

DANVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

DANVILLE COMMUNITY SCHOOL DISTRICT
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DANVILLE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Dockendorff	Board President	2013
Matt Parrott	Board Member	2013
Allan Luers	Board Member	2015
Brian Bauer	Board Member	2015
Scott Becker	Board Member	2015

School Officials

Gary DeLacy	Superintendent	2013
Nancy House	Board Secretary/Treasurer	Indefinite
Lane & Waterman LLP	Attorney	Indefinite

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Independent Auditor's Report

To the Board of Education
Danville Community School District:

Report on the Financial Statements

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, Danville, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Danville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 17, 2014 on my consideration of Danville Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 in considering Danville Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 17, 2014

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,778,990 in fiscal 2012 to \$5,834,255 in fiscal 2013, and General Fund expenditures increased from \$5,459,418 in fiscal 2012 to \$5,599,350 in fiscal 2013. The District's General Fund balance increased from \$656,975 in fiscal 2012 to \$891,880 in fiscal 2013, a 36% increase.
- The increase in General Fund revenues was attributable the District receiving increased local tax and tuition. Revenues from federal sources decreased by 68% from fiscal year 2012. The increase in expenditures was due primarily the negotiated salary and benefits, and technology purchases. The General Fund balance increase was the result of the increase in revenues being more than sufficient to cover the increase in expenditures for fiscal 2013.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 1.98% for fiscal 2012 to 6.95% for fiscal 2013. The State School Budget Review Committee recommends a solvency ratio between 5%-10%.

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 Position 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor Governmental and Enterprise Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

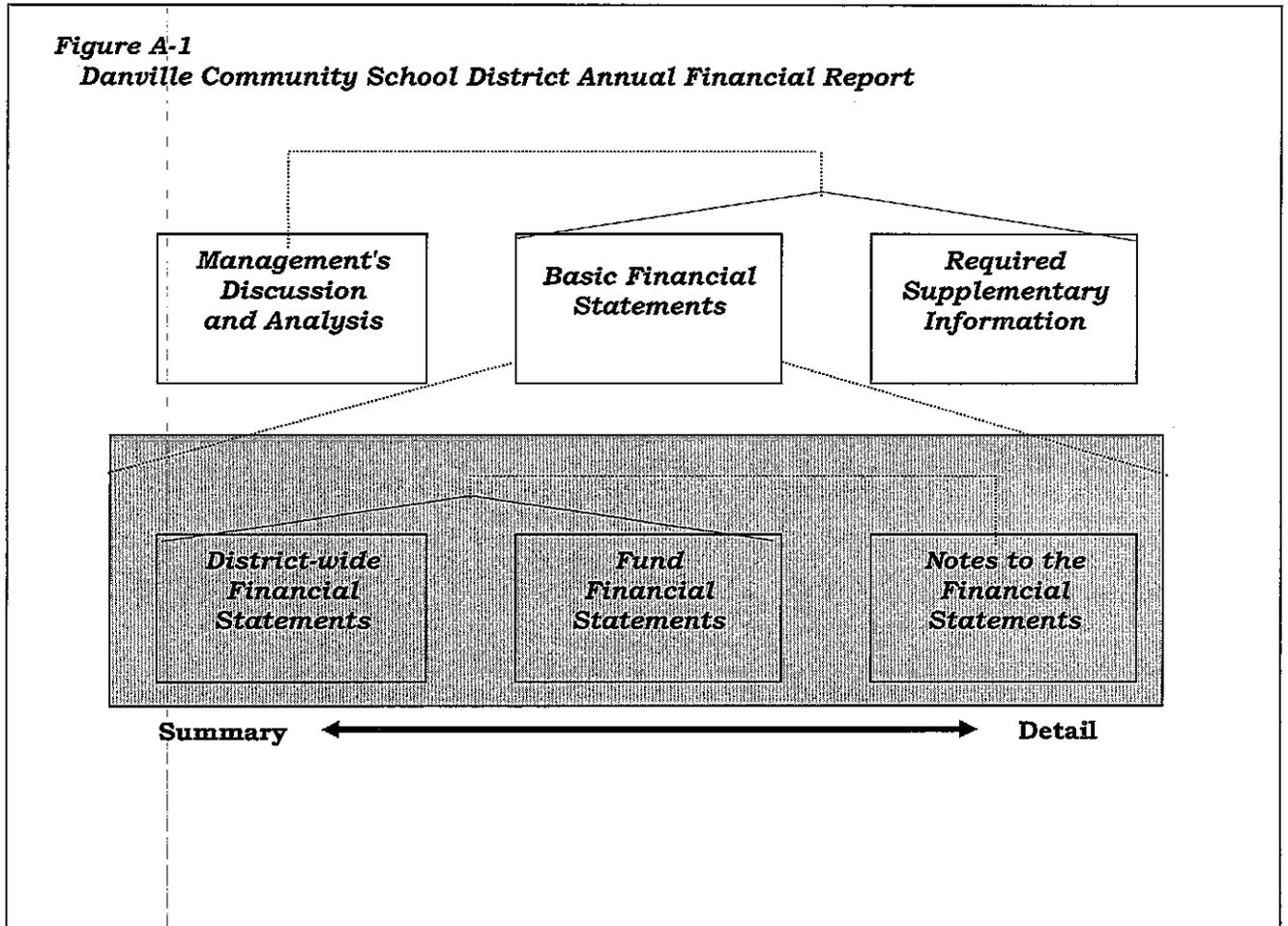


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool operation	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities –

is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 Funds.

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 position a statement of revenues, expenses and changes in fund net position 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 position and a statement of changes in fiduciary net position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total Change
	Activities		Activities		District		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Current and other assets	\$ 4,200,052	\$3,332,230	\$128,788	\$153,806	\$4,328,840	\$3,486,036	24.18%
Capital assets	<u>8,111,031</u>	<u>5,856,198</u>	<u>157,916</u>	<u>184,184</u>	<u>8,268,947</u>	<u>6,040,382</u>	36.89%
Total assets	<u>12,311,083</u>	<u>9,188,428</u>	<u>286,704</u>	<u>337,990</u>	<u>12,597,787</u>	<u>9,526,418</u>	32.24%
Long-term liabilities	3,607,411	2,128,111	-	-	3,607,411	2,128,111	69.51%
Other liabilities	<u>2,551,862</u>	<u>2,240,214</u>	<u>136</u>	<u>137</u>	<u>2,551,998</u>	<u>2,240,351</u>	13.91%
Total liabilities	<u>6,159,273</u>	<u>4,368,325</u>	<u>136</u>	<u>137</u>	<u>6,159,409</u>	<u>4,368,462</u>	41.00%
Net position							
Net investment in							
capital assets	4,716,031	4,030,198	157,916	184,184	4,873,947	4,214,382	15.65%
Restricted	758,448	462,214	-	-	758,448	462,214	64.09%
Unrestricted	<u>677,331</u>	<u>327,691</u>	<u>128,652</u>	<u>153,669</u>	<u>805,983</u>	<u>481,360</u>	-67.44%
Total net position	<u>\$ 6,151,810</u>	<u>\$4,820,103</u>	<u>\$286,568</u>	<u>\$337,853</u>	<u>\$6,438,378</u>	<u>\$5,157,956</u>	24.82%

The District's combined net position increased by approximately 25%, or \$1,280,422 over the prior year. The largest portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$296,234, or approximately 64% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$324,623, or approximately 67%.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 1,552,489	\$ 1,361,092	\$ 247,817	\$ 260,415	\$ 1,800,306	\$ 1,621,507	11.03%
Operating grants	1,536,550	1,016,127	152,253	152,300	1,688,803	1,168,427	44.54%
General revenues							
Property tax	2,058,181	1,818,965	-	-	2,058,181	1,818,965	13.15%
Statewide sales, services and use tax	414,671	396,686	-	-	414,671	396,686	4.53%
Unrestricted state grants	2,073,599	2,080,579	-	-	2,073,599	2,080,579	-0.34%
Contributions and donations	22,415	-	-	-	22,415	-	100.00%
Unrestricted investment earnings	8,520	8,076	645	591	9,165	8,667	5.75%
Other	6,532	642	-	-	6,532	642	917.45%
Special item - loss on sale of assets	(2,425)	-	-	-	(2,425)	-	100.00%
Total revenues and special item	<u>7,670,532</u>	<u>6,682,167</u>	<u>400,715</u>	<u>413,306</u>	<u>8,071,247</u>	<u>7,095,473</u>	13.75%
Program expenses							
Governmental activities							
Instruction	4,157,220	4,149,843	-	-	4,157,220	4,149,843	0.18%
Support services	1,688,380	1,633,443	-	-	1,688,380	1,633,443	3.36%
Non-instructional programs	-	2,493	452,000	395,565	452,000	398,058	13.55%
Other expenses	<u>493,225</u>	<u>557,581</u>	<u>-</u>	<u>-</u>	<u>493,225</u>	<u>557,581</u>	-11.54%
Total expenses	<u>6,338,825</u>	<u>6,343,360</u>	<u>452,000</u>	<u>395,565</u>	<u>6,790,825</u>	<u>6,738,925</u>	0.77%
Change in net position	1,331,707	338,807	(51,285)	17,741	1,280,422	356,548	-259.12%
Net position beginning of year	<u>4,820,103</u>	<u>4,481,296</u>	<u>337,853</u>	<u>320,112</u>	<u>5,157,956</u>	<u>4,801,408</u>	7.43%
Net position end of year	<u>\$ 6,151,810</u>	<u>\$ 4,820,103</u>	<u>\$ 286,568</u>	<u>\$ 337,853</u>	<u>\$ 6,438,378</u>	<u>\$ 5,157,956</u>	24.82%

In fiscal 2013, property tax and unrestricted state grants account for 54% 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 \$8,071,247 of which \$7,670,532 was for governmental activities and \$400,715 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14% increase in revenues and a 1% increase in expenses

Governmental Activities

Revenues for governmental activities were \$7,670,532 and expenses were \$6,338,825 for the year ended June 30, 2013. The increase in revenues was attributable the District receiving increased local sources from charges for service and sales, operating grants, and property tax. Total expenditures decreased slightly.

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, 2013 compared to the year ended June 30, 2012.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change	2013	2012	Change
			2012-2013			2012-2013
Instruction	\$ 4,157,220	\$4,149,843	0.2%	\$ 1,279,711	\$1,982,803	-35.5%
Support services	1,688,380	1,633,443	3.4%	1,653,772	1,598,608	3.5%
Non-instructional programs	-	2,493	100.0%	-	2,493	-100.0%
Other expenses	<u>493,225</u>	<u>557,581</u>	-11.5%	<u>316,303</u>	<u>382,237</u>	-17.2%
Total expenses	<u>\$ 6,338,825</u>	<u>\$6,343,360</u>	-0.1%	<u>\$ 3,249,786</u>	<u>\$3,966,141</u>	-18.1%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,552,489.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,536,550.
- The net cost of governmental activities was financed with \$2,472,852 in property and other taxes and \$2,073,599 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$400,715 representing a 3% decrease from the prior year and expenses were \$452,000 a 14% increase over the prior year. The District's business type activities consist of the School Nutrition Fund and the Preschool/Daycare Fund, which was started in fiscal 2006. 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, 2013, 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 \$899,323, well above last year's ending fund balances of \$602,078.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of revenues being greater than expenditures.
- The General Fund balance increased from \$656,975 to \$891,880, due in part to increased local and state sources compared to fiscal year 2012.
- The Statewide Sales, Services and Use Tax balance increased from \$63,165 to \$355,414 due to the district issuing revenue bonds to build a new preschool/daycare and a new bus barn facility and the project was not completed by the end of fiscal year 2013.
- The Debt Service Fund balance increased from \$3,434 to \$4,106, an increase of 16%.

Proprietary Fund Highlights

Enterprise Fund net position decreased from \$337,853 at June 30, 2012 to \$286,568 at June 30, 2013, representing a decrease of approximately 15%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Danville Community School District amended its annual budget one time by \$1,306,379 to account for increased revenues and expenditures in Instruction for Activity Fund, Total Support Services, and Total Other Expenditures for Refunded Tax Revenue Bonds.

The District's revenues were \$131,665 more than budgeted revenues, a variance of 2%. This is due primarily to increased local sources that were greater than the decreased in state and federal sources.

Total expenditures were \$520,884 less than budgeted, due primarily to the District's line item spending of less than budget authority.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to adequately amend the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$8,268,947, 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 an increase of approximately 37% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$361,991.

The original cost of the District's capital assets was \$12,826,185. Governmental funds account for \$12,512,149 with the remainder of \$314,036 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings

category totaled \$156,310 at June 30, 2013, compared to \$67,210 reported at June 30, 2012. This increase resulted from installing a new preschool/daycare playground, softball dugout and press box, and playground play area/basketball court.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		District		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Land	\$ 182,287	\$ 182,287	\$ -	\$ -	\$ 182,287	\$ 182,287	0.00%
Buildings and improvements	7,417,819	5,224,132	-	-	7,417,819	5,224,132	41.99%
Improvements other than buildings	156,310	67,210	-	-	156,310	67,210	132.57%
Furniture and equipment	<u>354,615</u>	<u>382,569</u>	<u>157,916</u>	<u>184,184</u>	<u>512,531</u>	<u>566,753</u>	-9.57%
Totals	<u>\$ 8,111,031</u>	<u>\$ 5,856,198</u>	<u>\$ 157,916</u>	<u>\$ 184,184</u>	<u>\$ 8,268,947</u>	<u>\$ 6,040,382</u>	36.89%

Long-Term Debt

At June 30, 2013, the District had \$3,607,411 in general obligation and other long-term debt outstanding. This represents an increase of approximately 70% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 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 \$5.3 million.

In August 2012, the District issued \$2,810,000 of revenue anticipation bonds to pay off the 2007 issue and finance the construction of a safe room.

Figure A-7
Outstanding Long-term Obligations

	Total		Total Change
	District		
	<u>2013</u>	<u>2012</u>	
General obligation bonds	\$ 585,000	\$ 775,000	-24.52%
Revenue bonds	2,810,000	1,051,000	167.36%
Termination benefits	203,411	277,943	-26.82%
Net OPEB liability	<u>9,000</u>	<u>24,168</u>	-62.76%
Total	<u>\$ 3,607,411</u>	<u>\$ 2,128,111</u>	69.51%

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 2014. Settlements in excess of "new money" or supplemental state aid in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The 2013/2014 budget includes a cash reserve levy in the amount of \$482,324.
- Taxable valuation has increased and enrollment is stable.
- The District has ongoing needs for transportation vehicle replacements.
- The District received approval for a FEMA Safe Room Grant to build a preschool/daycare addition and the project will be completed during fiscal year 2014.
- The District will monitor the cost of implementing provisions in the Affordable Health Care Act.

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 Position
June 30, 2013

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$1,060,205	\$ 119,376	\$1,179,581
Receivables			
Property tax			
Delinquent	10,002	-	10,002
Succeeding year	1,941,539	-	1,941,539
Accounts receivable	102,994	480	103,474
Income surtaxes	181,800	-	181,800
Due from other governments	903,512	-	903,512
Inventories	-	8,932	8,932
Non-depreciable capital assets	182,287	-	182,287
Capital assets, net of accumulated depreciation	7,928,744	157,916	8,086,660
Total assets	12,311,083	286,704	12,597,787
Liabilities			
Accounts payable	181,064	-	181,064
Salaries and benefits payable	388,404	136	388,540
Accrued interest payable	40,855	-	40,855
Deferred revenue			
Succeeding year property tax	1,941,539	-	1,941,539
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	100,000	-	100,000
Termination benefits payable	56,193	-	56,193
Portion due after one year	-		
General obligation bonds payable	390,000	-	390,000
Revenue bonds payable	2,710,000	-	2,710,000
Termination benefits payable	147,218	-	147,218
Net OPEB liability	9,000	-	9,000
Total liabilities	6,159,273	136	6,159,409

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$4,716,031	\$ 157,916	\$4,873,947
Restricted for			
Categorical funding	267,670	-	267,670
Student activities	122,359	-	122,359
School infrastructure	355,414	-	355,414
Physical plant and equipment	13,005	-	13,005
Unrestricted	<u>677,331</u>	<u>128,652</u>	<u>805,983</u>
Total net position	<u>\$6,151,810</u>	<u>\$ 286,568</u>	<u>\$6,438,378</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2013

Exhibit B

Functions/Programs Governmental activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total Activities
Instruction						
Regular instruction	\$ 2,546,087	\$ 1,359,514	\$ 1,313,276	\$ -	\$ 126,703	\$ 126,703
Special instruction	570,339	126,303	33,989	-	(410,047)	(410,047)
Other instruction	1,040,794	36,216	8,211	-	(996,367)	(996,367)
	4,157,220	1,522,033	1,355,476	-	(1,279,711)	(1,279,711)
Support services						
Student	93,477	-	3,777	-	(89,700)	(89,700)
Instructional staff	174,824	30,456	-	-	(144,368)	(144,368)
Administration	623,420	-	-	-	(623,420)	(623,420)
Operation and maintenance of plant	467,217	-	-	-	(467,217)	(467,217)
Transportation	329,442	-	375	-	(329,067)	(329,067)
	1,688,380	30,456	4,152	-	(1,653,772)	(1,653,772)
Other expenses						
Facilities acquisition	10,859	-	-	-	(10,859)	(10,859)
Long-term debt interest	102,438	-	-	-	(102,438)	(102,438)
AEA flowthrough	176,922	-	176,922	-	-	-
Depreciation (unallocated) *	203,006	-	-	-	(203,006)	(203,006)
	493,225	-	176,922	-	(316,303)	(316,303)
Total governmental activities	6,338,825	1,552,489	1,536,550	-	(3,249,786)	(3,249,786)

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2013

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Total
Functions/Programs (continued)					
Business type activities					
Non-instructional programs					
Food service operations	\$ 391,930	\$ 204,645	\$ 127,253		\$ (60,032)
Preschool program	60,070	43,172	25,000		8,102
Total business type activities	452,000	247,817	152,253	-	(51,930)
Total	\$ 6,790,825	\$ 1,800,306	\$ 1,688,803	\$ -	(3,301,716)
General Revenues					
Property tax levied for					
General purposes			1,933,321		1,933,321
Debt service			89,408		89,408
Capital outlay			35,452		35,452
Staterwide sales, services and use tax			414,671		414,671
Unrestricted state grants			2,073,599		2,073,599
Contributions and donations			22,415		22,415
Unrestricted investment earnings			8,520	645	9,165
Other			6,532	-	6,532
Special item - loss on disposal of capital assets			(2,425)	-	(2,425)
Total general revenues and special item			4,581,493	645	4,582,138
Change in net position			1,331,707	(51,285)	1,280,422
Net position beginning of year			4,820,103	337,853	5,157,956
Net position end of year			\$ 6,151,810	\$ 286,568	\$ 6,438,378

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

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Capital Projects Sales and Services Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 528,531	\$ 339,300	\$ 19,116	\$ 173,258	\$ 1,060,205
Receivables					
Property tax					
Delinquent	8,665	-	480	857	10,002
Succeeding year	1,671,704	-	86,862	182,973	1,941,539
Accounts receivable	83,634	18,680	-	680	102,994
Income surtax	181,800	-	-	-	181,800
Due from other governments	732,644	170,868	-	-	903,512
Total assets	<u>\$3,206,978</u>	<u>\$ 528,848</u>	<u>\$ 106,458</u>	<u>\$357,768</u>	<u>\$4,200,052</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 52,745	\$ 104,037	\$ 15,490	\$ 8,792	\$ 181,064
Salaries and benefits payable	388,404	-	-	-	388,404
Deferred revenue					
Succeeding year property tax	1,671,704	-	86,862	182,973	1,941,539
Income surtax	181,800	-	-	-	181,800
Other	20,445	69,397	-	-	89,842
Total liabilities	<u>2,315,098</u>	<u>173,434</u>	<u>102,352</u>	<u>191,765</u>	<u>2,782,649</u>
Fund balances					
Restricted for					
Student activities	-	-	-	122,359	122,359
Management levy purposes	-	-	-	30,639	30,639
School infrastructure	-	355,414	-	-	355,414
Physical plant and equipment levy	-	-	-	13,005	13,005
Debt service	-	-	4,106	-	4,106
Categorical funding	267,670	-	-	-	267,670
Unassigned	624,210	-	-	-	624,210
Total fund balances	<u>891,880</u>	<u>355,414</u>	<u>4,106</u>	<u>166,003</u>	<u>1,417,403</u>
Total liabilities and fund balances	<u>\$3,206,978</u>	<u>\$ 528,848</u>	<u>\$ 106,458</u>	<u>\$357,768</u>	<u>\$4,200,052</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2013

Exhibit D

Total fund balances of governmental funds	\$1,417,403
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,111,031
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	271,642
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.	(40,855)
Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,607,411)</u>
Net position of governmental activities	<u>\$6,151,810</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, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$1,822,790	\$ 414,671	\$ 89,342	\$ 159,257	\$ 2,486,060
Tuition	1,139,800	-	-		1,139,800
Other	70,166	23,370	282	356,337	450,155
State sources	2,685,802	84,706	66	117	2,770,691
Federal sources	115,697	635,293	-	-	750,990
Total revenues	<u>5,834,255</u>	<u>1,158,040</u>	<u>89,690</u>	<u>515,711</u>	<u>7,597,696</u>
Expenditures					
Current					
Instruction					
Regular	2,589,289	-	-	24,910	2,614,199
Special	569,396	-	-	-	569,396
Other	676,398	-	-	363,249	1,039,647
	<u>3,835,083</u>	<u>-</u>	<u>-</u>	<u>388,159</u>	<u>4,223,242</u>
Support services					
Student	93,367	-	-	-	93,367
Instructional staff	174,841	-	-	-	174,841
Administration	618,364	-	-	55,490	673,854
Operation and maintenance of plant	421,716	-	-	40,954	462,670
Transportation	279,057	19,959	-	10,189	309,205
	<u>1,587,345</u>	<u>19,959</u>	<u>-</u>	<u>106,633</u>	<u>1,713,937</u>
Other expenditures					
Facilities acquisition	-	2,438,579	-	30,665	2,469,244
Long-term debt					
Principal	-	-	1,241,000	-	1,241,000
Interest and fiscal charges	-	21,575	43,696	-	65,271
AEA flowthrough	176,922	-	-	-	176,922
	<u>176,922</u>	<u>2,460,154</u>	<u>1,284,696</u>	<u>30,665</u>	<u>3,952,437</u>
Total expenditures	<u>5,599,350</u>	<u>2,480,113</u>	<u>1,284,696</u>	<u>525,457</u>	<u>9,889,616</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, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 234,905	\$ (1,322,073)	\$(1,195,006)	\$ (9,746)	\$(2,291,920)
Other financing sources (uses)					
Proceeds from issuance of bonds	-	2,810,000	-	-	2,810,000
Interfund operating transfers in	-	-	1,195,678	-	1,195,678
Interfund operating transfers (out)	-	(1,195,678)	-	-	(1,195,678)
Total other financing sources (uses)	<u>-</u>	<u>1,614,322</u>	<u>1,195,678</u>	<u>-</u>	<u>2,810,000</u>
Change in fund balances	234,905	292,249	672	(9,746)	518,080
Fund balance, beginning of year	<u>656,975</u>	<u>63,165</u>	<u>3,434</u>	<u>175,749</u>	<u>899,323</u>
Fund balance, end of year	<u>\$ 891,880</u>	<u>\$ 355,414</u>	<u>\$ 4,106</u>	<u>\$ 166,003</u>	<u>\$ 1,417,403</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, 2013

Exhibit F

Change in fund balances - total governmental funds \$ 518,080

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	\$2,593,003	
Loss on disposal of capital assets	(2,425)	
Depreciation expense	<u>(335,745)</u>	2,254,833

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 75,261

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

Issued	(2,810,000)	
Repaid	<u>1,241,000</u>	(1,569,000)

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	74,532	
Other postemployment benefits	<u>15,168</u>	89,700

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. (37,167)

Change in net position of governmental activities \$1,331,707

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2013

Exhibit G

	<u>Nonmajor Enterprise</u>
Assets	
Current assets	
Cash, cash equivalents and pooled investments	\$119,376
Accounts receivable	480
Inventories	<u>8,932</u>
Total current assets	128,788
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>157,916</u>
Total assets	<u>286,704</u>
 Liabilities	
Current liabilities	
Salaries and benefits payable	<u>136</u>
 Net Position	
Investment in capital assets	157,916
Unrestricted	<u>128,652</u>
Total net position	<u><u>\$286,568</u></u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$247,817</u>
Operating expenses	
Instruction, regular	
Salaries	20,216
Benefits	2,314
Supplies	1,742
	<u>24,272</u>
Non-instructional programs	
Food service operations	
Salaries	120,125
Benefits	33,684
Purchased services	4,394
Supplies	205,300
Miscellaneous	2,181
Depreciation	26,246
	<u>391,930</u>
Preschool operations	
Salaries	29,809
Benefits	5,989
	<u>35,798</u>
Total non-instructional programs	<u>427,728</u>
Total operating expenses	<u>452,000</u>
Operating (loss)	<u>(204,183)</u>
Non-operating revenues	
Interest income	645
State sources	27,763
Federal sources	124,490
Total non-operating revenues	<u>152,898</u>
Change in net position	(51,285)
Net position beginning of year	<u>337,853</u>
Net position end of year	<u><u>\$286,568</u></u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 247,552
Cash payments to employees for services	(212,129)
Cash payments to suppliers for goods and services	(199,981)
Net cash (used in) operating activities	<u>(164,558)</u>
Cash flows from non-capital financing activities	
State grants received	2,763
Federal grants received	131,545
Net cash provided by non-capital financing activities	<u>134,308</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>645</u>
Net (decrease) in cash and cash equivalents	(29,605)
Cash and cash equivalents, beginning of year	148,981
Cash and cash equivalents, end of year	<u>\$ 119,376</u>
Reconciliation of operating (loss) to net cash (used in) operating activities	
Operating (loss)	\$(204,183)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	26,246
Commodities used	17,945
(Increase) in accounts receivable	(265)
(Increase) in inventory	(4,300)
(Decrease) in accounts payable	(9)
Increase in accrued salaries and benefits	8
Net cash (used in) operating activities	<u>\$(164,558)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2013 the District received \$17,945 of federal commodities.

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2013

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 10,010
Liabilities	
	<u>-</u>
Net position	
Reserved for scholarships	<u>\$ 10,010</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2013

Exhibit K

	Private Purpose Trust <hr/> Scholarships
Additions	
Local sources	
Interest	\$ 90
Deductions	<hr/> -
Change in net position	90
Net position beginning of year	<hr/> 9,920
Net position end of year	<hr/> <hr/> \$10,010

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2013

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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position 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 fund:

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

The Capital Projects – Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District also reports a fiduciary fund which focuses on net position and changes in net position. 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 position 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, Cash Equivalents and Pooled Investments- 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.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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 Position. 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
Intangibles	\$25,000
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
Intangibles	5-10 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, 2013 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, 2013. 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 Position 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 Position.

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

Net position restricted through enabling legislation include \$13,005 for physical plant and equipment, \$122,359 for student activities and \$355,414 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the support services functional are exceeded the amount budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$845,288 pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investment in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Non-major governmental		
Statewide Sales, Services and Use Tax	Debt Service	\$ 1,195,678

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Statewide Sales, Services and Use Tax Fund transferred money to the Debt Service Fund to make principal and interest payments on long-term debt.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 182,287	\$ -	\$ -	\$ 182,287
Capital assets being depreciated:				
Buildings and improvements	7,598,143	2,387,239	-	9,985,382
Improvements other than buildings	326,575	98,567	-	425,142
Furniture and equipment	<u>2,257,177</u>	<u>107,197</u>	<u>(445,036)</u>	<u>1,919,338</u>
Total capital assets being depreciated	<u>10,181,895</u>	<u>2,593,003</u>	<u>(445,036)</u>	<u>12,329,862</u>
Less accumulated depreciation for:				
Buildings and improvements	2,374,011	193,552	-	2,567,563
Improvements other than buildings	259,365	9,467	-	268,832
Furniture and equipment	<u>1,874,608</u>	<u>132,726</u>	<u>(442,611)</u>	<u>1,564,723</u>
Total accumulated depreciation	<u>4,507,984</u>	<u>335,745</u>	<u>(442,611)</u>	<u>4,401,118</u>
Total capital assets being depreciated, net	<u>5,673,911</u>	<u>2,257,258</u>	<u>(2,425)</u>	<u>7,928,744</u>
Governmental activities capital assets, net	<u>\$ 5,856,198</u>	<u>\$ 2,257,258</u>	<u>\$ (2,425)</u>	<u>\$ 8,111,031</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 314,036	\$ -	\$ -	\$ 314,036
Less accumulated depreciation	<u>129,852</u>	<u>26,246</u>	<u>(22)</u>	<u>156,120</u>
Business type activities capital assets, net	<u>\$ 184,184</u>	<u>\$ (26,246)</u>	<u>\$ 22</u>	<u>\$ 157,916</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 60,674
Special	2,611
Other	7,257
Support services	
Student support	425
Instructional staff support	345
Administration	2,436
Operation and maintenance of plant	31,491
Transportation	<u>27,500</u>
	132,739
Unallocated depreciation	<u>203,006</u>
Total governmental activities depreciation expense	<u>\$ 335,745</u>

Business type activities

Food services	<u>\$ 26,246</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 775,000	\$ -	\$ (190,000)	\$ 585,000	\$ 195,000
Revenue bonds	1,051,000	2,810,000	(1,051,000)	2,810,000	100,000
Termination benefits	277,943	-	(74,532)	203,411	56,193
Net OPEB liability	<u>24,168</u>	-	<u>(15,168)</u>	<u>9,000</u>	<u>-</u>
Totals	<u>\$ 2,128,111</u>	<u>\$ 2,810,000</u>	<u>\$(1,330,700)</u>	<u>\$ 3,607,411</u>	<u>\$ 351,193</u>

Interest costs incurred and charged to expense on all long-term debt was \$102,438 for the year ended June 30, 2013.

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, 2013 totaled \$74,532 and the District had a total liability of \$203,411 payable to eight individuals at June 30, 2013.

Revenue Bonds

In August 2012, the District issued revenue anticipation bonds in the amount of \$2,810,000 to be used to pay off the 2007 issue and construct a safe room. The District has pledged future statewide sales, services and use tax revenues to repay this bond issue. The bonds are payable solely from the proceeds of the statewide sales, services and use 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 45 percent of the statewide sales, services and use tax revenues.

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 statewide sales, services and use tax revenue bonds to purchase a bus. In March 2010 the District issued \$60,000 in statewide sales, services and use tax revenue bonds to purchase a bus. During the year ended June 30, 2013 the balance of these bonds was paid from the proceeds

of the 2012 issuance of revenue anticipation bonds.

The bond resolution does not require the establishment of any specific accounts or reserves. Details of the revenue anticipation bonded indebtedness at June 30, 2013 are as follows:

Year Ending June 30,	Bond issue of August 28, 2012			
	Interest Rates	Interest	Principal	Total
2014	1.10%	79,860	100,000	179,860
2015	1.35%	78,567	110,000	188,567
2016	1.55%	76,973	110,000	186,973
2017	1.75%	75,158	110,000	185,158
2018	1.95%	72,732	150,000	222,732
2019-2023	2.35-2.95%	307,171	790,000	1,097,171
2024-2028	3.1-3.6%	179,260	915,000	1,094,260
2029-2031	3.7-3.8%	23,966	525,000	548,966
Totals		<u>\$ 893,687</u>	<u>\$ 2,810,000</u>	<u>\$ 3,703,687</u>

Refunded General Obligation Bonds

On April 4, 2012, the District issued \$775,000 of general obligation bonds to refund the general obligation bond issue of April 1, 2004. On May 1, 2012 the remaining balance of \$930,000 of the 2004 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the long-term debt of the District at June 30, 2013. This current refunding was undertaken to reduce total debt service payments over the next four years by \$46,282 and resulted in an economic gain of \$46,978.

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2012			
	Interest Rates	Principal	Interest	Total
2014	0.55%	\$ 195,000	\$ 3,900	\$ 198,900
2015	0.65%	195,000	2,827	197,827
2016	0.80%	195,000	1,560	196,560
Totals		<u>\$ 585,000</u>	<u>\$ 8,287</u>	<u>\$ 593,287</u>

Note 6. 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 5.78%, 5.38% and 4.5% of their annual covered salary and the District was required to contribute 8.67%, 8.07% and 6.95% of annual covered payroll for the years ended June 30, 2013, 2012 and 2011 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$291,715, \$265,989 and \$223,530, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 64 active, including 46 employees who are ineligible, and 8 retired members in the plan. Participants must be age 57 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	<u>(1,168)</u>
Annual OPEB cost	49,832
Contributions made	<u>(65,000)</u>
Decrease in net OPEB obligation	(15,168)
Net OPEB obligation beginning of year	<u>24,168</u>
Net OPEB obligation end of year	<u>\$ 9,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$65,000 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 8,000	0.0%	\$ 8,000
2011	8,087	0.0%	\$ 16,087
2012	8,081	0.0%	\$ 24,168
2013	(15,168)	428.5%	\$ 9,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$607,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$607,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.4 million and the ratio of UAAL to covered payroll was 18%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding

policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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 \$176,922 adjusting entry to the cash basis financial statements.

Note 10. 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, 2013, 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.

Note 11. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	
Gifted and Talented	\$ 78,142
Returning dropout and dropout prevention program	16,238
Four-year-old preschool state aid	89,999
Teacher salary supplement	69,983
Educator quality, professional development for model core curriculum	4,193
Educator quality, professional development	<u>9,115</u>
	<u>\$ 267,670</u>

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, 2013

Revenues	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual	Funds	Actual	Funds		Original	Final	
Local sources	\$ 4,076,015	\$ 248,462	\$ 248,462	\$ 4,324,477	\$ 3,896,612	\$ 3,896,612	\$ 427,865	
State sources	2,770,691	27,763	27,763	2,798,454	2,902,134	2,902,134	(103,680)	
Federal sources	750,990	124,490	124,490	875,480	1,068,000	1,068,000	(192,520)	
Total revenues	<u>7,597,696</u>	<u>400,715</u>	<u>400,715</u>	<u>7,998,411</u>	<u>7,866,746</u>	<u>7,866,746</u>	<u>131,665</u>	
Expenditures/Expenses								
Instruction	4,223,242	24,272	24,272	4,247,514	4,258,630	4,400,000	152,486	
Support services	1,713,937	-	-	1,713,937	1,660,200	1,700,000	(13,937)	
Non-instructional programs	-	427,728	427,728	427,728	462,500	462,500	34,772	
Other expenditures	3,952,437	-	-	3,952,437	3,174,791	4,300,000	347,563	
Total expenditures/expenses	<u>9,889,616</u>	<u>452,000</u>	<u>452,000</u>	<u>10,341,616</u>	<u>9,556,121</u>	<u>10,862,500</u>	<u>520,884</u>	
(Deficiency) of revenues (under) expenditures/expenses	<u>(2,291,920)</u>	<u>(51,285)</u>	<u>(51,285)</u>	<u>(2,343,205)</u>	<u>(1,689,375)</u>	<u>(2,995,754)</u>	<u>652,549</u>	
Net other financing sources	2,810,000	-	-	2,810,000	1,600,000	1,600,000	1,210,000	
Net change in fund balance	518,080	(51,285)	(51,285)	466,795	(89,375)	(1,395,754)	1,862,549	
Balance, beginning of year	899,323	337,853	337,853	1,237,176	951,058	951,058	286,118	
Balance, end of year	<u>\$ 1,417,403</u>	<u>\$ 286,568</u>	<u>\$ 286,568</u>	<u>\$ 1,703,971</u>	<u>\$ 861,683</u>	<u>\$ (444,696)</u>	<u>\$ 2,148,667</u>	

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2013

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 or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing expenditures by \$1,306,379.

During the year ended June 30, 2013, expenditures in the support services function exceeded the amount budgeted.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 88,000	\$ 88,000	\$ -	\$3,092,932	2.8%
2011	July 1, 2009	-	88,000	88,000	-	3,138,212	2.8%
2012	July 1, 2009	-	88,000	88,000	-	3,286,282	2.7%
2013	July 1, 2012	-	607,000	607,000	-	3,378,634	18.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

Schedule 1

	Special Revenue		Capital Projects	
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 130,471	\$ 29,973	\$ 12,814	\$ 173,258
Receivables				
Property tax				
Delinquent	-	666	191	857
Succeeding year	-	146,000	36,973	182,973
Accounts receivable	680	-	-	680
Total assets	<u>\$ 131,151</u>	<u>\$ 176,639</u>	<u>\$ 49,978</u>	<u>\$ 357,768</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 8,792	\$ -	\$ -	\$ 8,792
Deferred revenue				
Succeeding year property tax	-	146,000	36,973	182,973
Total liabilities	<u>8,792</u>	<u>146,000</u>	<u>36,973</u>	<u>191,765</u>
Fund balances				
Restricted for				
Student activities	122,359	-	-	122,359
Management levy purposes	-	30,639	-	30,639
Physical plant and equipment	-	-	13,005	13,005
Total fund balances	<u>122,359</u>	<u>30,639</u>	<u>13,005</u>	<u>166,003</u>
Total liabilities and fund balances	<u>\$ 131,151</u>	<u>\$ 176,639</u>	<u>\$ 49,978</u>	<u>\$ 357,768</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, 2013

Schedule 2

	Special Revenue		Physical Plant and Equipment	
Revenues	Student Activity	Management Levy	Levy	Total
Local sources				
Local taxes	\$ -	\$123,831	\$ 35,426	\$159,257
Other	356,308	-	29	356,337
State sources	-	91	26	117
Total revenues	356,308	123,922	35,481	515,711
Expenditures				
Current				
Instruction				
Regular	-	24,910	-	24,910
Other	363,249	-	-	363,249
Total instruction	363,249	24,910	-	388,159
Support services				
Administration	-	55,490	-	55,490
Operation and maintenance of plant	-	34,807	6,147	40,954
Transportation	-	10,189	-	10,189
Total support services	-	100,486	6,147	106,633
Other expenditures				
Facilities acquisition	-	-	30,665	30,665
Total expenditures	363,249	125,396	36,812	525,457
Change in fund balances	(6,941)	(1,474)	(1,331)	(9,746)
Fund balances, beginning of year	129,300	32,113	14,336	175,749
Fund balances, end of year	\$122,359	\$ 30,639	\$ 13,005	\$166,003

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2013

Schedule 3

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash, cash equivalents and pooled investments	\$ 27,043	\$ 92,333	\$119,376
Accounts receivable	-	480	480
Inventories	8,932	-	8,932
Total current assets	<u>35,975</u>	<u>92,813</u>	<u>128,788</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>157,916</u>	-	<u>157,916</u>
Total assets	<u>193,891</u>	<u>92,813</u>	<u>286,704</u>
Liabilities			
Current liabilities			
Salaries and benefits payable	<u>-</u>	<u>136</u>	<u>136</u>
Net Position			
Investment in capital assets	157,916	-	157,916
Unrestricted	<u>35,975</u>	<u>92,677</u>	<u>128,652</u>
Total net position	<u>\$193,891</u>	<u>\$92,677</u>	<u>\$286,568</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

Schedule 4

	<u>School</u> <u>Nutrition</u>	<u>Daycare &</u> <u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 204,645	\$ 43,172	\$247,817
Operating expenses			
Instruction			
Regular			
Salaries	-	20,216	20,216
Benefits	-	2,314	2,314
Supplies	-	1,742	1,742
	<u>-</u>	<u>24,272</u>	<u>24,272</u>
Non-instructional programs			
Salaries	120,125	29,809	149,934
Benefits	33,684	5,989	39,673
Purchased services	4,394	-	4,394
Supplies	205,300	-	205,300
Miscellaneous	2,181	-	2,181
Depreciation	26,246	-	26,246
	<u>391,930</u>	<u>35,798</u>	<u>427,728</u>
Total operating expenses	<u>391,930</u>	<u>60,070</u>	<u>452,000</u>
Operating (loss)	<u>(187,285)</u>	<u>(16,898)</u>	<u>(204,183)</u>
Non-operating revenue			
Interest income	645	-	645
State sources	2,763	25,000	27,763
Federal sources	124,490	-	124,490
Total non-operating revenue	<u>127,898</u>	<u>25,000</u>	<u>152,898</u>
Change in net position	(59,387)	8,102	(51,285)
Net position beginning of year	<u>253,278</u>	<u>84,575</u>	<u>337,853</u>
Net position end of year	<u>\$ 193,891</u>	<u>\$ 92,677</u>	<u>\$286,568</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

Schedule 5

	<u>School Nutrition</u>	<u>Daycare & Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 204,645	\$ 42,907	\$ 247,552
Cash payments to employees for services	(153,809)	(58,320)	(212,129)
Cash payments to suppliers for goods and services	<u>(198,230)</u>	<u>(1,751)</u>	<u>(199,981)</u>
Net cash (used in) operating activities	<u>(147,394)</u>	<u>(17,164)</u>	<u>(164,558)</u>
Cash flows from non-capital financing activities			
State grants received	2,763	-	2,763
Federal grants received	<u>106,545</u>	<u>25,000</u>	<u>131,545</u>
Net cash provided by non-capital financing activities	<u>109,308</u>	<u>25,000</u>	<u>134,308</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	<u>645</u>	<u>-</u>	<u>645</u>
Net increase (decrease) in cash and cash equivalents	(37,441)	7,836	(29,605)
Cash and cash equivalents, beginning of year	64,484	84,497	148,981
Cash and cash equivalents, end of year	<u>\$ 27,043</u>	<u>\$ 92,333</u>	<u>\$ 119,376</u>
 Reconciliation of operating (loss) to net cash			
(used in) operating activities			
Operating (loss)	\$ (187,285)	\$ (16,898)	\$ (204,183)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Depreciation	26,246	-	26,246
Commodities used	17,945	-	17,945
(Increase) in accounts receivable	-	(265)	(265)
(Increase) in inventory	(4,300)	-	(4,300)
(Decrease) in accounts payable	-	(9)	(9)
Increase in accrued salaries and benefits	-	8	8
Net cash (used in) operating activities	<u>\$ (147,394)</u>	<u>\$ (17,164)</u>	<u>\$ (164,558)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013 the District received \$17,945 of federal commodities.

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Funds, Student Activity Accounts
 For the Year Ended June 30, 2013

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ 16,745	\$ 109,642	\$ 116,973	\$ (228)	\$ 9,186
Class of:					
2012	108	-	-	(108)	-
2013	1,581	-	1,009	-	572
2014	398	6,924	6,872	1,235	1,685
2015	1,213	245	-	-	1,458
2016	1,043	-	-	-	1,043
2017	650	-	-	-	650
2018	774	-	-	-	774
2019	381	2,551	2,265	(381)	286
2020		134			134
Playground equipment fund	11,141	4,081	1,660	-	13,562
Book clubs	2,065	1,318	1,318	-	2,065
Book fair	203	4,101	4,052	-	252
Jump Rope for Heart	726	-	-	-	726
Kindergarten workshop	62	-	-	-	62
Elementary school store	388	481	162	10	717
Speech	-	872	2,420	-	(1,548)
National Honor Society	249	-	123	-	126
Drama	3,490	7,144	6,542	(1,139)	2,953
Cheerleaders	878	4,189	3,933	717	1,851
Volleyball camp	1,575	4,533	5,608	-	500
SCI program	61	-	-	-	61
S.A.D.D.	378	-	-	-	378
Math/Science	217	-	-	-	217
High school student council	557	2,421	2,631	(12)	335
Jr high student council	5,427	5,401	2,674	(590)	7,564
Boys basketball camp	24,645	21,453	25,780	(517)	19,801
Girls basketball camp	1,870	2,614	1,773	-	2,711
Football camp	3,063	7,316	6,362	(20)	3,997
Baseball camp	4,734	6,013	5,142	-	5,605
Soccer camp	489	471	471	-	489
Softball camp	1,625	2,894	2,104	-	2,415
Golf camp	-	558	359	-	199

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, 2013

Schedule 6

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Intrafund <u>Transfers</u>	Balance, End of <u>Year</u>
Band	\$ 1,465	\$ 3,296	\$ 3,114	\$ -	\$ 1,647
Vocal music	1,274	11,885	11,017	(2,142)	-
Girls Track Camp	1,775	2,149	3,182	-	742
Boys Track Camp	-	1,347	850	-	497
Cross Country Camp	25	1,064	655	-	434
Swing choir	3,664	12,586	10,513	-	5,737
Music trip	5,373	95,312	101,711	3,281	2,255
High school pop	959	1,562	1,750	(10)	761
School store	389	25	22	-	392
Seniors, Inc.	544	-	-	-	544
Shop	501	7,353	7,428	-	426
FHA	895	-	-	-	895
Mass media	408	105	368	-	145
Yearbook	15,860	18,441	18,566	(86)	15,649
Student pictures	5,089	4,726	3,809	(10)	5,996
Interest	4,343	1,101	31	-	5,413
Totals	<u>\$ 129,300</u>	<u>\$ 356,308</u>	<u>\$ 363,249</u>	<u>\$ -</u>	<u>\$ 122,359</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 Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Local sources										
Local tax	\$2,486,060	\$2,405,469	\$1,659,508	\$2,249,708	\$2,233,216	\$2,024,587	\$1,953,149	\$1,832,358	\$1,780,361	\$1,793,022
Tuition	1,139,800	1,026,355	966,172	911,539	845,859	767,684	781,249	643,369	678,983	630,644
Other	450,155	346,590	89,192	317,562	612,614	481,091	425,441	344,940	417,235	261,089
Intermediate sources	-	-	-	-	-	-	-	-	-	14,812
State sources	2,770,691	2,698,260	2,639,034	2,284,658	2,501,373	2,315,717	2,117,637	1,961,839	1,916,794	1,737,471
Federal sources	750,990	289,971	192,685	332,164	200,385	96,700	132,810	106,887	124,608	107,508
Total revenues	\$7,597,696	\$6,766,645	\$5,546,591	\$6,095,631	\$6,393,447	\$5,685,779	\$5,410,286	\$4,889,393	\$4,917,981	\$4,544,546
Expenditures										
Current										
Instruction										
Regular	\$2,614,199	\$2,553,472	\$2,397,556	\$2,214,875	\$2,235,011	\$2,036,743	\$2,086,631	\$1,865,099	\$1,889,528	\$1,887,401
Special	569,396	546,587	482,505	508,345	605,173	517,915	448,713	420,957	363,474	434,193
Other	1,039,647	916,645	649,798	860,385	868,077	813,557	659,862	685,825	731,195	474,810
Support services										
Student	93,367	85,712	75,391	95,210	100,793	47,818	48,862	52,108	76,134	60,415
Instructional staff	174,841	203,136	143,759	149,623	136,390	94,265	91,944	84,790	106,076	67,008
Administration	673,854	587,330	573,839	651,705	720,378	745,808	757,273	658,129	534,728	464,840
Operation and maintenance of plant	462,670	468,489	368,331	377,049	446,315	409,666	411,073	402,703	382,867	359,174
Transportation	309,205	308,040	246,467	310,966	233,533	237,115	255,363	245,424	226,894	201,758
Central support services	-	-	-	-	-	-	-	-	-	479
Non-instructional programs	-	2,493	-	2,769	-	6,000	2,428	2,417	104,342	4,968
Other expenditures										
Facilities acquisition	2,469,244	232,483	-	114,056	135,013	1,263,233	264,709	99,475	361,119	152,193
Long-term debt										
Principal	1,241,000	1,060,000	-	290,000	350,000	340,000	390,000	370,000	315,000	332,512
Interest and other charges	65,271	105,209	-	108,658	121,204	133,813	151,306	150,857	121,852	137,185
AEA flowthrough	176,922	175,344	192,325	187,870	166,971	148,917	143,392	129,431	126,367	126,589
Total expenditures	\$9,889,616	\$7,244,940	\$5,129,971	\$5,871,511	\$6,118,858	\$6,794,850	\$5,711,556	\$5,167,215	\$5,339,576	\$4,703,525

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Schedule 8

Grantor/Program	<u>CFDA</u>	<u>Grant</u>	<u>Expenditures</u>	
Indirect	<u>Number</u>	<u>Number</u>		
U.S. Department of Agriculture				
Iowa Department of Education				
Child Nutrition Cluster Programs				
School Breakfast Program	10.553	FY13	\$ 14,185	
National School Lunch Program	10.555	FY13	110,305	*
Total Department of Agriculture			124,490	
 U.S. Department of Education				
Iowa Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY13	57,588	
Title IIA - Improving Teacher Quality State Grants	84.367	FY13	9,150	
Grants for State Assessments and Related Activities	84.369	FY13	3,776	
Rural Education Achievement Program	84.358	FY13	17,106	
Total Iowa Department of Education			87,620	
Grant Wood Area Education Agency				
Special Education-Grants to States	84.027	FY13	24,839	**
Career and Technical Education -Basic Grants to States	84.048	FY13	3,238	
Total Area Education Agency			28,077	
Total Department of Education			115,697	
 U.S. Department of Homeland Security				
Iowa Department of Education				
Hazard Mitigation Grant	97.037	FY13	635,292	
Total federal awards			\$ 875,479	

* Include \$17,945 of non-cash awards

** Total for Special Education Cluster (IDEA) is \$24,839

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Danville Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

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

To the Board of Education of
Danville Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 17, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Danville Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Danville Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Danville Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Danville Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. Danville Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Danville Community School District during the course of my audit. Should you have any questions concerning any of the about 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, 2014

Kay L. Chapman, CPA PC

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Board of Education of
Danville Community School District:

Report on Compliance for Each Major Federal Program

I have audited Danville Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Danville Community School District's major federal programs for the year ended June 30, 2013. Danville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Danville Community School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Danville Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Danville Community School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Danville Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Danville Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Danville Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Danville Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Danville Community School District's response to the internal control over compliance finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. Danville Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of Danville Community School District as of and for the year ended June 30, 2013, and have issued my report dated September 24, 2013, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 17, 2014

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
3. The audit did not disclose any non-compliance which is material to the financial statements.
4. A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major program was as follows:
 - CFDA Number 97.037 Hazard Mitigation Grant
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Danville Community School District did not qualify as a low-risk auditee.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

II-A-13 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 have developed an action plan to improve internal controls and the segregation of duties beginning in the fiscal year ending June 30, 2013.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

CFDA Number 97.037 Hazard Mitigation Grant
Federal Award Year: 2013
U.S. Department of Homeland Security
Passed through the Iowa Department of Education

III-A-13 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 have developed an action plan to improve internal controls and the segregation of duties beginning in the fiscal year ending June 30, 2013.

Conclusion - Response accepted.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part IV. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the amounts budgeted in the support services functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
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. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - 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 were noted.
10. Certified Annual Reports - The Certified Annual Report was not certified timely to the Department of Education.

DANVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Recommendation - The District should ensure that the CAR is timely filed in future years.

Response - We changed to a different accounting software during the year ended June 30, 2013 and had some conversion problems when preparing the Certified Annual Report. We chose to correct the problems before filing the CAR with the State of Iowa, even though it meant the report would not be filed timely, instead of filing incorrect information by the due date.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 63,165
Revenues		
Statewide sales and services tax revenue	\$ 414,671	
Other local revenues	23,370	
State revenues	84,706	
Federal revenues	635,293	
Issuance of debt	<u>2,810,000</u>	3,968,040
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 2,326,159	
Equipment	153,954	
Debt service for school infrastructure		
Revenue debt	<u>1,195,678</u>	<u>3,675,791</u>
Ending balance		<u>\$ 355,414</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

13. Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The Shop account reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify this account to the appropriate fund.

Response - We have reviewed the activity in the Shop account and have reclassified it to the General Fund.

Conclusion - Response accepted.

DANVILLE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2013

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant