

DANVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

DANVILLE COMMUNITY SCHOOL DISTRICT  
Table of Contents  
June 30, 2009

|   | <u>Page</u> |                |
|---|-------------|----------------|
| <b>Officials</b>  | 1           |                |
| <b>Independent Auditor's Report</b>   | 2-3         |                |
| <b>Management's Discussion and Analysis</b>   | 4-13        |                |
| <b>Basic Financial Statements</b>   |             | <u>Exhibit</u> |
| Government-wide Financial Statements  |             |                |
| Statement of Net Assets   | A           | 15-16          |
| Statement of Activities   | B           | 17-18          |
| Governmental Fund Financial Statements  |             |                |
| Balance Sheet   | C           | 19             |
| Reconciliation of the Balance Sheet - Governmental Funds to the<br>Statement of Net Assets  | D           | 20             |
| Statement of Revenues, Expenditures and Changes in Fund Balances  | E           | 21-22          |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances - Governmental Funds to the Statement<br>of Activities                  | F           | 23             |
| Proprietary Fund Financial Statements   |             |                |
| Statement of Net Assets   | G           | 24             |
| Statement of Revenues, Expenses and Changes in Net Assets   | H           | 25             |
| Statement of Cash Flows   | I           | 26             |
| Fiduciary Fund Financial Statements   |             |                |
| Statement of Fiduciary Net Assets   | J           | 27             |
| Statement of Changes in Fiduciary Net Assets  | K           | 28             |
| <b>Notes to Financial Statements</b>  | 29-40       |                |
| <b>Required Supplementary Information</b>   |             |                |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes<br>in Balances - Budget and Actual - All Governmental Funds and<br>Proprietary Funds |             | 42             |
| Notes to Required Supplementary Information - Budgetary Reporting   |             | 43             |

DANVILLE COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2009

| <b>Other Supplementary Information</b>   | <u>Schedule</u> | <u>Page</u> |
|--|-----------------|-------------|
| Nonmajor Governmental Funds  |                 |             |
| Combining Balance Sheet  | 1               | 45          |
| Combining Schedule of Revenues, Expenditures and Changes in<br>Fund Balances   | 2               | 46          |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts   | 3               | 47-48       |
| Schedule of Revenues by Source and Expenditures by Function - All<br>Governmental Funds  | 4               | 49          |
| <br><b>Independent Auditor's Report on Internal Control over Financial Reporting<br/>and on Compliance and Other Matters Based on an Audit of Financial<br/>Statements Performed in Accordance with <u>Government Auditing Standards</u></b> |                 | 50-52       |
| <br><b>Schedule of Findings</b>  |                 | 53-56       |
| <br><b>Audit Staff</b>   |                 | 57          |

DANVILLE COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2009

| <u>Name</u>                      | <u>Title</u>              | <u>Term Expires</u> |
|----------------------------------|---------------------------|---------------------|
| <b>Board of Education</b>        |                           |                     |
| (Before September 2008 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                |
| (After September 2008 Election)  |                           |                     |
| Brian Bauer                      | Board President           | 2011                |
| Patty Brooks                     | Vice President            | 2009                |
| Jeff Taeger                      | Board Member              | 2009                |
| Allan Luers                      | Board Member              | 2011 *              |
| Jim Hoberg                       | Board Member              | 2011                |
| <b>School Officials</b>          |                           |                     |
| Stephen McAllister               | Superintendent            | 2009                |
| Nancy House                      | Board Secretary/Treasurer | 2009                |
| Ahlers & Cooney, PC              | Attorney                  | 2009                |

\* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

# KAY L. CHAPMAN, CPA PC

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

## Independent Auditor's Report

To the Board of Education  
Danville Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Danville Community School District, Danville, Iowa, as of and for the year ended June 30, 2009, 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, 2009, 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 17, 2010 on my consideration of Danville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 42 through 43 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 five years ended June 30, 2008 (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 six years in the period ended June 30, 2009, 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 17, 2010

---

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

---

Danville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,710,938 in fiscal 2008 to \$5,353,055 in fiscal 2009, and General Fund expenditures increased from \$4,651,061 in fiscal 2008 to \$5,044,278 in fiscal 2009. The District's General Fund balance increased from \$(639,283) in fiscal 2008 to \$(330,506) in fiscal 2009, a 48% increase.
- The increase in General Fund revenues was attributable to an increase in property tax receipts, contributions and donations from private sources, state aid, state categorical aid, tuition, and American Recovery & Reinvestment Act revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and increased tuition payments. The General Fund balance increased because the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2009.

### **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.

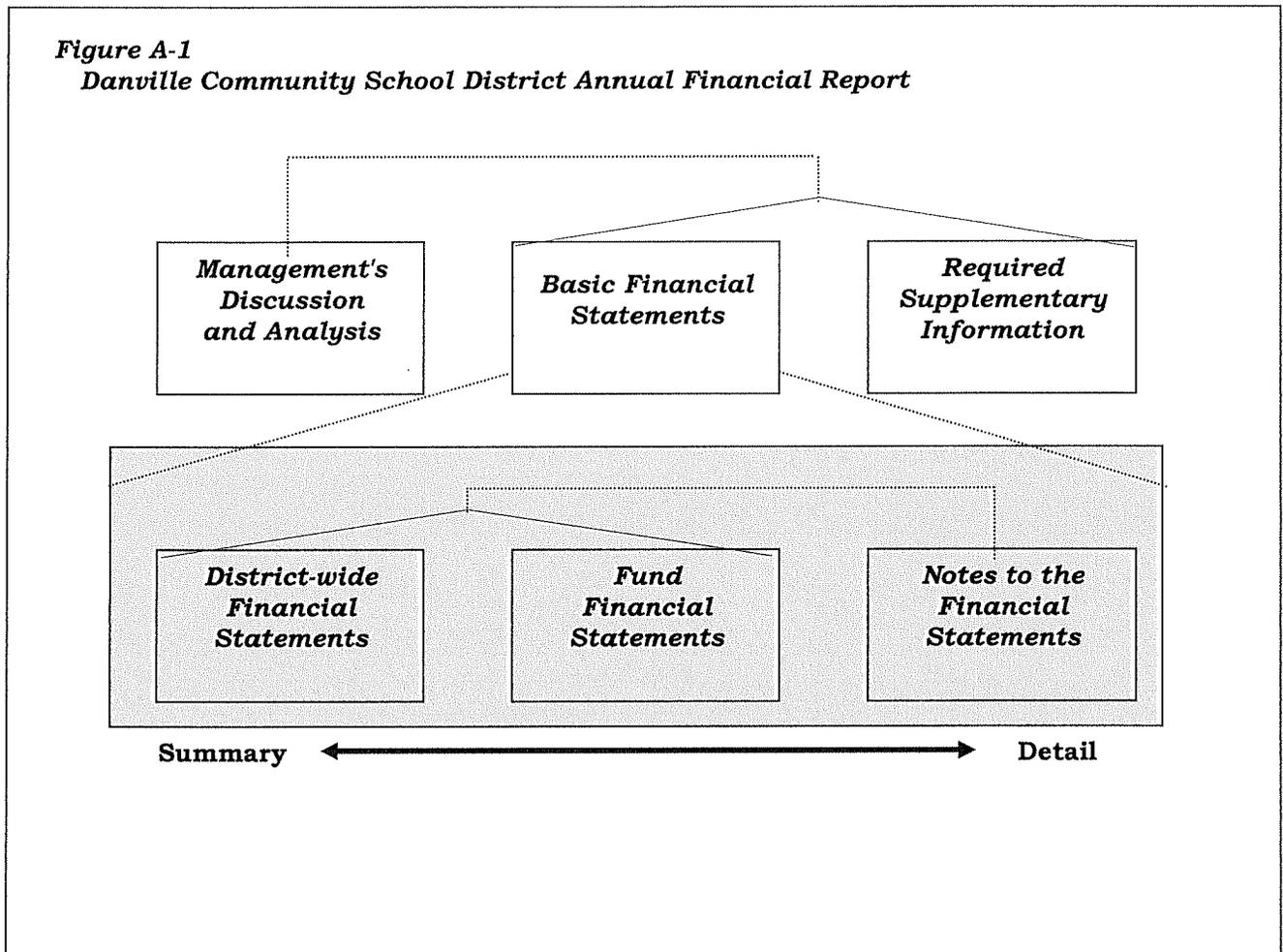


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2<br/>Major Features of the Government-wide and Fund Financial Statements</b> |  |  |  |   |
|---|--|--|--|---|
|   | Government-wide Statements   | Fund Statements  |  |   |
|   |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope   | Entire District (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the District operates similar to private businesses: food services and 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, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

|  | Governmental        |                     | Business Type    |                   | Total              |                     | Total     |
|--|---------------------|---------------------|------------------|-------------------|--------------------|---------------------|-----------|
|  | Activities          |                     | Activities       |                   | District           |                     |           |
|  | 2009                | 2008                | 2009             | 2008              | 2009               | 2008                | 2008-2009 |
| Current and other assets                           | \$ 4,182,816        | \$ 4,142,846        | \$ 48,254        | \$ 12,148         | \$4,231,070        | \$ 4,154,994        | 1.83%     |
| Capital assets                                     | <u>6,039,994</u>    | <u>6,138,017</u>    | <u>258,377</u>   | <u>284,215</u>    | <u>6,298,371</u>   | <u>6,422,232</u>    | -1.93%    |
| Total assets                                       | <u>10,222,810</u>   | <u>10,280,863</u>   | <u>306,631</u>   | <u>296,363</u>    | <u>10,529,441</u>  | <u>10,577,226</u>   | -0.45%    |
| Long-term liabilities                              | 2,875,863           | 3,150,601           | -                | -                 | 2,875,863          | 3,150,601           | -8.72%    |
| Other liabilities                                  | <u>4,030,634</u>    | <u>4,280,254</u>    | <u>13,904</u>    | <u>15,248</u>     | <u>4,044,538</u>   | <u>4,295,502</u>    | -5.84%    |
| Total liabilities                                  | <u>6,906,497</u>    | <u>7,430,855</u>    | <u>13,904</u>    | <u>15,248</u>     | <u>6,920,401</u>   | <u>7,446,103</u>    | -7.06%    |
| Net assets   |                     |                     |                  |                   |                    |                     |           |
| Invested in capital assets,<br>net of related debt | 3,319,994           | 3,068,017           | 258,377          | 284,215           | 3,578,371          | 3,352,232           | 6.75%     |
| Restricted   | 382,846             | 326,585             | -                | -                 | 382,846            | 326,585             | 17.23%    |
| Unrestricted                                       | <u>(386,527)</u>    | <u>(544,594)</u>    | <u>34,350</u>    | <u>(3,100)</u>    | <u>(352,177)</u>   | <u>(547,694)</u>    | 35.70%    |
| Total net assets                                   | <u>\$ 3,316,313</u> | <u>\$ 2,850,008</u> | <u>\$292,727</u> | <u>\$ 281,115</u> | <u>\$3,609,040</u> | <u>\$ 3,131,123</u> | 15.26%    |

The District’s combined net assets increased by approximately 15%, or \$477,917 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 \$56,261, or approximately 17% over the prior year. The increase was primarily a result of completion of the expansion of the kitchen and the elementary classrooms addition, expending less from Capital Projects Fund.

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 \$195,516, or approximately 36%. 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, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Change in Net Assets

|  | Governmental Activities |                    | Business Type Activities |                   | Total District    |                   | Total Change |
|--|-------------------------|--------------------|--------------------------|-------------------|-------------------|-------------------|--------------|
|  | 2009                    | 2008               | 2009                     | 2008              | 2009              | 2008              | 2008-2009    |
| Revenues                                 |                         |                    |                          |                   |                   |                   |              |
| Program revenues                         |                         |                    |                          |                   |                   |                   |              |
| Charges for service and sales            | \$ 1,201,804            | \$ 1,114,101       | \$ 247,935               | \$ 224,916        | \$ 1,449,739      | \$ 1,339,017      | 8.27%        |
| Operating grants                         | 722,681                 | 521,253            | 191,720                  | 168,692           | 914,401           | 689,945           | 32.53%       |
| General revenues                         |                         |                    |                          |                   |                   |                   |              |
| Property tax                             | 1,795,905               | 1,489,226          | -                        | -                 | 1,795,905         | 1,489,226         | 20.59%       |
| Statewide sales and services tax         | 441,452                 | 435,096            | -                        | -                 | 441,452           | 435,096           | 1.46%        |
| Unrestricted state grants                | 1,991,019               | 2,009,343          | -                        | -                 | 1,991,019         | 2,009,343         | -0.91%       |
| Contributions and donations              | 194,764                 | 93,372             | -                        | -                 | 194,764           | 93,372            | 108.59%      |
| Unrestricted investment earnings         | 45,680                  | 30,013             | 387                      | 402               | 46,067            | 30,415            | 51.46%       |
| Other                                    | 8,464                   | 8,541              | -                        | -                 | 8,464             | 8,541             | -0.90%       |
| Special item - gain on sale of assets    | 5,138                   | -                  | -                        | -                 | 5,138             | -                 | 100.00%      |
| Transfer                                 | -                       | (310,052)          | -                        | 310,052           | -                 | -                 | 0.00%        |
| Total revenues, special item & transfers | <u>6,406,907</u>        | <u>5,390,893</u>   | <u>440,042</u>           | <u>704,062</u>    | <u>6,846,949</u>  | <u>6,094,955</u>  | 12.34%       |
| Program expenses                         |                         |                    |                          |                   |                   |                   |              |
| Governmental activities                  |                         |                    |                          |                   |                   |                   |              |
| Instruction                              | 3,673,092               | 3,398,853          | -                        | -                 | 3,673,092         | 3,398,853         | 8.07%        |
| Support services                         | 1,764,013               | 1,497,246          | -                        | -                 | 1,764,013         | 1,497,246         | 17.82%       |
| Non-instructional programs               | -                       | 6,000              | 428,430                  | 437,511           | 428,430           | 443,511           | -3.40%       |
| Other expenses                           | <u>503,497</u>          | <u>586,280</u>     | <u>-</u>                 | <u>-</u>          | <u>503,497</u>    | <u>586,280</u>    | -14.12%      |
| Total expenses                           | <u>5,940,602</u>        | <u>5,488,379</u>   | <u>428,430</u>           | <u>437,511</u>    | <u>6,369,032</u>  | <u>5,925,890</u>  | 7.48%        |
| Change in net assets                     | <u>\$ 466,305</u>       | <u>\$ (97,486)</u> | <u>\$ 11,612</u>         | <u>\$ 266,551</u> | <u>\$ 477,917</u> | <u>\$ 169,065</u> | -182.68%     |

In fiscal 2009, property tax and unrestricted state grants account for 59% 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 \$6,846,949 of which \$6,406,907 was for governmental activities and \$440,042 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12% increase in revenues and a 7% increase in expenses. Operating grants increased \$224,456 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 \$6,406,907 and expenses were \$5,940,602 for the year ended June 30, 2009. 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, 2009 compared to the year ended June 30, 2008.

Figure A-5

|                            | Total and Net Cost of Governmental Activities |                     |                     |                      |                     |                     |
|----------------------------|---|---------------------|---------------------|----------------------|---------------------|---------------------|
|                            | Total Cost of Services                        |                     |                     | Net Cost of Services |                     |                     |
|                            | 2009  | 2008                | Change<br>2008-2009 | 2009                 | 2008                | Change<br>2008-2009 |
| Instruction                | \$ 3,673,092                                  | \$ 3,398,853        | 8.1%                | \$ 1,923,338         | \$ 1,915,416        | 0.4%                |
| Support services           | 1,764,013                                     | 1,497,246           | 17.8%               | 1,756,253            | 1,494,246           | 17.5%               |
| Non-instructional programs | -   | 6,000               | -100.0%             | -                    | 6,000               | -100.0%             |
| Other expenses             | <u>503,497</u>                                | <u>586,280</u>      | -14.1%              | <u>336,526</u>       | <u>437,363</u>      | -23.1%              |
| Total expenses             | <u>\$ 5,940,602</u>                           | <u>\$ 5,488,379</u> | 8.2%                | <u>\$ 4,016,117</u>  | <u>\$ 3,853,025</u> | 4.2%                |

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,201,804.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$722,681.
- The net cost of governmental activities was financed with \$2,237,357 in property and other taxes and \$1,991,019 in unrestricted state grants.

**Business Type Activities**

Revenues and transfers for business type activities during the year ended June 30, 2009 were \$440,042 representing a 37% decrease from the prior year and expenses were \$428,430 a 2% decrease from the prior year. The District's business type activities consist of the School Nutrition Fund and the Preschool/Daycare Fund, which was started in fiscal 2006. The Preschool/Daycare continues to grow, accounting for much of the increase in expenditures. Revenues of these activities were comprised of charges for service, federal and state reimbursements, empowerment grant and investment income.

During the year ended June 30, 2009, the District continued to hold steady the labor hours in the Nutrition program.

## **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 \$(10,206), well above last year's ending fund balances of \$(289,932).

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of revenues being greater than expenditures. Additional revenues were generated through tuition, contributions and donations, and ARRA funds.
- The General Fund balance increased from \$(639,283) to \$(330,506), due in part to increased local, state and federal revenues.

### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$281,115 at June 30, 2008 to \$292,727 at June 30, 2009, representing an increase of approximately 4%. For fiscal 2009, the program revenues were greater than the expenditures.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Danville Community School District amended its annual budget one time by \$541,708 to reflect additional revenue and expenditures associated with various tuition and special education expenditures. The 2008/2009 budget amendment changed the estimates of expenditures in the areas of Instruction from \$3,449,140 to \$3,850,000, a difference of \$400,860, Total Support Services from \$1,620,220 to \$1,675,000, a difference of \$54,780, Noninstructional Programs from \$388,460 to \$400,000, a difference of \$11,540. The District had increased expenditures for Teacher Quality salaries, special education, tuition, new guidance position, and early retirement. Total Other Expenditures changed from \$820,472 to \$895,000. Expenditures increased due to debt service and capital projects expenditures.

The District's revenues were \$369,887 more than budgeted revenues, a variance of 6%. The District received a substantial donation to local revenue.

Total expenditures were \$272,712 less than budgeted, due primarily to the District's line item spending of less than budget authority.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$6,298,371, 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 decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$288,681.

The original cost of the District's capital assets was \$10,109,510. Governmental funds account for \$9,799,458 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 \$0 at June 30, 2009, compared to \$1,030,474 reported at June 30, 2008. This decrease resulted from a construction project which was completed during 2009.

Figure A-6  
Capital Assets, Net of Depreciation

|                                   | Governmental       |                    | Business Type    |                  | Total              |                    | Total     |
|-----------------------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|-----------|
|                                   | Activities         |                    | Activities       |                  | District           |                    | Change    |
|                                   | 2009               | 2008               | 2009             | 2008             | 2009               | 2008               | 2008-2009 |
| Land                              | \$ 152,408         | \$ 152,408         | \$ -             | \$ -             | \$ 152,408         | \$ 152,408         | 0.00%     |
| Construction in progress          | -                  | 1,030,474          | -                | -                | -                  | 1,030,474          | -100.00%  |
| Buildings and improvements        | 5,533,315          | 4,605,045          | -                | -                | 5,533,315          | 4,605,045          | 20.16%    |
| Improvements other than buildings | 73,333             | 52,979             | -                | -                | 73,333             | 52,979             | 38.42%    |
| Furniture and equipment           | <u>280,938</u>     | <u>297,111</u>     | <u>258,377</u>   | <u>284,215</u>   | <u>539,315</u>     | <u>581,326</u>     | -7.23%    |
| Totals                            | <u>\$6,039,994</u> | <u>\$6,138,017</u> | <u>\$258,377</u> | <u>\$284,215</u> | <u>\$6,298,371</u> | <u>\$6,422,232</u> | -1.93%    |

### Long-Term Debt

At June 30, 2009, the District had \$2,875,863 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 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$5 million.

Figure A-7  
Outstanding Long-term Obligations

|                          | Total               |                     | Total            |
|--------------------------|---------------------|---------------------|------------------|
|                          | District            |                     | Change           |
|                          | <u>2009</u>         | <u>2008</u>         | <u>2008-2009</u> |
| General obligation bonds | \$ 1,250,000        | \$ 1,405,000        | -11.03%          |
| Revenue bonds            | 1,470,000           | 1,665,000           | -11.71%          |
| Termination benefits     | <u>155,863</u>      | <u>80,601</u>       | 93.38%           |
| Total                    | <u>\$ 2,875,863</u> | <u>\$ 3,150,601</u> | -8.72%           |

**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 2009/2010 budget includes a cash reserve levy in the amount of \$298,785.
- Taxable valuation has increased and enrollment is stable. The financial issues with the economy and possible future funding cuts may impact the District.

**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, 2009

Exhibit A

| <b>Assets</b>                                   | <u>Governmental<br/>Activities</u> | <u>Business Type<br/>Activities</u> | <u>Total</u>      |
|---|------------------------------------|-------------------------------------|-------------------|
| Cash and cash equivalents                       |                                    |                                     |                   |
| ISCAP   | \$1,667,716                        | \$ -                                | \$1,667,716       |
| Other   | 320,081                            | 44,699                              | 364,780           |
| Receivables                                     |                                    |                                     |                   |
| Property tax                                    |                                    |                                     |                   |
| Delinquent                                      | 13,964                             | -                                   | 13,964            |
| Succeeding year                                 | 1,661,096                          | -                                   | 1,661,096         |
| Accounts receivable                             | 169,409                            | -                                   | 169,409           |
| Accrued interest                                |                                    |                                     |                   |
| ISCAP   | 3,694                              | -                                   | 3,694             |
| Income surtaxes                                 | 169,884                            | -                                   | 169,884           |
| Due from other governments                      | 176,972                            | -                                   | 176,972           |
| Inventories                                     | -                                  | 3,555                               | 3,555             |
| Non-depreciable capital assets                  | 152,408                            | -                                   | 152,408           |
| Capital assets, net of accumulated depreciation | <u>5,887,586</u>                   | <u>258,377</u>                      | <u>6,145,963</u>  |
| Total assets                                    | <u>10,222,810</u>                  | <u>306,631</u>                      | <u>10,529,441</u> |
| <br><b>Liabilities</b>                          |                                    |                                     |                   |
| Accounts payable                                | 83,828                             | 1,075                               | 84,903            |
| Salaries and benefits payable                   | 375,475                            | 12,829                              | 388,304           |
| Accrued interest payable                        | 13,240                             | -                                   | 13,240            |
| Due to other governments                        | 44,749                             | -                                   | 44,749            |
| Deferred revenue                                |                                    |                                     |                   |
| Succeeding year property tax                    | 1,661,096                          | -                                   | 1,661,096         |
| ISCAP drawdowns payable                         | 175,000                            | -                                   | 175,000           |
| ISCAP warrants payable                          | 1,643,000                          | -                                   | 1,643,000         |
| ISCAP accrued interest payable                  | 6,082                              | -                                   | 6,082             |
| ISCAP unamortized premium                       | 28,164                             | -                                   | 28,164            |
| Long-term liabilities                           |                                    |                                     |                   |
| Portion due within one year                     |                                    |                                     |                   |
| General obligation bonds payable                | 155,000                            | -                                   | 155,000           |
| Revenue bonds payable                           | 135,000                            | -                                   | 135,000           |
| Termination benefits payable                    | 33,009                             | -                                   | 33,009            |

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2009

Exhibit A

|   | Governmental<br>Activities | Business Type<br>Activities | Total       |
|---|----------------------------|-----------------------------|-------------|
| <b>Liabilities (continued)</b>                  |                            |                             |             |
| Long-term liabilities (continued)               |                            |                             |             |
| Portion due after one year                      |                            |                             |             |
| General obligation bonds payable                | \$1,095,000                | \$ -                        | \$1,095,000 |
| Revenue bonds payable                           | 1,335,000                  | -                           | 1,335,000   |
| Termination benefits payable                    | 122,854                    | -                           | 122,854     |
| Total liabilities                               | 6,906,497                  | 13,904                      | 6,920,401   |
| <b>Net Assets</b>                               |                            |                             |             |
| Invested in capital assets, net of related debt | 3,319,994                  | 258,377                     | 3,578,371   |
| Restricted for                                  |                            |                             |             |
| Categorical funding                             | 73,945                     | -                           | 73,945      |
| Physical plant and equipment levy               | 31,257                     | -                           | 31,257      |
| Other special revenue purposes                  | 64,911                     | -                           | 64,911      |
| Capital projects                                | 212,733                    | -                           | 212,733     |
| Unrestricted                                    | (386,527)                  | 34,350                      | (352,177)   |
| Total net assets                                | \$3,316,313                | \$292,727                   | \$3,609,040 |

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2009

Exhibit B

|                                    | Program Revenues |                         |  |  | Net (Expense) Revenue<br>and Changes in Net Assets |                             |                    |
|------------------------------------|------------------|-------------------------|--|--|--|-----------------------------|--------------------|
|                                    | Expenses         | Charges<br>for Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                         | Business Type<br>Activities | Total              |
| <b><u>Functions/Programs</u></b>   |                  |                         |  |  |  |                             |                    |
| Governmental activities            |                  |                         |  |  |  |                             |                    |
| Instruction                        |                  |                         |  |  |  |                             |                    |
| Regular instruction                | \$ 2,180,801     | \$ 1,066,834            | \$ 436,585   | \$ -   | \$ (677,382)                                       | -                           | \$ (677,382)       |
| Special instruction                | 605,969          | 134,970                 | 103,144  | -  | (367,855)  | -                           | (367,855)          |
| Other instruction                  | 886,322          | -                       | 8,221  | -  | (878,101)  | -                           | (878,101)          |
|                                    | <u>3,673,092</u> | <u>1,201,804</u>        | <u>547,950</u>   | <u>-</u>   | <u>(1,923,338)</u>                                 | <u>-</u>                    | <u>(1,923,338)</u> |
| Support services                   |                  |                         |  |  |  |                             |                    |
| Student                            | 102,657          | -                       | -  | -  | (102,657)  | -                           | (102,657)          |
| Instructional staff                | 129,869          | -                       | -  | -  | (129,869)  | -                           | (129,869)          |
| Administration                     | 813,583          | -                       | -  | -  | (813,583)  | -                           | (813,583)          |
| Operation and maintenance of plant | 477,622          | -                       | 3,051  | -  | (474,571)  | -                           | (474,571)          |
| Transportation                     | 240,282          | -                       | 4,709  | -  | (235,573)  | -                           | (235,573)          |
|                                    | <u>1,764,013</u> | <u>-</u>                | <u>7,760</u>   | <u>-</u>   | <u>(1,756,253)</u>                                 | <u>-</u>                    | <u>(1,756,253)</u> |
| Other expenses                     |                  |                         |  |  |  |                             |                    |
| Facilities acquisition             | 71,996           | -                       | -  | -  | (71,996)   | -                           | (71,996)           |
| Long-term debt interest            | 119,663          | -                       | -  | -  | (119,663)  | -                           | (119,663)          |
| AEA flowthrough                    | 166,971          | -                       | 166,971  | -  | -  | -                           | -                  |
| Depreciation (unallocated) *       | 144,867          | -                       | -  | -  | (144,867)  | -                           | (144,867)          |
|                                    | <u>503,497</u>   | <u>-</u>                | <u>166,971</u>   | <u>-</u>   | <u>(336,526)</u>                                   | <u>-</u>                    | <u>(336,526)</u>   |
| Total governmental activities      | <u>5,940,602</u> | <u>1,201,804</u>        | <u>722,681</u>   | <u>-</u>   | <u>(4,016,117)</u>                                 | <u>-</u>                    | <u>(4,016,117)</u> |

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2009

Exhibit B

|   | Program Revenues        |  |  | Net (Expense) Revenue<br>and Changes in Net Assets |                             |              |
|---|-------------------------|--|--|--|-----------------------------|--------------|
|   | Charges<br>for Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                         | Business Type<br>Activities | Total        |
| <b><u>Functions/Programs (continued)</u></b>  |                         |  |  |  |                             |              |
| Business type activities                      |                         |  |  |  |                             |              |
| Non-instructional programs                    |                         |  |  |  |                             |              |
| Food service operations                       | \$ 303,226              | \$ 198,370   | \$ 103,848   | \$ -   | \$ (1,008)                  | \$ (1,008)   |
| Preschool program                             | 125,204                 | 49,565   | 87,872   | -  | 12,233                      | 12,233       |
| Total business type activities                | 428,430                 | 247,935  | 191,720  | -  | 11,225                      | 11,225       |
| Total   | \$ 6,369,032            | \$ 1,449,739   | \$ 914,401   | \$ -   | 11,225                      | (4,004,892)  |
| <b><u>General Revenues</u></b>                |                         |  |  |  |                             |              |
| Property tax levied for                       |                         |  |  |  |                             |              |
| General purposes                              |                         |  |  | 1,647,593  | -                           | 1,647,593    |
| Debt service                                  |                         |  |  | 117,822  | -                           | 117,822      |
| Capital outlay                                |                         |  |  | 30,490   | -                           | 30,490       |
| Statewide sales and services tax              |                         |  |  | 441,452  | -                           | 441,452      |
| Unrestricted state grants                     |                         |  |  | 1,991,019  | -                           | 1,991,019    |
| Contributions and donations                   |                         |  |  | 194,764  | -                           | 194,764      |
| Unrestricted investment earnings              |                         |  |  | 45,680   | 387                         | 46,067       |
| Other   |                         |  |  | 8,464  | -                           | 8,464        |
| Special item - gain on sale of capital assets |                         |  |  | 5,138  | -                           | 5,138        |
| Total general revenues and special item       |                         |  |  | 4,482,422  | 387                         | 4,482,809    |
| Change in net assets                          |                         |  |  | 466,305  | 11,612                      | 477,917      |
| Net assets, beginning of year                 |                         |  |  | 2,850,008  | 281,115                     | 3,131,123    |
| Net assets, end of year                       |                         |  |  | \$ 3,316,313                                       | \$292,727                   | \$ 3,609,040 |

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

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
 Balance Sheet  
 Governmental Funds  
 June 30, 2009

Exhibit C

|                                      | Nonmajor<br>Governmental |                  |                    |
|--------------------------------------|--------------------------|------------------|--------------------|
| <b>Assets</b>                        | <u>General</u>           | <u>Funds</u>     | <u>Total</u>       |
| Cash and pooled investments          |                          |                  |                    |
| ISCAP                                | \$1,667,716              | \$ -             | \$1,667,716        |
| Other                                | 51,129                   | 268,952          | 320,081            |
| Receivables                          |                          |                  |                    |
| Property tax                         |                          |                  |                    |
| Delinquent                           | 11,866                   | 2,098            | 13,964             |
| Succeeding year                      | 1,409,435                | 251,661          | 1,661,096          |
| Accounts receivable                  | 169,402                  | 7                | 169,409            |
| Accrued interest                     |                          |                  |                    |
| ISCAP                                | 3,694                    | -                | 3,694              |
| Income surtax                        | 169,884                  | -                | 169,884            |
| Due from other governments           | 112,371                  | 64,601           | 176,972            |
| Total assets and other debits        | <u>\$3,595,497</u>       | <u>\$587,319</u> | <u>\$4,182,816</u> |
| <br>                                 |                          |                  |                    |
| <b>Liabilities and Fund Balances</b> |                          |                  |                    |
| <b>Liabilities</b>                   |                          |                  |                    |
| Accounts payable                     | \$ 68,470                | \$ 15,358        | \$ 83,828          |
| Salaries and benefits payable        | 375,475                  | -                | 375,475            |
| Due to other governments             | 44,749                   | -                | 44,749             |
| ISCAP warrants payable               | 1,643,000                | -                | 1,643,000          |
| ISCAP drawdown payable               | 175,000                  | -                | 175,000            |
| ISCAP accrued interest payable       | 6,082                    | -                | 6,082              |
| ISCAP unamortized premium            | 28,164                   | -                | 28,164             |
| Deferred revenue                     |                          |                  |                    |
| Succeeding year property tax         | 1,409,435                | 251,661          | 1,661,096          |
| Income surtax                        | 169,884                  | -                | 169,884            |
| Other                                | 5,744                    | -                | 5,744              |
| Total liabilities                    | <u>3,926,003</u>         | <u>267,019</u>   | <u>4,193,022</u>   |
| <br>                                 |                          |                  |                    |
| <b>Fund balances</b>                 |                          |                  |                    |
| Reserved for                         |                          |                  |                    |
| Debt service                         | -                        | 10,388           | 10,388             |
| Categorical funding                  | 73,945                   | -                | 73,945             |
| Unreserved, governmental funds       | (404,451)                | 212,733          | (191,718)          |
| Unreserved, special revenue funds    | -                        | 97,179           | 97,179             |
| Total fund balances                  | <u>(330,506)</u>         | <u>320,300</u>   | <u>(10,206)</u>    |
| Total liabilities and fund balances  | <u>\$3,595,497</u>       | <u>\$587,319</u> | <u>\$4,182,816</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, 2009

Exhibit D

|   |                           |
|---|---------------------------|
| <b>Total fund balances of governmental funds</b>  | \$ (10,206)               |
| <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.  | 6,039,994                 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.   | 175,628                   |
| 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.                                    | (13,240)                  |
| Long-term liabilities, including bonds and notes payable and termination benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(2,875,863)</u>        |
| <b>Net assets of governmental activities</b>  | <u><u>\$3,316,313</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, 2009

Exhibit E

|                                    | <u>General</u>   | Nonmajor<br>Governmental<br><u>Funds</u> | <u>Total</u>     |
|------------------------------------|------------------|--|------------------|
| Revenues                           |                  |  |                  |
| Local sources                      |                  |  |                  |
| Local tax                          | \$1,555,532      | \$ 677,684                               | \$ 2,233,216     |
| Tuition                            | 845,859          | -  | 845,859          |
| Other                              | 250,086          | 362,528                                  | 612,614          |
| State sources                      | 2,501,143        | 230                                      | 2,501,373        |
| Federal sources                    | 200,385          | -  | 200,385          |
| Total revenues                     | <u>5,353,005</u> | <u>1,040,442</u>                         | <u>6,393,447</u> |
| Expenditures                       |                  |  |                  |
| Current                            |                  |  |                  |
| Instruction                        |                  |  |                  |
| Regular                            | 2,216,262        | 18,749                                   | 2,235,011        |
| Special                            | 605,173          | -  | 605,173          |
| Other                              | 528,872          | 339,205                                  | 868,077          |
|                                    | <u>3,350,307</u> | <u>357,954</u>                           | <u>3,708,261</u> |
| Support services                   |                  |  |                  |
| Student                            | 94,190           | 6,603                                    | 100,793          |
| Instructional staff                | 136,390          | -  | 136,390          |
| Administration                     | 700,125          | 20,253                                   | 720,378          |
| Operation and maintenance of plant | 375,810          | 70,505                                   | 446,315          |
| Transportation                     | 220,485          | 13,048                                   | 233,533          |
|                                    | <u>1,527,000</u> | <u>110,409</u>                           | <u>1,637,409</u> |
| Other expenditures                 |                  |  |                  |
| Facilities acquisition             | -                | 135,013                                  | 135,013          |
| Long-term debt                     |                  |  |                  |
| Principal                          | -                | 350,000                                  | 350,000          |
| Interest and fiscal charges        | -                | 121,204                                  | 121,204          |
| AEA flowthrough                    | 166,971          | -  | 166,971          |
|                                    | <u>166,971</u>   | <u>606,217</u>                           | <u>773,188</u>   |
| Total expenditures                 | <u>5,044,278</u> | <u>1,074,580</u>                         | <u>6,118,858</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, 2009

Exhibit E

|  | <u>General</u>      | Nonmajor<br>Governmental<br><u>Funds</u> | <u>Total</u>       |
|--|---------------------|--|--------------------|
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ 308,727</u>   | <u>\$ (34,138)</u>                       | <u>\$ 274,589</u>  |
| Other financing sources (uses)                               |                     |  |                    |
| Sale of equipment and materials                              | 50                  | 5,087                                    | 5,137              |
| Interfund operating transfers in                             | -                   | 354,217                                  | 354,217            |
| Interfund operating transfers (out)                          | <u>-</u>            | <u>(354,217)</u>                         | <u>(354,217)</u>   |
| Total other financing sources                                | <u>50</u>           | <u>5,087</u>                             | <u>5,137</u>       |
| Net change in fund balances                                  | 308,777             | (29,051)                                 | 279,726            |
| Fund balance, beginning of year                              | <u>(639,283)</u>    | <u>349,351</u>                           | <u>(289,932)</u>   |
| Fund balance, end of year                                    | <u>\$ (330,506)</u> | <u>\$ 320,300</u>                        | <u>\$ (10,206)</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, 2009

Exhibit F

**Net change in fund balances - total governmental funds** \$279,726

**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 | \$164,820        |          |
| Depreciation expense            | <u>(262,843)</u> | (98,023) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 8,323

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:

|        |         |
|--------|---------|
| Repaid | 350,000 |
|--------|---------|

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 | (75,262) |
|------------------|----------|

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. 1,541

**Change in net assets of governmental activities** \$466,305

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009

Exhibit G

|   | <u>School<br/>Nutrition</u> | <u>Non-major<br/>Preschool</u> | <u>Total</u>     |
|---|-----------------------------|--------------------------------|------------------|
| <b>Assets</b>                                   |                             |                                |                  |
| Cash and cash equivalents                       | \$ 39,656                   | \$ 5,043                       | \$ 44,699        |
| Inventories                                     | 3,555                       | -                              | 3,555            |
| Capital assets, net of accumulated depreciation | <u>258,377</u>              | <u>-</u>                       | <u>258,377</u>   |
| Total assets                                    | <u>301,588</u>              | <u>5,043</u>                   | <u>306,631</u>   |
| <b>Liabilities</b>                              |                             |                                |                  |
| Accounts payable                                | -                           | 1,075                          | 1,075            |
| Salaries and benefits payable                   | <u>1,421</u>                | <u>11,408</u>                  | <u>12,829</u>    |
| Total liabilities                               | <u>1,421</u>                | <u>12,483</u>                  | <u>13,904</u>    |
| <b>Net Assets</b>                               |                             |                                |                  |
| Invested in capital assets                      | 258,377                     | -                              | 258,377          |
| Unrestricted                                    | <u>41,790</u>               | <u>(7,440)</u>                 | <u>34,350</u>    |
| Total net assets                                | <u>\$300,167</u>            | <u>\$ (7,440)</u>              | <u>\$292,727</u> |

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2009

Exhibit H

|                               | <u>School</u><br><u>Nutrition</u> | <u>Non-major</u><br><u>Preschool</u> | <u>Total</u>     |
|-------------------------------|-----------------------------------|--------------------------------------|------------------|
| Operating revenue             |                                   |                                      |                  |
| Local sources                 |                                   |                                      |                  |
| Charges for service           | \$198,370                         | \$ 49,565                            | \$247,935        |
| Operating expenses            |                                   |                                      |                  |
| Instruction, regular          |                                   |                                      |                  |
| Salaries                      | -                                 | 47,779                               | 47,779           |
| Benefits                      | -                                 | 6,535                                | 6,535            |
| Supplies                      | -                                 | 590                                  | 590              |
|                               | <u>-</u>                          | <u>54,904</u>                        | <u>54,904</u>    |
| Non-instructional programs    |                                   |                                      |                  |
| Food service operations       |                                   |                                      |                  |
| Salaries                      | 79,744                            | -                                    | 79,744           |
| Benefits                      | 27,608                            | -                                    | 27,608           |
| Purchased services            | 636                               | -                                    | 636              |
| Supplies                      | 169,400                           | -                                    | 169,400          |
| Depreciation                  | 25,838                            | -                                    | 25,838           |
|                               | <u>303,226</u>                    | <u>-</u>                             | <u>303,226</u>   |
| Preschool operations          |                                   |                                      |                  |
| Salaries                      | -                                 | 45,348                               | 45,348           |
| Benefits                      | -                                 | 24,889                               | 24,889           |
| Purchased services            | -                                 | 63                                   | 63               |
|                               | <u>-</u>                          | <u>70,300</u>                        | <u>70,300</u>    |
| Total operating expenses      | <u>303,226</u>                    | <u>125,204</u>                       | <u>428,430</u>   |
| Operating (loss)              | <u>(104,856)</u>                  | <u>(75,639)</u>                      | <u>(180,495)</u> |
| Non-operating revenues        |                                   |                                      |                  |
| Interest income               | 387                               | -                                    | 387              |
| State sources                 | 3,165                             | 87,872                               | 91,037           |
| Federal sources               | 100,683                           | -                                    | 100,683          |
| Total non-operating revenues  | <u>104,235</u>                    | <u>87,872</u>                        | <u>192,107</u>   |
| Net income (loss)             | (621)                             | 12,233                               | 11,612           |
| Net assets, beginning of year | <u>300,788</u>                    | <u>(19,673)</u>                      | <u>281,115</u>   |
| Net assets, end of year       | <u>\$300,167</u>                  | <u>\$ (7,440)</u>                    | <u>\$292,727</u> |

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2009

Exhibit I

|  | <u>School<br/>Nutrition</u> | <u>Non-major<br/>Preschool</u> | <u>Total</u>     |
|--|-----------------------------|--------------------------------|------------------|
| Cash flows from operating activities                     |                             |                                |                  |
| Cash received from sale of services                      | \$ 206,719                  | \$ 41,474                      | \$ 248,193       |
| Cash payments to employees for services                  | (109,293)                   | (123,742)                      | (233,035)        |
| Cash payments to suppliers for goods and services        | <u>(158,345)</u>            | <u>(561)</u>                   | <u>(158,906)</u> |
| Net cash used in operating activities                    | <u>(60,919)</u>             | <u>(82,829)</u>                | <u>(143,748)</u> |
| Cash flows from non-capital financing activities         |                             |                                |                  |
| State grants received                                    | 3,165                       | 87,872                         | 91,037           |
| Federal grants received                                  | <u>89,526</u>               | <u>-</u>                       | <u>89,526</u>    |
| Net cash provided by non-capital financing activities    | <u>92,691</u>               | <u>87,872</u>                  | <u>180,563</u>   |
| Cash flows from capital and related financing activities | <u>-</u>                    | <u>-</u>                       | <u>-</u>         |
| Cash flows from investing activities                     |                             |                                |                  |
| Interest on investments                                  | <u>387</u>                  | <u>-</u>                       | <u>387</u>       |
| Net increase in cash and cash equivalents                | 32,159                      | 5,043                          | 37,202           |
| Cash and cash equivalents, beginning of year             | 7,497                       | -                              | 7,497            |
| Cash and cash equivalents, end of year                   | <u>\$ 39,656</u>            | <u>\$ 5,043</u>                | <u>\$ 44,699</u> |

**Reconciliation of operating loss to net cash used in operating activities**

|  |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
| Operating loss   | \$(104,856)        | \$ (75,639)        | \$(180,495)        |
| Adjustments to reconcile operating loss to net cash used in operating activities |                    |                    |                    |
| Depreciation   | 25,838             | -                  | 25,838             |
| Commodities used   | 11,157             | -                  | 11,157             |
| Decrease in accounts receivable  | 258                | 304                | 562                |
| Decrease in inventory  | 535                | -                  | 535                |
| Decrease in due from other fund  | 8,091              | -                  | 8,091              |
| Increase in accounts payable   | -                  | 92                 | 92                 |
| (Decrease) in due to other funds   | -                  | (8,091)            | (8,091)            |
| Increase (decrease) in accrued salaries and benefits                             | <u>(1,942)</u>     | <u>505</u>         | <u>(1,437)</u>     |
| Net cash used in operating activities  | <u>\$ (60,919)</u> | <u>\$ (82,829)</u> | <u>\$(143,748)</u> |

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

During the year ended June 30, 2009, the District received \$11,157 of federal commodities.

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2009

Exhibit J

|                             | <u>Private<br/>Purpose<br/>Trust<br/>Scholarships</u> |
|-----------------------------|---|
| <b>Assets</b>               |   |
| Cash and pooled investments | \$ 10,547   |
| <b>Liabilities</b>          | <u>          -</u>                                    |
| <b>Net assets</b>           |   |
| Reserved for scholarships   | <u><u>\$ 10,547</u></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, 2009

Exhibit K

|                               | <u>Private<br/>Purpose<br/>Trust<br/>Scholarships</u> |
|-------------------------------|---|
| Additions                     |   |
| Local sources                 |   |
| Interest                      | \$ 134  |
| Deductions                    |   |
| Instruction, regular          |   |
| Scholarships                  | <u>240</u>  |
| Change in net assets          | (106)   |
| Net assets, beginning of year | <u>10,653</u>   |
| Net assets, end of year       | <u><u>\$10,547</u></u>                                |

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2009

**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 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 termination 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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, 2009 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.

Termination Benefits - 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, 2009. 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 unspent federal grant proceeds as well as 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 \$31,257 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.

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

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

|                       |           |
|-----------------------|-----------|
|                       | Amortized |
|                       | Cost      |
|                       | <hr/>     |
| Diversified Portfolio | \$224,065 |

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. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| <u>Transfer to</u>                         | <u>Transfer from</u>                   | <u>Amount</u> |
|--|--|---------------|
| Non-major governmental<br>Capital Projects | Non-major governmental<br>Debt Service | \$ 354,217    |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Capital Projects Fund transferred money to the Debt Service Fund to make principal and interest payments on long-term debt.

**Note 4. 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, 2009, 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> |
|---------------|---------------------|-------------------------------|---------------------|------------------------------------|-------------------------|---------------------------------|----------------------------|
| 2008-09B      | 01/21/09            | 01/21/10                      | \$ 436,526          | \$ 3,542                           | \$ 431,000              | \$5,667                         | \$ 4,702                   |
| 2009-10A      | 06/25/09            | 06/23/10                      | <u>1,231,190</u>    | <u>152</u>                         | <u>1,212,000</u>        | <u>415</u>                      | <u>23,462</u>              |
|               |                     |                               | <u>\$ 1,667,716</u> | <u>\$ 3,694</u>                    | <u>\$ 1,643,000</u>     | <u>\$6,082</u>                  | <u>\$ 28,164</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 addition, 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, 2009 is as follows:

| <u>Series</u> | <u>Balance,<br/>Beginning<br/>of Year</u> | <u>Advances<br/>Received</u> | <u>Advances<br/>Repaid</u> | <u>Balance,<br/>End of<br/>Year</u> |
|---------------|---|------------------------------|----------------------------|-------------------------------------|
| 2007-08B      | \$ 300,000                                | \$ -                         | \$ 300,000                 | \$ -                                |
| 2008-09A      | -   | 700,000                      | 700,000                    | -                                   |
| 2008-09B      | -   | 175,000                      | -                          | 175,000                             |
| Total         | <u>\$ 300,000</u>                         | <u>\$ 875,000</u>            | <u>\$ 1,000,000</u>        | <u>\$ 175,000</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<br/>Rates on<br/>Warrants</u> | <u>Interest<br/>Rates on<br/>Investments</u> |
|---------------|---|--|
| 2008-09A      | 3.50%                                     | 3.469%                                       |
| 2008-09B      | 3.00%                                     | 2.110%                                       |
| 2009-10A      | 2.50%                                     | 0.902%                                       |

#### **Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

|   | <u>Balance,<br/>Beginning<br/>of Year</u> | <u>Additions</u>  | <u>Deletions</u>     | <u>Balance,<br/>End of<br/>Year</u> |
|---|---|-------------------|----------------------|-------------------------------------|
| <u>Governmental activities</u>              |   |                   |                      |                                     |
| Capital assets not being depreciated:       |   |                   |                      |                                     |
| Land  | \$ 152,408                                | \$ -              | \$ -                 | \$ 152,408                          |
| Construction in progress                    | 1,030,474                                 | -                 | (1,030,474)          | -                                   |
| Total capital assets, not being depreciated | <u>1,182,882</u>                          | <u>-</u>          | <u>(1,030,474)</u>   | <u>152,408</u>                      |
| Capital assets being depreciated:           |   |                   |                      |                                     |
| Buildings and improvements                  | 6,441,022                                 | 1,068,959         | -                    | 7,509,981                           |
| Improvements other than buildings           | 294,867                                   | 24,532            | -                    | 319,399                             |
| Furniture and equipment                     | 1,715,867                                 | 101,803           | -                    | 1,817,670                           |
| Total capital assets being depreciated      | <u>8,451,756</u>                          | <u>1,195,294</u>  | <u>-</u>             | <u>9,647,050</u>                    |
| Less accumulated depreciation for:          |   |                   |                      |                                     |
| Buildings and improvements                  | 1,835,977                                 | 140,689           | -                    | 1,976,666                           |
| Improvements other than buildings           | 241,888                                   | 4,178             | -                    | 246,066                             |
| Furniture and equipment                     | 1,418,756                                 | 117,976           | -                    | 1,536,732                           |
| Total accumulated depreciation              | <u>3,496,621</u>                          | <u>262,843</u>    | <u>-</u>             | <u>3,759,464</u>                    |
| Total capital assets being depreciated, net | <u>4,955,135</u>                          | <u>932,451</u>    | <u>-</u>             | <u>5,887,586</u>                    |
| Governmental activities capital assets, net | <u>\$ 6,138,017</u>                       | <u>\$ 932,451</u> | <u>\$(1,030,474)</u> | <u>\$ 6,039,994</u>                 |

Business type activities

|  |                   |                    |             |                   |
|--|-------------------|--------------------|-------------|-------------------|
| Furniture and equipment                      | \$ 310,052        | \$ -               | \$ -        | \$ 310,052        |
| Less accumulated depreciation                | <u>25,837</u>     | <u>25,838</u>      | <u>-</u>    | <u>51,675</u>     |
| Business type activities capital assets, net | <u>\$ 284,215</u> | <u>\$ (25,838)</u> | <u>\$ -</u> | <u>\$ 258,377</u> |

Depreciation expense was charged to the following functions:

**Governmental activities**

|  |                   |
|--|-------------------|
| Instruction  |                   |
| Regular  | \$ 35,686         |
| Special  | 3,496             |
| Other  | 18,245            |
| Support services                                   |                   |
| Student support                                    | 1,864             |
| Administration                                     | 9,223             |
| Operation and maintenance of plant                 | 40,351            |
| Transportation                                     | <u>9,111</u>      |
|  | 117,976           |
| Unallocated depreciation                           | <u>144,867</u>    |
| Total governmental activities depreciation expense | <u>\$ 262,843</u> |

**Business type activities**

|               |                  |
|---------------|------------------|
| Food services | <u>\$ 25,838</u> |
|---------------|------------------|

**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

|                         | Balance,<br>Beginning<br>of Year | Additions        | Reductions          | Balance,<br>End<br>of Year | Due<br>Within<br>One Year |
|-------------------------|----------------------------------|------------------|---------------------|----------------------------|---------------------------|
| Governmental activities |                                  |                  |                     |                            |                           |
| Refunded bonds          | \$ 1,405,000                     | \$ -             | \$ (155,000)        | \$ 1,250,000               | \$ 155,000                |
| Revenue bonds           | 1,665,000                        | -                | (195,000)           | 1,470,000                  | 135,000                   |
| Termination benefits    | <u>80,601</u>                    | <u>95,578</u>    | <u>(20,316)</u>     | <u>155,863</u>             | <u>33,009</u>             |
| Totals                  | <u>\$ 3,150,601</u>              | <u>\$ 95,578</u> | <u>\$ (370,316)</u> | <u>\$ 2,875,863</u>        | <u>\$ 323,009</u>         |

Interest costs incurred and charged to expense on all long-term debt was \$119,663 for the year ended June 30, 2009.

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, 2009 totaled \$20,316 and the District had a total liability of \$155,863 payable to four individuals at June 30, 2009.

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 (statewide) sales and services tax revenue bonds to purchase a bus. The District has pledged future local option (statewide) sales and services tax revenues to repay these bond issues. The bonds are payable solely from the proceeds of the local option (statewide) 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 (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,808,939. For the current year, \$261,980 of principal and interest was paid on the bonds and the local option (statewide) sales and services tax revenues were \$441,452.

The bond resolutions do not require the establishment of any specific accounts or reserves. Details of the revenue anticipation bonded indebtedness at June 30, 2009 are as follows:

| Year<br>Ending<br>June 30, | Bond issue of June 1, 2007 |                   |                     |                     | Bond issue of August 1, 2007 |                 |                  |                  |
|----------------------------|----------------------------|-------------------|---------------------|---------------------|------------------------------|-----------------|------------------|------------------|
|                            | Interest<br>Rates          | Interest          | Principal           | Total               | Interest<br>Rates            | Interest        | Principal        | Total            |
| 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                       | 4.100                      | 37,895            | 140,000             | 177,895             | -                            | -               | -                | -                |
| 2015-2019                  | 4.15-4.35%                 | 94,537            | 790,000             | 884,537             | -                            | -               | -                | -                |
| Totals                     |                            | <u>\$ 337,439</u> | <u>\$ 1,440,000</u> | <u>\$ 1,777,439</u> |                              | <u>\$ 1,500</u> | <u>\$ 30,000</u> | <u>\$ 31,500</u> |

| Year<br>Ending<br>June 30, | Totals            |                     |                     |
|----------------------------|-------------------|---------------------|---------------------|
|                            | Interest          | Principal           | Total               |
| 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                       | 37,895            | 140,000             | 177,895             |
| 2015-2019                  | 94,537            | 790,000             | 884,537             |
| Totals                     | <u>\$ 338,939</u> | <u>\$ 1,470,000</u> | <u>\$ 1,808,939</u> |

## General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue of April 1, 2004 |                     |                   |                     |
|----------------------------|-----------------------------|---------------------|-------------------|---------------------|
|                            | Interest<br>Rates           | Principal           | Interest          | Total               |
| 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                       | 4.00%                       | 185,000             | 23,795            | 208,795             |
| 2015-2016                  | 4.1-4.2%                    | <u>395,000</u>      | <u>24,795</u>     | <u>419,795</u>      |
| Totals                     |                             | <u>\$ 1,250,000</u> | <u>\$ 208,732</u> | <u>\$ 1,458,732</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, 2009.

## **Note 7. 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 4.10% of their annual covered salary and the District was required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% and 3.70% of their annual covered salary and the District was required to contribute 6.05% and 5.75% of annual covered payroll for the years ended June 30, 2008 and 2007, respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$197,127, \$173,672 and \$159,644, respectively, equal to the required contributions for each year.

**Note 8. 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 9. 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 \$166,971 adjusting entry to the cash basis financial statements.

**Note 11. Deficit Balances**

The District had unreserved, undesignated fund deficits in the following funds at June 30, 2009:

|              |           |
|--------------|-----------|
| General Fund | \$404,451 |
| Preschool    | \$ 7,440  |

**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, 2009, 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, 2009

|  | Governmental Funds |                   | Proprietary Funds |                    | Total Actual       | Budgeted Amounts    |                   | Final to Actual Variance |
|--|--------------------|-------------------|-------------------|--------------------|--------------------|---------------------|-------------------|--------------------------|
|  | Actual             |                   | Actual            |                    |                    | Original            | Final             |                          |
|  | Actual             | Actual            | Actual            | Actual             |                    | Original            | Final             |                          |
| Revenues   |                    |                   |                   |                    |                    |                     |                   |                          |
| Local sources  | \$ 3,691,689       | \$ 248,322        | \$ 3,940,011      | \$ 3,635,448       | \$ 3,635,448       | \$ 3,635,448        | \$ 304,563        |                          |
| State sources  | 2,501,373          | 91,037            | 2,592,410         | 2,603,154          | 2,603,154          | 2,603,154           | (10,744)          |                          |
| Federal sources  | 200,385            | 100,683           | 301,068           | 225,000            | 225,000            | 225,000             | 76,068            |                          |
| Total revenues   | <u>6,393,447</u>   | <u>440,042</u>    | <u>6,833,489</u>  | <u>6,463,602</u>   | <u>6,463,602</u>   | <u>6,463,602</u>    | <u>369,887</u>    |                          |
| Expenditures/Expenses  |                    |                   |                   |                    |                    |                     |                   |                          |
| Instruction  | 3,708,261          | 54,904            | 3,763,165         | 3,449,140          | 3,449,140          | 3,850,000           | 86,835            |                          |
| Support services   | 1,637,409          | -                 | 1,637,409         | 1,620,220          | 1,620,220          | 1,675,000           | 37,591            |                          |
| Non-instructional programs   | -                  | 373,526           | 373,526           | 388,460            | 388,460            | 400,000             | 26,474            |                          |
| Other expenditures   | 773,188            | -                 | 773,188           | 820,472            | 820,472            | 895,000             | 121,812           |                          |
| Total expenditures/expenses  | <u>6,118,858</u>   | <u>428,430</u>    | <u>6,547,288</u>  | <u>6,278,292</u>   | <u>6,278,292</u>   | <u>6,820,000</u>    | <u>272,712</u>    |                          |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 274,589            | 11,612            | 286,201           | 185,310            | 185,310            | (356,398)           | 642,599           |                          |
| Net other financing sources  | <u>5,137</u>       | <u>-</u>          | <u>5,137</u>      | <u>-</u>           | <u>-</u>           | <u>-</u>            | <u>5,137</u>      |                          |
| Net change in fund balance   | 279,726            | 11,612            | 291,338           | 185,310            | 185,310            | (356,398)           | 647,736           |                          |
| Balance, beginning of year   | (289,932)          | 281,115           | (8,817)           | (258,609)          | (258,609)          | (258,609)           | 249,792           |                          |
| Balance, end of year   | <u>\$ (10,206)</u> | <u>\$ 292,727</u> | <u>\$ 282,521</u> | <u>\$ (73,299)</u> | <u>\$ (73,299)</u> | <u>\$ (615,007)</u> | <u>\$ 897,528</u> |                          |

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2009

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 \$541,708.

## Other Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009

Schedule 1

|                                      | Special Revenue    |                     |  |                     |                  |                  |
|--------------------------------------|--------------------|---------------------|--|---------------------|------------------|------------------|
|                                      | Management<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Debt<br>Service  | Total            |
| <b>Assets</b>                        |                    |                     |  |                     |                  |                  |
| Cash and pooled investments          | \$ 4,219           | \$65,276            | \$ 33,613                                  | \$156,502           | \$ 9,342         | \$268,952        |
| Receivables                          |                    |                     |  |                     |                  |                  |
| Property tax                         |                    |                     |  |                     |                  |                  |
| Delinquent                           | 787                | -                   | 265  | -                   | 1,046            | 2,098            |
| Succeeding year                      | 112,000            | -                   | 31,629                                     | -                   | 108,032          | 251,661          |
| Accounts receivable                  | -                  | -                   | 7  | -                   | -                | 7                |
| Due from other governments           | -                  | -                   | -  | 64,601              | -                | 64,601           |
| Total assets                         | <u>\$117,006</u>   | <u>\$65,276</u>     | <u>\$ 65,514</u>                           | <u>\$221,103</u>    | <u>\$118,420</u> | <u>\$587,319</u> |
| <b>Liabilities and Fund Balances</b> |                    |                     |  |                     |                  |                  |
| Liabilities                          |                    |                     |  |                     |                  |                  |
| Accounts payable                     | \$ 3,995           | \$ 365              | \$ 2,628                                   | \$ 8,370            | \$ -             | \$ 15,358        |
| Deferred revenue                     |                    |                     |  |                     |                  |                  |
| Succeeding year property tax         | 112,000            | -                   | 31,629                                     | -                   | 108,032          | 251,661          |
| Total liabilities                    | <u>115,995</u>     | <u>365</u>          | <u>34,257</u>                              | <u>8,370</u>        | <u>108,032</u>   | <u>267,019</u>   |
| Fund balances                        |                    |                     |  |                     |                  |                  |
| Reserved for debt service            | -                  | -                   | -  | -                   | 10,388           | 10,388           |
| Unreserved fund balances             | 1,011              | 64,911              | 31,257                                     | 212,733             | -                | 309,912          |
| Total fund balances                  | <u>1,011</u>       | <u>64,911</u>       | <u>31,257</u>                              | <u>212,733</u>      | <u>10,388</u>    | <u>320,300</u>   |
| Total liabilities and fund balances  | <u>\$117,006</u>   | <u>\$65,276</u>     | <u>\$ 65,514</u>                           | <u>\$221,103</u>    | <u>\$118,420</u> | <u>\$587,319</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, 2009

Schedule 2

|   | Special Revenue    |                     |  |                     |                 | Total      |
|---|--------------------|---------------------|--|---------------------|-----------------|------------|
|   | Management<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Debt<br>Service |            |
| Revenues  |                    |                     |  |                     |                 |            |
| Local sources   |                    |                     |  |                     |                 |            |
| Local taxes   | \$ 88,064          | \$ -                | \$ 30,460                                  | \$441,452           | \$ 117,708      | \$ 677,684 |
| Other   | 8,486              | 352,319             | 379  | 1,022               | 322             | 362,528    |
| State sources   | 86                 | -                   | 30   | -                   | 114             | 230        |
| Total revenues  | 96,636             | 352,319             | 30,869                                     | 442,474             | 118,144         | 1,040,442  |
| Expenditures  |                    |                     |  |                     |                 |            |
| Current   |                    |                     |  |                     |                 |            |
| Instruction   |                    |                     |  |                     |                 |            |
| Regular   | 11,799             | -                   | 6,950                                      | -                   | -               | 18,749     |
| Other   | -                  | 339,205             | -  | -                   | -               | 339,205    |
| Total instruction   | 11,799             | 339,205             | 6,950                                      | -                   | -               | 357,954    |
| Support services  |                    |                     |  |                     |                 |            |
| Student   | 6,603              | -                   | -  | -                   | -               | 6,603      |
| Administration  | 20,253             | -                   | -  | -                   | -               | 20,253     |
| Operation and maintenance of plant                        | 70,505             | -                   | -  | -                   | -               | 70,505     |
| Transportation  | -                  | -                   | 13,048                                     | -                   | -               | 13,048     |
| Total support services                                    | 97,361             | -                   | 13,048                                     | -                   | -               | 110,409    |
| Other expenditures  |                    |                     |  |                     |                 |            |
| Facilities acquisition                                    | -                  | -                   | 7,744                                      | 127,269             | -               | 135,013    |
| Long-term debt  |                    |                     |  |                     |                 |            |
| Principal   | -                  | -                   | -  | -                   | 350,000         | 350,000    |
| Interest and fiscal charges                               | -                  | -                   | -  | -                   | 121,204         | 121,204    |
| Total other expenditures                                  | -                  | -                   | 7,744                                      | 127,269             | 471,204         | 606,217    |
| Total expenditures  | 109,160            | 339,205             | 27,742                                     | 127,269             | 471,204         | 1,074,580  |
| Excess (deficiency) of revenues over (under) expenditures | (12,524)           | 13,114              | 3,127                                      | 315,205             | (353,060)       | (34,138)   |
| Other financing sources (uses)                            |                    |                     |  |                     |                 |            |
| Sale of materials   | -                  | -                   | -  | 5,087               | -               | 5,087      |
| Interfund operating transfers in                          | -                  | -                   | -  | -                   | 354,217         | 354,217    |
| Interfund operating transfers (out)                       | -                  | -                   | -  | (354,217)           | -               | (354,217)  |
| Total other financing sources (uses)                      | -                  | -                   | -  | (349,130)           | 354,217         | 5,087      |
| Net change in fund balances                               | (12,524)           | 13,114              | 3,127                                      | (33,925)            | 1,157           | (29,051)   |
| Fund balances, beginning of year                          | 13,535             | 51,797              | 28,130                                     | 246,658             | 9,231           | 349,351    |
| Fund balances, end of year                                | \$ 1,011           | \$ 64,911           | \$ 31,257                                  | \$212,733           | \$ 10,388       | \$ 320,300 |

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, 2009

Schedule 3

| Account                     | Balance,<br>Beginning<br>of Year | <u>Revenues</u> | <u>Expenditures</u> | Intrafund<br>Transfers | Balance,<br>End of<br>Year |
|-----------------------------|----------------------------------|-----------------|---------------------|------------------------|----------------------------|
| Athletics                   | \$ (15,824)                      | \$ 69,495       | \$ 46,854           | \$ (7,177)             | \$ (360)                   |
| Class of:                   |                                  |                 |                     |                        |                            |
| 2008                        | 18                               | -               | -                   | -                      | 18                         |
| 2009                        | 1,845                            | 250             | 1,787               | -                      | 308                        |
| 2010                        | 1,018                            | 14,880          | 12,602              | -                      | 3,296                      |
| 2011                        | 824                              | 329             | 183                 | (76)                   | 894                        |
| 2012                        | 167                              | 10              | -                   | 76                     | 253                        |
| 2013                        | 155                              | -               | -                   | -                      | 155                        |
| 2014                        | 398                              | -               | -                   | -                      | 398                        |
| 2015                        | -                                | 4,320           | 3,338               | -                      | 982                        |
| Playground equipment fund   | 12,852                           | -               | -                   | -                      | 12,852                     |
| Book clubs                  | -                                | 2,261           | 2,261               | -                      | -                          |
| Book fair                   | 1,366                            | 4,358           | 3,497               | -                      | 2,227                      |
| Parent volunteers           | 3,953                            | 8,587           | 6,790               | (500)                  | 5,250                      |
| Jump Rope for Heart         | 696                              | -               | -                   | -                      | 696                        |
| Kindergarten workshop       | 62                               | -               | -                   | -                      | 62                         |
| Elementary school store     | 27                               | 892             | 844                 | -                      | 75                         |
| Speech                      | -                                | 3,003           | 3,918               | 915                    | -                          |
| National Honor Society      | 180                              | 299             | 186                 | -                      | 293                        |
| Drama                       | 300                              | 5,198           | 4,210               | -                      | 1,288                      |
| Cheerleaders                | 27                               | 4,707           | 4,101               | -                      | 633                        |
| Volleyball camp             | 617                              | 1,508           | 1,177               | -                      | 948                        |
| SCI program                 | 61                               | -               | -                   | -                      | 61                         |
| S.A.D.D.                    | 302                              | 1,000           | 734                 | -                      | 568                        |
| Math/Science                | 217                              | -               | -                   | -                      | 217                        |
| High school student council | 292                              | 2,128           | 2,471               | 51                     | -                          |
| Jr high student council     | 8,407                            | 4,460           | 5,460               | -                      | 7,407                      |
| Boys basketball camp        | -                                | 6,000           | 5,453               | 200                    | 747                        |
| Girls basketball camp       | 855                              | 1,761           | 2,225               | -                      | 391                        |
| Football camp               | -                                | 2,012           | 3,232               | 2,340                  | 1,120                      |
| Baseball camp               | 1,294                            | 2,701           | 4,082               | 87                     | -                          |
| Soccer camp                 | -                                | 1,123           | 830                 | -                      | 293                        |
| Softball camp               | 652                              | 6,219           | 8,265               | 1,394                  | -                          |
| Golf camp                   | 1,089                            | 953             | 1,569               | -                      | 473                        |

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, 2009

Schedule 3

| Account          | Balance,<br>Beginning<br>of Year | Revenues          | Expenditures      | Intrafund<br>Transfers | Balance,<br>End of<br>Year |
|------------------|----------------------------------|-------------------|-------------------|------------------------|----------------------------|
| Band             | \$ -                             | \$ 10,915         | \$ 13,803         | \$ 2,888               | \$ -                       |
| Vocal music      | -                                | -                 | 19                | 19                     | -                          |
| Swing choir      | 5,528                            | 39,632            | 32,154            | (9,167)                | 3,839                      |
| Music trip       | 6,333                            | 100,726           | 116,206           | 9,147                  | -                          |
| High school pop  | -                                | 4,597             | 3,900             | (697)                  | -                          |
| School store     | 304                              | -                 | -                 | -                      | 304                        |
| Seniors, Inc.    | 510                              | 45                | 19                | -                      | 536                        |
| Shop             | -                                | 689               | 365               | -                      | 324                        |
| FHA              | 844                              | 634               | 629               | -                      | 849                        |
| Mass media       | 822                              | 131               | 583               | -                      | 370                        |
| Yearbook         | 7,531                            | 18,391            | 17,466            | -                      | 8,456                      |
| Student pictures | 3,550                            | 11,073            | 7,652             | 500                    | 7,471                      |
| Interest         | 4,525                            | 1,189             | 4,497             | -                      | 1,217                      |
| General          | -                                | 15,843            | 15,843            | -                      | -                          |
| Totals           | <u>\$ 51,797</u>                 | <u>\$ 352,319</u> | <u>\$ 339,205</u> | <u>\$ -</u>            | <u>\$ 64,911</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 Six Years

Schedule 4

|                                    | Modified Accrual Basis |                    |                    |                    |                    |                     |
|------------------------------------|------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
|                                    | <u>2009</u>            | <u>2008</u>        | <u>2007</u>        | <u>2006</u>        | <u>2005</u>        | <u>2004</u>         |
| Revenues                           |                        |                    |                    |                    |                    |                     |
| Local sources                      |                        |                    |                    |                    |                    |                     |
| Local tax                          | \$2,233,216            | \$2,024,587        | \$1,953,149        | \$1,832,358        | \$1,780,361        | \$ 1,793,022        |
| Tuition                            | 845,859                | 767,684            | 781,249            | 643,369            | 678,983            | 630,644             |
| Other                              | 612,614                | 481,091            | 425,441            | 344,940            | 417,235            | 261,089             |
| Intermediate sources               |                        | -                  | -                  | -                  | -                  | 14,812              |
| State sources                      | 2,501,373              | 2,315,717          | 2,117,637          | 1,961,839          | 1,916,794          | 1,737,471           |
| Federal sources                    | 200,385                | 96,700             | 132,810            | 106,887            | 124,608            | 107,508             |
| Total revenues                     | <u>\$6,393,447</u>     | <u>\$5,685,779</u> | <u>\$5,410,286</u> | <u>\$4,889,393</u> | <u>\$4,917,981</u> | <u>\$ 4,544,546</u> |
| Expenditures                       |                        |                    |                    |                    |                    |                     |
| Current                            |                        |                    |                    |                    |                    |                     |
| Instruction                        |                        |                    |                    |                    |                    |                     |
| Regular                            | \$2,235,011            | \$2,036,743        | \$2,086,631        | \$1,865,099        | \$1,889,528        | \$ 1,887,401        |
| Special                            | 605,173                | 517,915            | 448,713            | 420,957            | 363,474            | 434,193             |
| Other                              | 868,077                | 813,557            | 659,862            | 685,825            | 731,195            | 474,810             |
| Support services                   |                        |                    |                    |                    |                    |                     |
| Student                            | 100,793                | 47,818             | 48,862             | 52,108             | 76,134             | 60,415              |
| Instructional staff                | 136,390                | 94,265             | 91,944             | 84,790             | 106,076            | 67,008              |
| Administration                     | 720,378                | 745,808            | 757,273            | 658,129            | 534,728            | 464,840             |
| Operation and maintenance of plant | 446,315                | 409,666            | 411,073            | 402,703            | 382,867            | 359,174             |
| Transportation                     | 233,533                | 237,115            | 255,363            | 245,424            | 226,894            | 201,758             |
| Central support services           |                        |                    |                    |                    |                    | 479                 |
| Non-instructional programs         | -                      | 6,000              | 2,428              | 2,417              | 104,342            | 4,968               |
| Other expenditures                 |                        |                    |                    |                    |                    |                     |
| Facilities acquisition             | 135,013                | 1,263,233          | 264,709            | 99,475             | 361,119            | 152,193             |
| Long-term debt                     |                        |                    |                    |                    |                    |                     |
| Principal                          | 350,000                | 340,000            | 390,000            | 370,000            | 315,000            | 332,512             |
| Interest and other charges         | 121,204                | 133,813            | 151,306            | 150,857            | 121,852            | 137,185             |
| AEA flowthrough                    | 166,971                | 148,917            | 143,392            | 129,431            | 126,367            | 126,589             |
| Total expenditures                 | <u>\$6,118,858</u>     | <u>\$6,794,850</u> | <u>\$5,711,556</u> | <u>\$5,167,215</u> | <u>\$5,339,576</u> | <u>\$ 4,703,525</u> |

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education  
Danville Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Danville Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 17, 2010. 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, 2009 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 17, 2010

DANVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2009

**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, 2009

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 had incorrect amounts for the accumulated depreciation and inventories in the School Nutrition 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, 2009

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

1. Certified Budget - Expenditures for the year ended June 30, 2009 did not exceed the amended amounts budgeted.
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.

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 a negative unrestricted fund balance in the General Fund of \$404,451 and the Preschool Fund had negative retained earnings of \$7,440 at June 30, 2009.

DANVILLE COMMUNITY SCHOOL DISTRICT  
 Schedule of Findings  
 For the Year Ended June 30, 2009

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.

- 11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- 12. Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

|  |                  |                   |
|--|------------------|-------------------|
| Beginning balance                        |                  | \$ 246,658        |
| Revenues                                 |                  |                   |
| Statewide sales and services tax revenue | \$ 441,452       |                   |
| Interest earned                          | 1,022            |                   |
| Sale of materials                        | <u>5,087</u>     | 447,561           |
| Expenditures/transfers out               |                  |                   |
| School infrastructure                    |                  |                   |
| Buildings                                | \$ (29,879)      |                   |
| Other improvements                       | (97,390)         |                   |
| Debt service for school infrastructure   |                  |                   |
| Revenue debt                             | <u>(354,217)</u> | <u>(481,486)</u>  |
| Ending balance                           |                  | <u>\$ 212,733</u> |

DANVILLE COMMUNITY SCHOOL DISTRICT

Audit Staff  
June 30, 2009

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant