

DANVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

DANVILLE COMMUNITY SCHOOL DISTRICT

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DANVILLE COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2007 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
(After September 2007 Election)		
Jeff Taeger	Board President	2009
Brian Bauer	Vice President	2008
Jim Hoberg	Board Member	2008
Patty Brooks	Board Member	2009
Allan Luers	Board Member	2010
<b>School Officials</b>		
Stephen McAllister	Superintendent	2008
Nancy House	Board Secretary/Treasurer	2008
Ahlers & Cooney, PC	Attorney	2008

# KAY L. CHAPMAN, CPA PC

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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, 2008, 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, 2008, 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 March 18, 2009 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 14 and 44 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Danville Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, 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, 2007 (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, 2008, appearing in Schedule 4, 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  
March 18, 2009

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

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Danville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,428,141 in fiscal 2007 to \$4,710,938 in fiscal 2008, and General Fund expenditures increased from \$4,585,848 in fiscal 2007 to \$4,651,061 in fiscal 2008. The District's General Fund balance increased from \$(699,410) in fiscal 2007 to \$(639,283) in fiscal 2008, a 9% increase.
- The increase in General Fund revenues was attributable to an increase in local option sales and services tax receipts and state aid in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and increased tuition payments. One reason the General Fund balance increased is because the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2008.

### **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.

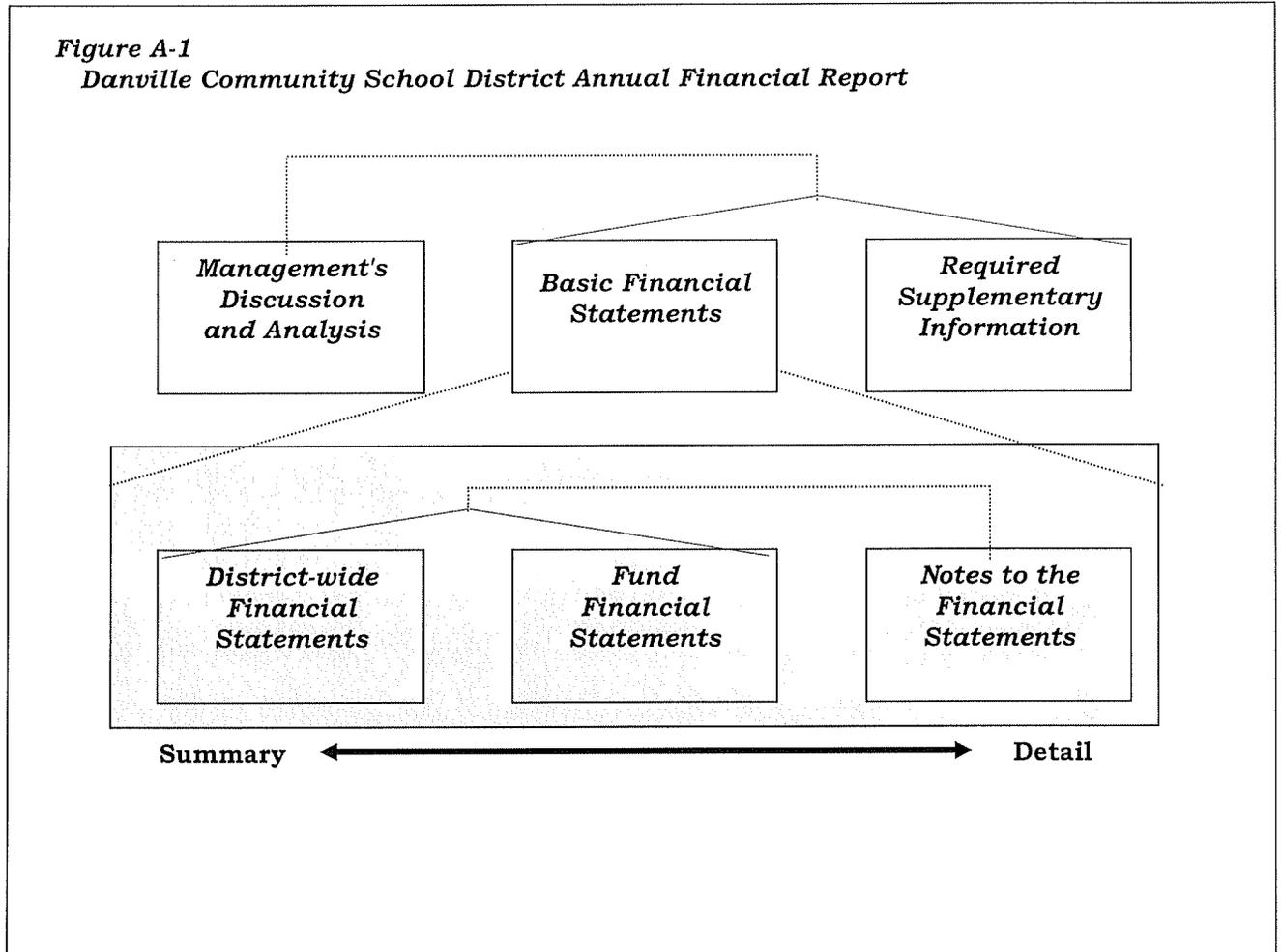


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists 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 fund 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, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Current and other assets	\$ 4,142,846	\$ 5,086,215	\$ 12,149	\$ 39,889	\$4,154,995	\$ 5,126,104	-18.94%
Capital assets	<u>6,138,017</u>	<u>5,192,103</u>	<u>284,214</u>	<u>10,712</u>	<u>6,422,231</u>	<u>5,202,815</u>	23.44%
Total assets	<u>10,280,863</u>	<u>10,278,318</u>	<u>296,363</u>	<u>50,601</u>	<u>10,577,226</u>	<u>10,328,919</u>	2.40%
Long-term liabilities	3,150,601	3,449,898	-	-	3,150,601	3,449,898	-8.68%
Other liabilities	<u>4,280,254</u>	<u>3,880,926</u>	<u>15,248</u>	<u>36,037</u>	<u>4,295,502</u>	<u>3,916,963</u>	9.66%
Total liabilities	<u>7,430,855</u>	<u>7,330,824</u>	<u>15,248</u>	<u>36,037</u>	<u>7,446,103</u>	<u>7,366,861</u>	1.08%
Net assets							
Invested in capital assets, net of related debt	3,068,017	3,407,809	284,214	10,712	3,352,231	3,418,521	-1.94%
Restricted	326,585	88,325	-	-	326,585	88,325	269.75%
Unrestricted	<u>(544,594)</u>	<u>(548,640)</u>	<u>(3,099)</u>	<u>3,852</u>	<u>(547,693)</u>	<u>(544,788)</u>	-0.53%
Total net assets	<u>\$ 2,850,008</u>	<u>\$ 2,947,494</u>	<u>\$281,115</u>	<u>\$ 14,564</u>	<u>\$3,131,123</u>	<u>\$ 2,962,058</u>	5.71%

The District's combined net assets increased by approximately 6%, or \$169,065 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$238,260, or approximately 270% over 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 \$2,905, less than 1%. This increase in unrestricted net assets was a result of the District receiving more revenue than was expended during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues							
Program revenues							
Charges for service	\$ 1,114,101	\$ 1,048,606	\$ 224,916	\$ 240,476	\$ 1,339,017	\$ 1,289,082	3.87%
Operating grants	521,253	487,093	168,692	165,694	689,945	652,787	5.69%
General revenues							
Property tax	1,489,226	1,691,331	-	-	1,489,226	1,691,331	-11.95%
Local option sales and services tax	435,096	415,715	-	-	435,096	415,715	4.66%
Unrestricted state grants	2,009,343	1,770,343	-	-	2,009,343	1,770,343	13.50%
Contributions and donations	30,013	15,406	-	-	30,013	15,406	94.81%
Unrestricted investment earnings	93,372	122,912	402	459	93,774	123,371	-23.99%
Other	8,541	12,876	-	-	8,541	12,876	-33.67%
Transfer	(310,052)	-	310,052	-	-	-	0.00%
Total revenues	<u>5,390,893</u>	<u>5,564,282</u>	<u>704,062</u>	<u>406,629</u>	<u>6,094,955</u>	<u>5,970,911</u>	2.08%
Program expenses							
Governmental activities							
Instruction	3,398,853	3,271,201	-	-	3,398,853	3,271,201	3.90%
Support services	1,497,246	1,695,440	-	-	1,497,246	1,695,440	-11.69%
Non-instructional programs	6,000	2,428	437,511	388,750	443,511	391,178	13.38%
Other expenses	586,280	326,288	-	-	586,280	326,288	79.68%
Total expenses	<u>5,488,379</u>	<u>5,295,357</u>	<u>437,511</u>	<u>388,750</u>	<u>5,925,890</u>	<u>5,684,107</u>	4.25%
Change in net assets	<u>\$ (97,486)</u>	<u>\$ 268,925</u>	<u>\$ 266,551</u>	<u>\$ 17,879</u>	<u>\$ 169,065</u>	<u>\$ 286,804</u>	41.05%

In fiscal 2008, property tax and unrestricted state grants account for 65% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$6,094,955 of which \$5,390,893 was for governmental activities and \$704,062 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% increase in revenues and a 4% increase in expenses. Unrestricted state grants increased \$239,000 to fund increases in expenditures. The increase 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 \$5,390,893 and expenses were \$5,488,379 for the year ended June 30, 2008. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 3,398,853	\$ 3,271,201	3.9%	\$ 1,915,416	\$ 1,887,389	1.5%
Support services	1,497,246	1,695,440	-11.7%	1,494,246	1,686,945	-11.4%
Non-instructional programs	6,000	2,428	147.1%	6,000	2,428	147.1%
Other expenses	<u>586,280</u>	<u>326,288</u>	79.7%	<u>437,363</u>	<u>182,896</u>	139.1%
Total expenses	<u>\$ 5,488,379</u>	<u>\$ 5,295,357</u>	3.6%	<u>\$ 3,853,025</u>	<u>\$ 3,759,658</u>	2.5%

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$1,114,101.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$521,253.
- The net cost of governmental activities was financed with \$1,924,322 in property and other taxes and \$2,009,343 in unrestricted state grants.

## **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2008 were \$704,062 representing a 73% increase over the prior year and expenses were \$437,511 a 13% 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. The increase in revenues was due, in part, to a transfer from the Capital Projects Fund for the purchase of capital assets relating to the kitchen remodeling project.

During the year ended June 30, 2008, 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 \$(289,932), well below last year's ending fund balances of \$1,068,941.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Growth during the year in grants resulted in an increase in revenues.
- The General Fund balance increased from \$(699,410) to \$(639,283), due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District not exceeding the increase in property tax and state aid revenues.
- The Capital Projects Fund balance decreased from \$1,670,291 to \$246,658 due to the construction project to remodel the kitchen and classrooms.

### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$14,564 at June 30, 2007 to \$281,115 at June 30, 2008, representing a significant increase. This increase was due to a transfer from the Capital Projects Fund to finance the purchase of capital assets in the School Nutrition Fund. For fiscal 2008, 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 \$1,923,644 to reflect additional revenue and expenditures associated with various grants and the construction project. The 2007/2008 budget amendment changed the estimates of expenditures in the areas of Instruction from \$3,392,517 to \$3,460,000, a difference of \$67,483, Total Support Services from \$1,462,242 to \$1,540,000, a difference of \$77,758, Noninstructional Programs from \$317,671 to \$380,000, a difference of \$62,329. The district had increased expenditures for salary and benefits, tuition, energy costs, school nutrition food and supplies, bus repairs, and technology. Total Other Expenditures changed from \$643,926 to \$2,360,000. Expenditures increased due to debt service and capital projects expenditures.

The District's revenues were \$1,715,229 less than budgeted revenues, a variance of 28%. The district funded Capital Projects expenditures for the kitchen remodel and classroom addition from the carryover fund balance.

Total expenditures were \$507,639 less than budgeted, due primarily to the District's budget for Capital Projects for the kitchen remodel and classroom addition. The district amended its budget in the area of Total Other Expenditures to cover the entire project cost, which was not completed by fiscal year end.

In spite of the District's budgetary practice, the certified budget was exceeded in the Non-instructional Programs functional area. Non-instructional Programs in the area of the School Nutrition program, had a net loss on disposal of capital asset, which was not considered in the budget process.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, the District had invested \$6,422,231, 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 23% 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 \$262,914.

The original cost of the District's capital assets was \$9,944,690. Governmental funds account for \$9,634,638 with the remainder of \$310,052 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 \$1,030,474 at June 30, 2008, compared to \$234,294 reported at June 30, 2007. This increase resulted from a construction project during 2008.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Land	\$ 152,408	\$ 147,126	\$ -	\$ -	\$ 152,408	\$ 147,126	3.59%
Construction in progress	1,030,474	234,294	-	-	1,030,474	234,294	339.82%
Buildings and improvements	4,605,045	4,493,674	-	-	4,605,045	4,493,674	2.48%
Improvements other than buildings	52,979	43,243	-	-	52,979	43,243	22.51%
Furniture and equipment	<u>297,111</u>	<u>273,766</u>	<u>284,214</u>	<u>10,712</u>	<u>581,325</u>	<u>284,478</u>	104.35%
Totals	<u>\$6,138,017</u>	<u>\$5,192,103</u>	<u>\$284,214</u>	<u>\$ 10,712</u>	<u>\$6,422,231</u>	<u>\$5,202,815</u>	23.44%

### Long-Term Debt

At June 30, 2008, the District had \$3,150,601 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

During fiscal year 2008, the District issued \$60,000 of revenue bonds for the purchase of a bus.

Figure A-7

	Outstanding Long-term Obligations		
	Total	Total	Total
	School District	School District	Change
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
General obligation bonds	\$ 1,405,000	\$ 1,550,000	-9.35%
Revenue bonds	1,665,000	1,800,000	-7.50%
Early retirement	<u>80,601</u>	<u>99,898</u>	-19.32%
Total	<u>\$ 3,150,601</u>	<u>\$ 3,449,898</u>	-8.68%

## **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 2009. 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 2008/2009 budget includes a cash reserve levy in the amount of \$149,500.
- New money in the amount of approximately \$239,722 is included in the budget as a result of increased enrollment of 25.4 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, 2008

Exhibit A

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$1,843,562	\$ -	\$1,843,562
Other	347,203	7,497	354,700
Receivables			
Property tax			
Delinquent	13,859	-	13,859
Succeeding year	1,599,525	-	1,599,525
Accounts receivable	862	562	1,424
Accrued interest			
ISCAP	9,603	-	9,603
Income surtaxes	167,305	-	167,305
Due from other governments	160,927	-	160,927
Inventories	-	4,090	4,090
Non-depreciable capital assets	1,182,882	-	1,182,882
Capital assets, net of accumulated depreciation	<u>4,955,135</u>	<u>284,214</u>	<u>5,239,349</u>
Total assets	<u>10,280,863</u>	<u>296,363</u>	<u>10,577,226</u>
<b>Liabilities</b>			
Accounts payable	109,202	983	110,185
Salaries and benefits payable	360,618	14,265	374,883
Accrued interest payable	14,781	-	14,781
Due to other governments	29,201	-	29,201
Deferred revenue			
Succeeding year property tax	1,599,525	-	1,599,525
ISCAP drawdowns payable	300,000	-	300,000
ISCAP warrants payable	1,832,000	-	1,832,000
ISCAP accrued interest payable	11,552	-	11,552
ISCAP unamortized premium	23,375	-	23,375
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	155,000	-	155,000
Revenue bonds payable	195,000	-	195,000
Early retirement payable	19,301	-	19,301

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2008

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Liabilities (continued)</b>			
Long-term liabilities (continued)			
Portion due after one year			
General obligation bonds payable	\$1,310,000	\$ -	\$1,310,000
Revenue bonds payable	1,410,000	-	1,410,000
Early retirement payable	61,300	-	61,300
Total liabilities	7,430,855	15,248	7,446,103
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,068,017	284,214	3,352,231
Restricted for			
Physical plant and equipment levy	28,130	-	28,130
Other special revenue purposes	51,797	-	51,797
Capital projects	246,658	-	246,658
Unrestricted	(544,594)	(3,099)	(547,693)
Total net assets	\$2,850,008	\$281,115	\$3,131,123

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total Activities
Governmental activities						
Instruction						
Regular instruction	\$ 2,045,741	\$1,036,133	\$ 298,555	\$ -	\$ (711,053)	\$ (711,053)
Special instruction	521,167	77,968	62,594	-	(380,605)	(380,605)
Other instruction	831,945	-	8,187	-	(823,758)	(823,758)
	3,398,853	1,114,101	369,336	-	(1,915,416)	(1,915,416)
Support services						
Student	49,980	-	-	-	(49,980)	(49,980)
Instructional staff	77,518	-	-	-	(77,518)	(77,518)
Administration	745,980	-	-	-	(745,980)	(745,980)
Operation and maintenance of plant	447,832	-	3,000	-	(444,832)	(444,832)
Transportation	175,936	-	-	-	(175,936)	(175,936)
	1,497,246	-	3,000	-	(1,494,246)	(1,494,246)
Non-instructional programs	6,000	-	-	-	(6,000)	(6,000)
Other expenses						
Facilities acquisition	177,265	-	-	-	(177,265)	(177,265)
Long-term debt interest	132,553	-	-	-	(132,553)	(132,553)
AEA flowthrough	148,917	-	148,917	-	-	-
Depreciation (unallocated) *	127,545	-	-	-	(127,545)	(127,545)
	586,280	-	148,917	-	(437,363)	(437,363)
	5,488,379	1,114,101	521,253	-	(3,853,025)	(3,853,025)
Total governmental activities						

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2008

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 313,844	\$ 175,405	\$ 81,331	\$ -	\$ (57,108)	\$ (57,108)
Preschool program	123,667	49,511	87,361	-	13,205	13,205
Total business type activities	<u>437,511</u>	<u>224,916</u>	<u>168,692</u>	<u>-</u>	<u>(43,903)</u>	<u>(43,903)</u>
Total	<u>\$ 5,925,890</u>	<u>\$ 1,339,017</u>	<u>\$ 689,945</u>	<u>\$ -</u>	<u>(3,853,025)</u>	<u>(3,896,928)</u>
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes				1,332,314	-	1,332,314
Debt service				129,257	-	129,257
Capital outlay				27,655	-	27,655
Local option sales and services tax				435,096	-	435,096
Unrestricted state grants				2,009,343	-	2,009,343
Contributions and donations				30,013	-	30,013
Unrestricted investment earnings				93,372	402	93,774
Other				8,541	-	8,541
Transfers				<u>(310,052)</u>	<u>310,052</u>	<u>-</u>
Total general revenues and transfers				<u>3,755,539</u>	<u>310,454</u>	<u>4,065,993</u>
Change in net assets				<u>(97,486)</u>	<u>266,551</u>	<u>169,065</u>
Net assets, beginning of year				<u>2,947,494</u>	<u>14,564</u>	<u>2,962,058</u>
Net assets, end of year				<u>\$ 2,850,008</u>	<u>\$ 281,115</u>	<u>\$ 3,131,123</u>

\* 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, 2008

<b>Assets</b>	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$1,843,562	\$ -	\$ -	\$1,843,562
Other	-	246,982	100,221	347,203
Receivables				
Property tax				
Delinquent	12,225	-	1,634	13,859
Succeeding year	1,364,098	-	235,427	1,599,525
Accounts receivable	24	-	838	862
Accrued interest				
ISCAP	9,603	-	-	9,603
Income surtax	167,305	-	-	167,305
Due from other governments	97,077	63,850	-	160,927
Due from other fund	-	12,759	-	12,759
Total assets and other debits	<u>\$3,493,894</u>	<u>\$323,591</u>	<u>\$338,120</u>	<u>\$4,155,605</u>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 32,269	\$ 76,933	\$ -	\$ 109,202
Salaries and benefits payable	360,618	-	-	360,618
Due to other fund	12,759	-	-	12,759
Due to other governments	29,201	-	-	29,201
ISCAP warrants payable	1,832,000	-	-	1,832,000
ISCAP drawdown payable	300,000	-	-	300,000
ISCAP accrued interest payable	11,552	-	-	11,552
ISCAP unamortized premium	23,375	-	-	23,375
Deferred revenue				
Succeeding year property tax	1,364,098	-	235,427	1,599,525
Income surtax	167,305	-	-	167,305
Total liabilities	<u>4,133,177</u>	<u>76,933</u>	<u>235,427</u>	<u>4,445,537</u>
Fund balances				
Reserved for				
Debt service	-	-	9,231	9,231
Talented and Gifted	25,554	-	-	25,554
Teacher Mentoring	818	-	-	818
Teacher Quality	3,927	-	-	3,927
Phase III	16,622	-	-	16,622
Professional Development	6,127	-	-	6,127
Market Factor	3,228	-	-	3,228
Unreserved, governmental funds	(695,559)	246,658	-	(448,901)
Unreserved, special revenue funds	-	-	93,462	93,462
Total fund balances	<u>(639,283)</u>	<u>246,658</u>	<u>102,693</u>	<u>(289,932)</u>
Total liabilities and fund balances	<u>\$3,493,894</u>	<u>\$323,591</u>	<u>\$338,120</u>	<u>\$4,155,605</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, 2008

Exhibit D

<b>Total fund balances of governmental funds</b>	\$ (289,932)
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,138,017
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	167,305
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.	(14,781)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,150,601)</u>
<b>Net assets of governmental activities</b>	<u><u>\$2,850,008</u></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, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$1,352,712	\$ 435,096	\$ 236,779	\$ 2,024,587
Tuition	767,684	-	-	767,684
Other	178,385	7,349	295,357	481,091
State sources	2,315,457	-	260	2,315,717
Federal sources	96,700	-	-	96,700
Total revenues	<u>4,710,938</u>	<u>442,445</u>	<u>532,396</u>	<u>5,685,779</u>
Expenditures				
Current				
Instruction				
Regular	2,017,979	-	18,764	2,036,743
Special	516,621	-	1,294	517,915
Other	493,919	-	319,638	813,557
	<u>3,028,519</u>	<u>-</u>	<u>339,696</u>	<u>3,368,215</u>
Support services				
Student	41,069	-	6,749	47,818
Instructional staff	94,187	-	78	94,265
Administration	738,162	-	7,646	745,808
Operation and maintenance of plant	376,666	-	33,000	409,666
Transportation	223,541	-	13,574	237,115
	<u>1,473,625</u>	<u>-</u>	<u>61,047</u>	<u>1,534,672</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Other expenditures				
Facilities acquisition	-	1,262,976	257	1,263,233
Long-term debt				
Principal	-	-	340,000	340,000
Interest and fiscal charges	-	-	133,813	133,813
AEA flowthrough	148,917	-	-	148,917
	<u>148,917</u>	<u>1,262,976</u>	<u>474,070</u>	<u>1,885,963</u>
Total expenditures	<u>4,651,061</u>	<u>1,262,976</u>	<u>880,813</u>	<u>6,794,850</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, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 59,877	\$ (820,531)	\$ (348,417)	\$(1,109,071)
Other financing sources (uses)				
Sale of equipment and materials	250	-	-	250
Proceeds from issuance of bonds	-	60,000	-	60,000
Interfund operating transfers in	-	-	353,050	353,050
Interfund operating transfers (out)	-	(663,102)	-	(663,102)
Total other financing sources (uses)	<u>250</u>	<u>(603,102)</u>	<u>353,050</u>	<u>(249,802)</u>
Net change in fund balances	60,127	(1,423,633)	4,633	(1,358,873)
Fund balance, beginning of year	<u>(699,410)</u>	<u>1,670,291</u>	<u>98,060</u>	<u>1,068,941</u>
Fund balance, end of year	<u>\$ (639,283)</u>	<u>\$ 246,658</u>	<u>\$ 102,693</u>	<u>\$ (289,932)</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, 2008

Exhibit F

**Net change in fund balances - total governmental funds** \$(1,358,873)

**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	\$ 1,182,990	
Depreciation expense	<u>(237,076)</u>	945,914

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 14,916

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 repayments exceeded issues, as follows:

Issued	\$ (60,000)	
Repaid	<u>340,000</u>	280,000

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		19,297
------------------	--	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,260

**Change in net assets of governmental activities** \$ (97,486)

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008

Exhibit G

		Enterprise	
	School Nutrition	Non-major Preschool	Total
<b>Assets</b>			
Cash and pooled investments	\$ 7,497	\$ -	\$ 7,497
Accounts receivable	258	304	562
Due from other fund	8,091	-	8,091
Inventories	4,090	-	4,090
Capital assets, net of accumulated depreciation	284,214	-	284,214
Total assets	304,150	304	304,454
<b>Liabilities</b>			
Accounts payable	-	983	983
Salaries and benefits payable	3,362	10,903	14,265
Due to other fund	-	8,091	8,091
Total liabilities	3,362	19,977	23,339
<b>Net Assets</b>			
Invested in capital assets	284,214	-	284,214
Unrestricted	16,574	(19,673)	(3,099)
Total net assets	\$300,788	\$(19,673)	\$281,115

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, 2008

Exhibit H

	School	Enterprise Non-major	
	Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	\$175,405	\$ 49,511	\$224,916
Operating expenses			
Instruction, regular			
Salaries	-	45,912	45,912
Benefits	-	5,621	5,621
Supplies	-	4,080	4,080
	-	55,613	55,613
Non-instructional programs			
Food service operations			
Salaries	79,060	-	79,060
Benefits	27,587	-	27,587
Purchased services	1,727	-	1,727
Supplies	168,920	-	168,920
Depreciation	25,838	-	25,838
	303,132	-	303,132
Preschool operations			
Salaries	-	41,788	41,788
Benefits	-	25,835	25,835
Purchased services	-	80	80
Property	-	351	351
	-	68,054	68,054
Total operating expenses	303,132	123,667	426,799
Operating (loss)	(127,727)	(74,156)	(201,883)
Non-operating revenues (expenses)			
Interest income	402	-	402
State sources	3,009	87,361	90,370
Federal sources	78,322	-	78,322
Loss on disposal of equipment	(10,712)	-	(10,712)
Total non-operating revenues	71,021	87,361	158,382
Net income (loss) before transfers	(56,706)	13,205	(43,501)
Transfers	310,052	-	310,052
Net income	253,346	13,205	266,551
Net assets, beginning of year	47,442	(32,878)	14,564
Net assets, end of year	\$300,788	\$ (19,673)	\$281,115

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2008

Exhibit I

		Enterprise	
	School Nutrition	Non-major Preschool	Total
Cash flows from operating activities			
Cash received from sale of services	\$ 175,147	\$ 49,207	\$ 224,354
Cash payments to employees for services	(114,535)	(133,040)	(247,575)
Cash payments to suppliers for goods and services	(164,818)	(3,528)	(168,346)
Net cash used in operating activities	(104,206)	(87,361)	(191,567)
Cash flows from non-capital financing activities			
Operating transfers from other funds	310,052	-	310,052
State grants received	3,009	87,361	90,370
Federal grants received	70,138	-	70,138
Net cash provided by non-capital financing activities	383,199	87,361	470,560
Cash flows from capital and related financing activities			
Acquisition of capital assets	(310,052)	-	(310,052)
Cash flows from investing activities			
Interest on investments	402	-	402
Net (decrease) in cash and cash equivalents	(30,657)	-	(30,657)
Cash and cash equivalents, beginning of year	38,154	-	38,154
Cash and cash equivalents, end of year	\$ 7,497	\$ -	\$ 7,497
 <b>Reconciliation of operating loss to net cash used in operating activities</b>			
Operating loss	\$(127,727)	\$ (74,156)	\$(201,883)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	25,838	-	25,838
Commodities used	8,184	-	8,184
(Increase) in accounts receivable	(258)	(304)	(562)
(Increase) in inventory	(2,355)	-	(2,355)
(Increase) in due from other fund	(8,091)	-	(8,091)
Increase in accounts payable	-	983	983
(Decrease) in due to other funds	-	(14,475)	(14,475)
Increase in accrued salaries and benefits	203	591	794
Net cash used in operating activities	\$(104,206)	\$ (87,361)	\$(191,567)

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

During the year ended June 30, 2008, the District received \$8,184 of federal commodities.

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2008

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$ 10,653
<b>Liabilities</b>	_____ -
<b>Net assets</b>	
Reserved for scholarships	<u>\$ 10,653</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, 2008

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	
Local sources	
Interest	\$ 210
Deductions	
Instruction, regular	
Scholarships	<u>69</u>
Change in net assets	141
Net assets, beginning of year	<u>10,512</u>
Net assets, end of year	<u><u>\$10,653</u></u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2008

**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 one major proprietary fund, the School Nutrition Fund. This fund is used to account for the food service operations of the District. The District also reports a nonmajor enterprise fund, the Preschool Fund which accounts for the operation of the District's preschool program.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists 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 apply 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 funds are 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 financial statements:

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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, 2008 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, 2008. 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.

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 \$28,130 of restricted net assets which is 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, 2008, expenditures exceeded the amended amount budgeted in the Non-instructional Programs function. However, General Fund expenditures did not exceed the District's unspent authorized budget.

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

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 862</u>

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, 2008 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ -	\$ 12,759
Capital projects fund	12,759	-
School nutrition fund	8,091	-
Non-major enterprise funds	<u>-</u>	<u>8,091</u>
Totals	<u>\$ 20,850</u>	<u>\$ 20,850</u>

The Preschool Fund and General Fund had negative cash balances at June 30, 2008. Since these funds share a bank account with the School Nutrition Fund and Capital Projects Fund, respectively, the negative cash balances are reported as due to and due from on the balance sheet.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Non-major governmental	Capital Projects	\$ 353,050
Non-major enterprise	Capital Projects	<u>310,052</u>
		<u>\$ 663,102</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. The Capital Projects Fund transferred capital assets associated with the new kitchen, which were purchased from that fund to the School Nutrition Fund.

**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, 2008, 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>
2007-08B	1/23/08	1/23/09	\$ 684,189	\$ 9,164	\$ 682,000	\$ 11,111	\$ 3,652
2008-09A	6/26/08	6/25/09	<u>1,159,373</u>	<u>439</u>	<u>1,150,000</u>	<u>441</u>	<u>19,723</u>
			<u>\$ 1,843,562</u>	<u>\$ 9,603</u>	<u>\$ 1,832,000</u>	<u>\$ 11,552</u>	<u>\$ 23,375</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, 2008 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>
2007-08A	\$ -	\$ 600,000	\$ 600,000	\$ -
2007-08B	-	<u>300,000</u>	-	<u>300,000</u>
Total	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 600,000</u>	<u>\$ 300,000</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>
2007-08A	4.50%	5.455%
2007-08B	3.75%	3.451%
2008-09A	3.50%	3.469%

## Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 147,126	\$ 5,282	\$ -	\$ 152,408
Construction in progress	234,294	1,031,209	(235,029)	1,030,474
Total capital assets, not being depreciated	<u>381,420</u>	<u>1,036,491</u>	<u>(235,029)</u>	<u>1,182,882</u>
Capital assets being depreciated:				
Buildings and improvements	6,205,993	235,029	-	6,441,022
Improvements other than buildings	281,244	13,623	-	294,867
Furniture and equipment	<u>1,582,991</u>	<u>132,876</u>	<u>-</u>	<u>1,715,867</u>
Total capital assets being depreciated	<u>8,070,228</u>	<u>381,528</u>	<u>-</u>	<u>8,451,756</u>
Less accumulated depreciation for:				
Buildings and improvements	1,712,319	123,658	-	1,835,977
Improvements other than buildings	238,001	3,887	-	241,888
Furniture and equipment	<u>1,309,225</u>	<u>109,531</u>	<u>-</u>	<u>1,418,756</u>
Total accumulated depreciation	<u>3,259,545</u>	<u>237,076</u>	<u>-</u>	<u>3,496,621</u>
Total capital assets being depreciated, net	<u>4,810,683</u>	<u>144,452</u>	<u>-</u>	<u>4,955,135</u>
Governmental activities capital assets, net	<u>\$ 5,192,103</u>	<u>\$ 1,180,943</u>	<u>\$(235,029)</u>	<u>\$ 6,138,017</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 28,676	\$ 310,052	\$ (28,676)	\$ 310,052
Less accumulated depreciation	<u>17,964</u>	<u>(25,838)</u>	<u>17,964</u>	<u>(25,838)</u>
Business type activities capital assets, net	<u>\$ 10,712</u>	<u>\$ 284,214</u>	<u>\$ (10,712)</u>	<u>\$ 284,214</u>

Depreciation expense was charged to the following functions:

<b>Governmental activities</b>	
Instruction	
Regular	\$ 27,763
Special	3,252
Other	18,388
Support services	
Student support	2,162
Instructional staff support	1,782
Administration	9,202
Operation and maintenance of plant	38,166
Transportation	8,816
Unallocated depreciation	<u>127,545</u>
Total governmental activities depreciation expense	<u>\$ 237,076</u>
 <b>Business type activities</b>	
Food services	<u>\$ 25,838</u>

#### Note 7. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Refunded bonds	\$ 1,550,000	\$ -	\$ (145,000)	\$ 1,405,000	\$ 155,000
Revenue bonds	1,800,000	60,000	(195,000)	1,665,000	195,000
Early retirement	<u>99,898</u>	<u>-</u>	<u>(19,297)</u>	<u>80,601</u>	<u>19,301</u>
Totals	<u>\$ 3,449,898</u>	<u>\$ 60,000</u>	<u>\$ (359,297)</u>	<u>\$ 3,150,601</u>	<u>\$ 369,301</u>

Interest costs incurred and charged to expense on all long-term debt was \$132,553 for the year ended June 30, 2008.

#### Early Retirement Termination Benefits

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be at least fifty-five years of age 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, 2008 totaled \$19,297 and the District had a total liability of \$80,601 payable to three individuals at June 30, 2008.

### 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. In August 2007 the District issued \$60,000 in local option sales and services tax revenue bonds to purchase a bus. The District has pledged future local option sales and services tax revenues to repay these bond issues. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 46 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,070,919. For the current year, \$269,380 of principal and interest was paid on the bonds and the local option sales and services tax revenues were \$435,096.

The bond resolutions do not require the establishment of any specific accounts or reserves.

Details of the revenue anticipation bonded indebtedness at June 30, 2008 are as follows:

Year Ending June 30,	Bond issue of June 1, 2007				Bond issue of August 1, 2007			
	Interest Rates	Interest	Principal	Total	Interest Rates	Interest	Principal	Total
2009	4.000	\$ 65,330	\$ 180,000	\$ 245,330	4.000	\$ 1,650	\$ 15,000	\$ 16,650
2010	4.000	58,730	120,000	178,730	4.000	1,050	15,000	16,050
2011	4.000	53,930	125,000	178,930	4.000	450	15,000	15,450
2012	4.050	48,814	130,000	178,814		-	-	-
2013	4.100	43,533	135,000	178,533		-	-	-
2014-2018	4.1-4.3%	127,212	770,000	897,212		-	-	-
2019	4.350	<u>5,220</u>	<u>160,000</u>	<u>165,220</u>		<u>-</u>	<u>-</u>	<u>-</u>
Totals		<u>\$ 402,769</u>	<u>\$ 1,620,000</u>	<u>\$ 2,022,769</u>		<u>\$ 3,150</u>	<u>\$ 45,000</u>	<u>\$ 48,150</u>

Year Ending June 30,	Totals		
	Interest	Principal	Total
2009	\$ 66,980	\$ 195,000	\$ 261,980
2010	59,780	135,000	194,780
2011	54,380	140,000	194,380
2012	48,814	130,000	178,814
2013	43,533	135,000	178,533
2014-2018	127,212	770,000	897,212
2019	<u>5,220</u>	<u>160,000</u>	<u>165,220</u>
Totals	<u>\$ 405,919</u>	<u>\$ 1,665,000</u>	<u>\$ 2,070,919</u>

## General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
2009	3.45%	\$ 155,000	\$ 54,225	\$ 209,225
2010	3.55%	155,000	48,877	203,877
2011	3.70%	165,000	43,375	208,375
2012	3.80%	175,000	37,270	212,270
2013	3.90%	175,000	30,620	205,620
2014-2016	4.0-4.2%	<u>580,000</u>	<u>48,590</u>	<u>628,590</u>
Totals		<u>\$ 1,405,000</u>	<u>\$ 262,957</u>	<u>\$ 1,667,957</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 advance-crossover refunded general obligation bonds that was considered defeased and, therefore, excluded from long-term debt was \$1,520,000 at June 30, 2008.

## **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 were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$173,672, \$159,644 and \$147,491, 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 \$148,917 adjusting entry to the cash basis financial statements.

**Note 11. Deficit Balances**

The District had fund deficits in the following funds at June 30, 2008:

General Fund	\$639,283
Preschool	\$ 19,673

**Note 12. 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, 2008, 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/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2008

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
<b>Revenues</b>								
Local sources	\$ 3,273,362		\$ 225,318		\$ 3,498,680	\$ 3,369,840	\$ 5,293,484	\$ (1,794,804)
State sources	2,315,717		90,370		2,406,087	2,303,534	2,303,534	102,553
Federal sources	96,700		78,322		175,022	198,000	198,000	(22,978)
Total revenues	<u>5,685,779</u>		<u>394,010</u>		<u>6,079,789</u>	<u>5,871,374</u>	<u>7,795,018</u>	<u>(1,715,229)</u>
<b>Expenditures/Expenses</b>								
Instruction	3,368,215		55,613		3,423,828	3,392,517	3,460,000	36,172
Support services	1,534,672		-		1,534,672	1,462,242	1,540,000	5,328
Non-instructional programs	6,000		381,898		387,898	317,671	380,000	(7,898)
Other expenditures	1,885,963		-		1,885,963	643,926	2,360,000	474,037
Total expenditures/expenses	<u>6,794,850</u>		<u>437,511</u>		<u>7,232,361</u>	<u>5,816,356</u>	<u>7,740,000</u>	<u>507,639</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,109,071)		(43,501)		(1,152,572)	55,018	55,018	(1,207,590)
Net other financing sources	<u>(249,802)</u>		<u>310,052</u>		<u>60,250</u>	-	-	<u>60,250</u>
Net change in fund balance	(1,358,873)		266,551		(1,092,322)	55,018	55,018	(1,147,340)
Balance, beginning of year	1,068,941		14,564		1,083,505	(469,053)	(469,053)	1,552,558
Balance, end of year	<u>\$ (289,932)</u>		<u>\$ 281,115</u>		<u>\$ (8,817)</u>	<u>\$ (414,035)</u>	<u>\$ (414,035)</u>	<u>\$ 405,218</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2008

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 Funds. 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 expenditures by \$1,923,644.

During the year ended June 30, 2008, District expenditures exceeded the amount budgeted in the Non-instructional Programs function; 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, 2008

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>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 12,699	\$ 51,797	\$ 27,842	\$ 7,883	\$100,221
Receivables					
Property tax					
Delinquent	-	-	286	1,348	1,634
Succeeding year	88,000	-	30,438	116,989	235,427
Accounts receivable	836	-	2	-	838
Total assets	<u>\$101,535</u>	<u>\$ 51,797</u>	<u>\$ 58,568</u>	<u>\$126,220</u>	<u>\$338,120</u>
 <b>Liabilities and Fund Balances</b>					
Liabilities					
Deferred revenue					
Succeeding year property tax	<u>\$ 88,000</u>	<u>\$ -</u>	<u>\$ 30,438</u>	<u>\$116,989</u>	<u>\$235,427</u>
 Fund balances					
Reserved for debt service	-	-	-	9,231	9,231
Unreserved fund balances	<u>13,535</u>	<u>51,797</u>	<u>28,130</u>	<u>-</u>	<u>93,462</u>
Total fund balances	<u>13,535</u>	<u>51,797</u>	<u>28,130</u>	<u>9,231</u>	<u>102,693</u>
Total liabilities and fund balances	<u>\$101,535</u>	<u>\$ 51,797</u>	<u>\$ 58,568</u>	<u>\$126,220</u>	<u>\$338,120</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, 2008

Schedule 2

	Special Revenue				
	Management	Student	Physical Plant and Equipment	Debt Service	Total
Revenues	<u>Levy</u>	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u>Total</u>
Local sources					
Local taxes	\$ 80,040	\$ -	\$ 27,625	\$ 129,114	\$ 236,779
Other	8,316	286,882	63	96	295,357
State sources	88	-	30	142	260
Total revenues	88,444	286,882	27,718	129,352	532,396
Expenditures					
Current					
Instruction					
Regular	15,259	-	3,505	-	18,764
Special	1,294	-	-	-	1,294
Other	402	319,236	-	-	319,638
Total instruction	16,955	319,236	3,505	-	339,696
Support services					
Student	6,749	-	-	-	6,749
Instructional staff	78	-	-	-	78
Administration	7,646	-	-	-	7,646
Operation and maintenance of plant	33,000	-	-	-	33,000
Transportation	13,574	-	-	-	13,574
Total support services	61,047	-	-	-	61,047
Non-instructional programs	6,000	-	-	-	6,000
Other expenditures					
Facilities acquisition	-	-	257	-	257
Long-term debt					
Principal	-	-	-	340,000	340,000
Interest and fiscal charges	-	-	-	133,813	133,813
Total other expenditures	-	-	257	473,813	474,070
Total expenditures	84,002	319,236	3,762	473,813	880,813
Excess (deficiency) of revenues over (under) expenditures	4,442	(32,354)	23,956	(344,461)	(348,417)
Other financing sources					
Interfund operating transfers in	-	-	-	353,050	353,050
Net change in fund balances	4,442	(32,354)	23,956	8,589	4,633
Fund balances, beginning of year	9,093	84,151	4,174	642	98,060
Fund balances, end of year	\$ 13,535	\$ 51,797	\$ 28,130	\$ 9,231	\$ 102,693

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, 2008

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of Year
Athletics	\$ 4,256	\$ 56,672	\$ 81,482	\$ 4,730	\$ (15,824)
Activity fees	-	6,379	534	(5,845)	-
Class of:					
2007	463	-	463	-	-
2008	2,898	980	3,860	-	18
2009	1,609	11,694	11,458	-	1,845
2010	815	1,022	581	(238)	1,018
2011	409	573	396	238	824
2012	167	-	-	-	167
2013	135	20	-	-	155
2014	-	4,089	3,691	-	398
Playground equipment fund	21,608	11,241	19,997	-	12,852
Book clubs	-	2,559	2,559	-	-
Book fair	923	4,865	4,422	-	1,366
Parent volunteers	2,625	18,124	16,796	-	3,953
Jump Rope for Heart	723	722	749	-	696
Kindergarten workshop	62	-	-	-	62
Elementary school store	-	767	740	-	27
Speech	-	2,145	3,400	1,255	-
National Honor Society	-	292	112	-	180
Drama	387	3,488	3,575	-	300
Cheerleaders	203	935	1,111	-	27
Volleyball camp	879	2,671	2,933	-	617
SCI program	61	-	-	-	61
S.A.D.D.	-	352	50	-	302
Math/Science	217	-	-	-	217
High school student council	474	1,708	1,890	-	292
Jr high student council	8,500	7,935	7,993	(35)	8,407
Boys basketball camp	26	5,407	5,625	192	-
Girls basketball camp	318	2,214	1,677	-	855
Baseball camp	-	3,010	1,716	-	1,294
Softball camp	-	8,044	7,392	-	652
Golf camp	249	3,444	2,604	-	1,089

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, 2008

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of Year
Band	\$ -	\$ 4,276	\$ 4,353	\$ 77	\$ -
Vocal music	-	-	951	951	-
Swing choir	11,101	68,100	73,673	-	5,528
Music trip	1,992	4,341	-	-	6,333
High school pop	2,657	5,339	8,192	196	-
School store	245	59	-	-	304
Seniors, Inc.	508	20	18	-	510
Shop	79	625	1,294	590	-
FHA	747	856	794	35	844
Mass media	855	150	183	-	822
Yearbook	7,937	17,959	18,365	-	7,531
Student pictures	5,799	7,152	8,401	(1,000)	3,550
Interest	4,224	1,447	-	(1,146)	4,525
General	-	15,206	15,206	-	-
Totals	<u>\$ 84,151</u>	<u>\$ 286,882</u>	<u>\$ 319,236</u>	<u>\$ -</u>	<u>\$ 51,797</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues				
Local sources				
Local tax	\$2,024,587	\$1,953,149	\$1,832,358	\$1,780,361
Tuition	767,684	781,249	643,369	678,983
Other	481,091	425,441	344,940	417,235
State sources	2,315,717	2,117,637	1,961,839	1,916,794
Federal sources	96,700	132,810	106,887	124,608
Total revenues	<u>\$5,685,779</u>	<u>\$5,410,286</u>	<u>\$4,889,393</u>	<u>\$4,917,981</u>
Expenditures				
Current				
Instruction				
Regular	\$2,036,743	\$2,086,631	\$1,865,099	\$1,889,528
Special	517,915	448,713	420,957	363,474
Other	813,557	659,862	685,825	731,195
Support services				
Student	47,818	48,862	52,108	76,134
Instructional staff	94,265	91,944	84,790	106,076
Administration	745,808	757,273	658,129	534,728
Operation and maintenance of plant	409,666	411,073	402,703	382,867
Transportation	237,115	255,363	245,424	226,894
Central support services				
Non-instructional programs	6,000	2,428	2,417	104,342
Other expenditures				
Facilities acquisition	1,263,233	264,709	99,475	361,119
Long-term debt				
Principal	340,000	390,000	370,000	315,000
Interest and other charges	133,813	151,306	150,857	121,852
AEA flowthrough	148,917	143,392	129,431	126,367
Total expenditures	<u>\$6,794,850</u>	<u>\$5,711,556</u>	<u>\$5,167,215</u>	<u>\$5,339,576</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 18, 2009. 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 discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including 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, B and C 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, 2008 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 on 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, including federal awarding agencies and pass-through entities. 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  
March 18, 2009

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2008

**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 its operating procedures 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 Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2008

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 certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR did not include the loss on disposal of capital assets in the School Nutrition Fund and retainage payable was not accrued in the Capital Projects Fund. These misstatements were 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.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2008

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

1. Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amended amount budgeted in the Non-instructional Programs function.

Recommendation - The District should have amended the budget to a sufficient amount 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.
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.

Recommendation - The District should correct the applicable beginning fund balances on their Certified Annual Report for the year ending June 30, 2009. However, in the future, the District should ensure that the amounts reported on the CAR are correct.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2008

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 deficits in the General Fund and Preschool Fund of \$639,283 and \$19,673, respectively at June 30, 2008.

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, 2008

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant