speech	-	1,347	3,546	2,199	-
National Honor Society	114	-	192	78	-
Drama	588	2,844	3,045	-	387
Cheerleaders	203	-	-	-	203
Volleyball camp	1,838	4,638	5,597	-	879
SCI program	61	-	-	-	61
Math/Science	217	-	-	-	217
High school student council	299	3,021	2,846	-	474
Jr high student council	8,023	6,517	6,040	-	8,500
Boys basketball camp	111	3,453	3,538	-	26
Girls basketball camp	436	1,260	1,378	-	318
Baseball camp	2,014	2,663	4,994	317	-
Softball camp	-	7,556	8,192	636	-
Golf camp	-	836	587	-	249

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, 2007

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Band	\$ 99	\$ 255	\$ 487	\$ 133	\$ -
Vocal music	-	-	1,348	1,348	-
Swing choir	7,877	59,587	56,363	-	11,101
Music trip	1,992	-	-	-	1,992
High school pop	3,627	5,444	6,414	-	2,657
School store	316	215	286	-	245
Seniors, Inc.	388	120	-	-	508
Shop	238	619	778	-	79
FHA	497	1,166	916	-	747
Mass media	383	745	273	-	855
Yearbook	6,984	16,955	16,002	-	7,937
Student pictures	5,959	6,043	6,203	-	5,799
Interest	7,502	1,172	-	(4,450)	4,224
General	-	13,904	14,256	352	-
Totals	<u>\$ 73,536</u>	<u>\$ 248,467</u>	<u>\$ 237,852</u>	<u>\$ -</u>	<u>\$ 84,151</u>

See accompanying Independent Auditor's Report.

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

Schedule 7

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$1,953,149	\$1,832,358	\$1,780,361	\$1,793,022
Tuition	781,249	643,369	678,983	630,644
Other	425,441	344,940	417,235	261,089
Intermediate sources	-	-	-	14,812
State sources	2,117,637	1,961,839	1,916,794	1,737,471
Federal sources	132,810	106,887	124,608	107,508
Total revenues	<u>\$5,410,286</u>	<u>\$4,889,393</u>	<u>\$4,917,981</u>	<u>\$4,544,546</u>
Expenditures				
Instruction				
Regular	\$2,086,631	\$1,865,099	\$1,889,528	\$1,887,401
Special	448,713	420,957	363,474	434,193
Other	659,862	685,825	731,195	474,810
Support services				
Student	48,862	52,108	76,134	60,415
Instructional staff	91,944	84,790	106,076	67,008
Administration	757,273	658,129	534,728	464,840
Operation and maintenance of plant	411,073	402,703	382,867	359,174
Transportation	255,363	245,424	226,894	201,758
Central support services				479
Non-instructional programs	2,428	2,417	104,342	4,968
Other expenditures				
Facilities acquisition	264,709	99,475	361,119	152,193
Long-term debt				
Principal	390,000	370,000	315,000	332,512
Interest and other charges	151,306	150,857	121,852	137,185
AEA flowthrough	143,392	129,431	126,367	126,589
Total expenditures	<u>\$5,711,556</u>	<u>\$5,167,215</u>	<u>\$5,339,576</u>	<u>\$4,703,525</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated May 28, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Danville Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Danville Community School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Danville Community School District's ability to initiate, authorize, record process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Danville Community School District's financial statements that is more than inconsequential will not be prevented or detected by Danville Community

School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Danville Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items A and B are material weaknesses.

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, 2007 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.

Danville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit Danville Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Danville Community School District and other parties to whom Danville Community School 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

Kay L. Chapman, CPA PC
May 28, 2008

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- 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. I noted that the same individual performs the following duties: 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.

- B. Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - The business manager should consider obtaining GAAP knowledge through reading relevant accounting literature and/or attending professional education courses to help her significantly improve in her ability to prepare reliable GAAP financial statements, including footnote disclosures.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We will investigate alternatives to our controls, but believe that it would not be an efficient use of District funds to get the necessary training for the business manager to comply with this recommendation.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered a material misstatement on the District's Certified Annual Report (CAR) that was not detected by the District's internal controls. The CAR did not include the interest revenue and expenditure for bonds paid by a fiscal agent. This misstatement was not detected and corrected before the final CAR was filed with the Iowa Department of Education.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide some oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amended amounts budgeted in the Instruction, Support Services and Non-instructional Programs functions, as well as in total.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - The District should have amended the budget in sufficient amounts before expenditures 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.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, the minutes were not always made available to the newspaper within two weeks, as required by the Code of Iowa.

Recommendation - Chapter 279.35 of the Code of Iowa requires that minutes are made available to the newspaper within two weeks of the board meeting. The District should ensure that they comply with the Code of Iowa.

Response - We will be more attentive of this in the future and ensure that we comply with Chapter 279.35 of the Code of Iowa.

Conclusion - Response accepted.

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. 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.
9. 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. None of the

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

errors noted affected the ending fund balances.

Recommendation - Since the ending fund balances were not affected by the errors, the District does not need to correct the beginning fund balances on their Certified Annual Report for the year ending June 30, 2008. However, the District should ensure that the amounts reported on all future CARs are correct.

Response - We will try our best to ensure that all amounts reported on future CARs are correct.

Conclusion - Response accepted.

10. Financial Condition - The District had unreserved, undesignated deficits in the General Fund and Preschool Fund of \$699,410 and \$32,878, respectively at June 30, 2007.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits in order to return these funds to sound financial conditions.

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

Conclusion - Response accepted.

DANVILLE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant