



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Danville Local School District  
Knox County  
P.O. Box 30  
Danville, Ohio 43014

We have audited the accompanying general-purpose financial statements of the Danville Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**JIM PETRO**  
Auditor of State

December 13, 2000

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DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
<b>Assets and Other Debits</b>									
<b>Assets</b>									
Equity in Pooled Cash and Cash Equivalents	\$786,433	\$117,279	\$0	\$290,901	\$39,045	\$57,503	\$0	\$0	\$1,291,161
Receivables:									
Taxes	1,067,644	0	51,952	0	0	0	0	0	1,119,596
Accounts	100	0	0	0	0	0	0	0	100
Accrued Interest	1,481	0	0	0	0	0	0	0	1,481
Intergovernmental Receivable	0	3,454	0	0	0	0	0	0	3,454
Prepaid Items	19,903	0	0	0	465	0	0	0	20,368
Inventory Held for Resale	0	0	0	0	5,532	0	0	0	5,532
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	43,266	0	0	0	0	0	0	0	43,266
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0	22,394	0	3,087,192	0	3,109,586
<b>Other Debits</b>									
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	60,189	60,189
<b>Total Assets and Other Debits</b>	<b>\$1,918,827</b>	<b>\$120,733</b>	<b>\$51,952</b>	<b>\$290,901</b>	<b>\$67,436</b>	<b>\$57,503</b>	<b>\$3,087,192</b>	<b>\$60,189</b>	<b>\$5,654,733</b>

(continued)

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<b><i>Liabilities, Fund Equity and Other Credits</i></b>									
<b>Liabilities</b>									
Contracts Payable	\$636	\$0	\$0	\$27,111	\$0	\$0	\$0	\$0	\$27,747
Accrued Wages and Benefits	276,395	20,087	0	0	4,622	0	0	0	301,104
Compensated Absences Payable	7,795	0	0	0	1,330	0	0	38,886	48,011
Intergovernmental Payable	69,378	1,148	0	0	8,066	0	0	21,303	99,895
Deferred Revenue	438,240	0	51,952	0	3,715	0	0	0	493,907
Undistributed Monies	0	0	0	0	0	1,462	0	0	1,462
Due to Students	0	0	0	0	0	56,041	0	0	56,041
Energy Conservation Loan Payable	31,018	0	0	0	0	0	0	0	31,018
<b>Total Liabilities</b>	<b>823,462</b>	<b>21,235</b>	<b>51,952</b>	<b>27,111</b>	<b>17,733</b>	<b>57,503</b>	<b>0</b>	<b>60,189</b>	<b>1,059,185</b>
<b>Fund Equity and Other Credits</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	3,087,192	0	3,087,192
Retained Earnings:									
Unreserved	0	0	0	0	49,703	0	0	0	49,703
Fund Balance:									
Reserved for Encumbrances	25,330	11,376	0	0	0	0	0	0	36,706
Reserved for Property Taxes	338,437	0	0	0	0	0	0	0	338,437
Reserved for Budget Stabilization	43,266	0	0	0	0	0	0	0	43,266
Unreserved, Undesignated	688,332	88,122	0	263,790	0	0	0	0	1,040,244
<b>Total Fund Equity and Other Credits</b>	<b>1,095,365</b>	<b>99,498</b>	<b>0</b>	<b>263,790</b>	<b>49,703</b>	<b>0</b>	<b>3,087,192</b>	<b>0</b>	<b>4,595,548</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$1,918,827</b>	<b>\$120,733</b>	<b>\$51,952</b>	<b>\$290,901</b>	<b>\$67,436</b>	<b>\$57,503</b>	<b>\$3,087,192</b>	<b>\$60,189</b>	<b>\$5,654,733</b>

See accompanying notes to the general purpose financial statements



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Revenues</b>					
Property and Other Local Taxes	\$784,961	\$0	\$0	\$0	\$784,961
Income Tax	716,111	0	0	0	716,111
Intergovernmental	2,282,849	261,551	0	298,017	2,842,417
Interest	57,671	2,574	0	861	61,106
Tuition and Fees	151,934	0	0	0	151,934
Extracurricular Activities	0	73,510	0	0	73,510
Contributions and Donations	1,500	650	0	0	2,150
Rentals	370	0	0	0	370
Miscellaneous	5,127	22,369	0	0	27,496
<i>Total Revenues</i>	<u>4,000,523</u>	<u>360,654</u>	<u>0</u>	<u>298,878</u>	<u>4,660,055</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	1,575,038	32,982	0	0	1,608,020
Special	421,183	157,928	0	0	579,111
Vocational	66,936	0	0	0	66,936
Support Services:					
Pupils	105,979	11,148	0	0	117,127
Instructional Staff	195,199	45,798	0	0	240,997
Board of Education	10,623	0	0	0	10,623
Administration	329,509	25,640	0	0	355,149
Fiscal	118,672	0	0	0	118,672
Operation and Maintenance of Plant	347,202	0	0	0	347,202
Pupil Transportation	243,398	0	0	0	243,398
Central	9,340	0	0	0	9,340
Extracurricular Activities	79,356	83,408	0	0	162,764
Capital Outlay	52,086	0	0	52,791	104,877
Debt Service:					
Principal Retirement	505	0	0	0	505
Interest and Fiscal Charges	2,924	0	0	0	2,924
<i>Total Expenditures</i>	<u>3,557,950</u>	<u>356,904</u>	<u>0</u>	<u>52,791</u>	<u>3,967,645</u>
<i>Excess of Revenues Over Expenditures</i>	<u>442,573</u>	<u>3,750</u>	<u>0</u>	<u>246,087</u>	<u>692,410</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	18,503	0	0	0	18,503
Operating Transfers Out	0	0	(17,767)	(736)	(18,503)
<i>Total Other Financing Sources (Uses)</i>	<u>18,503</u>	<u>0</u>	<u>(17,767)</u>	<u>(736)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	461,076	3,750	(17,767)	245,351	692,410
<i>Fund Balances Beginning of Year</i>	634,963	95,748	17,767	18,439	766,917
Decrease in Reserve for Inventory	(674)	0	0	0	(674)
<i>Fund Balances End of Year</i>	<u>\$1,095,365</u>	<u>\$99,498</u>	<u>\$0</u>	<u>\$263,790</u>	<u>\$1,458,653</u>

See accompanying notes to the general purpose financial statements

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**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property and Other Local Taxes	\$763,943	\$763,943	\$0	\$0	\$0	\$0
Income Tax	572,689	572,689	0	0	0	0
Intergovernmental	2,283,149	2,283,149	0	261,551	261,551	0
Interest	54,416	57,811	3,395	2,574	2,574	0
Tuition and Fees	151,850	153,855	2,005	0	0	0
Extracurricular Activities	0	0	0	73,510	73,510	0
Contributions and Donations	1,500	1,500	0	650	650	0
Rentals	370	370	0	0	0	0
Miscellaneous	5,295	5,295	0	18,915	18,915	0
<b>Total Revenues</b>	<b>3,833,212</b>	<b>3,838,612</b>	<b>5,400</b>	<b>357,200</b>	<b>357,200</b>	<b>0</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	1,531,761	1,499,402	32,359	49,403	30,855	18,548
Special	426,621	422,603	4,018	181,263	156,929	24,334
Vocational	68,632	68,542	90	0	0	0
Other	64,706	48,567	16,139	0	0	0
Support Services:						
Pupils	109,388	108,319	1,069	11,148	11,148	0
Instructional Staff	208,818	201,972	6,846	64,242	56,588	7,654
Board of Education	11,424	10,629	795	0	0	0
Administration	332,953	326,713	6,240	33,664	25,475	8,189
Fiscal	122,862	118,354	4,508	0	0	0
Operation and Maintenance of Plant	362,556	346,086	16,470	0	0	0
Pupil Transportation	249,856	245,609	4,247	0	0	0
Central	9,600	9,340	260	0	0	0
Extracurricular Activities	80,921	79,692	1,229	88,128	83,421	4,707
Capital Outlay	97,355	81,249	16,106	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>3,677,453</b>	<b>3,567,077</b>	<b>110,376</b>	<b>427,848</b>	<b>364,416</b>	<b>63,432</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>155,759</b>	<b>271,535</b>	<b>115,776</b>	<b>(70,648)</b>	<b>(7,216)</b>	<b>63,432</b>
<b>Other Financing Sources (Uses)</b>						
Refund of Prior Years' Expenditures	40	40	0	0	0	0
Advances In	32,893	32,893	0	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	736	736	0	0	0	0
Operating Transfers Out	(20,356)	(20,356)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>13,313</b>	<b>13,313</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>169,072</b>	<b>284,848</b>	<b>115,776</b>	<b>(70,648)</b>	<b>(7,216)</b>	<b>63,432</b>
<b>Fund Balances Beginning of Year</b>	<b>417,811</b>	<b>417,811</b>	<b>0</b>	<b>113,119</b>	<b>113,119</b>	<b>0</b>
Prior Year Encumbrances Appropriated	101,518	101,518	0	0	0	0
<b>Fund Balances End of Year</b>	<b>\$688,401</b>	<b>\$804,177</b>	<b>\$115,776</b>	<b>\$42,471</b>	<b>\$105,903</b>	<b>\$63,432</b>

(continued)

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property and Other Local Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Income Tax	0	0	0	0	0	0
Intergovernmental	0	0	0	348,017	348,017	0
Interest	0	0	0	0	861	861
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Contributions and Donations	0	0	0	0	0	0
Rentals	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>348,017</u>	<u>348,878</u>	<u>861</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	0	0	0	758	0	758
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	8,574	8,574	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	17,105	17,105	0
Debt Service:						
Principal Retirement	35,478	35,478	0	0	0	0
Interest and Fiscal Charges	2,645	2,645	0	0	0	0
<i>Total Expenditures</i>	<u>38,123</u>	<u>38,123</u>	<u>0</u>	<u>26,437</u>	<u>25,679</u>	<u>758</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(38,123)</u>	<u>(38,123)</u>	<u>0</u>	<u>321,580</u>	<u>323,199</u>	<u>1,619</u>
<b>Other Financing Sources (Uses)</b>						
Refund of Prior Years' Expenditures	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	(32,893)	(32,893)
Operating Transfers In	20,356	20,356	0	0	0	0
Operating Transfers Out	0	0	0	(736)	(736)	0
<i>Total Other Financing Sources (Uses)</i>	<u>20,356</u>	<u>20,356</u>	<u>0</u>	<u>(736)</u>	<u>(33,629)</u>	<u>(32,893)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use</i>	<u>(17,767)</u>	<u>(17,767)</u>	<u>0</u>	<u>320,844</u>	<u>289,570</u>	<u>(31,274)</u>
<i>Fund Balances Beginning of Year</i>	<u>17,767</u>	<u>17,767</u>	<u>0</u>	<u>1,166</u>	<u>1,166</u>	<u>0</u>
Prior Year Encumbrances Appropriated	0	0	0	165	165	0
<i>Fund Balances End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$322,175</u>	<u>\$290,901</u>	<u>(\$31,274)</u>

See accompanying notes to the general purpose financial statements

**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$763,943	\$763,943	\$0
572,689	572,689	0
2,892,717	2,892,717	0
56,990	61,246	4,256
151,850	153,855	2,005
73,510	73,510	0
2,150	2,150	0
370	370	0
24,210	24,210	0
<u>4,538,429</u>	<u>4,544,690</u>	<u>6,261</u>
1,581,922	1,530,257	51,665
607,884	579,532	28,352
68,632	68,542	90
64,706	48,567	16,139
120,536	119,467	1,069
281,634	267,134	14,500
11,424	10,629	795
366,617	352,188	14,429
122,862	118,354	4,508
362,556	346,086	16,470
249,856	245,609	4,247
9,600	9,340	260
169,049	163,113	5,936
114,460	98,354	16,106
0	0	0
35,478	35,478	0
2,645	2,645	0
<u>4,169,861</u>	<u>3,995,295</u>	<u>174,566</u>
<u>368,568</u>	<u>549,395</u>	<u>180,827</u>
40	40	0
32,893	32,893	0
0	(32,893)	(32,893)
21,092	21,092	0
(21,092)	(21,092)	0
<u>32,933</u>	<u>40</u>	<u>(32,893)</u>
401,501	549,435	147,934
549,863	549,863	0
<u>101,683</u>	<u>101,683</u>	<u>0</u>
<u>\$1,053,047</u>	<u>\$1,200,981</u>	<u>\$147,934</u>

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
<b>Operating Revenues</b>	
Sales	<u>\$104,939</u>
<b>Operating Expenses</b>	
Salaries and Wages	43,628
Fringe Benefits	17,999
Purchased Services	3,514
Materials and Supplies	16,660
Cost of Sales	74,698
Depreciation	<u>3,416</u>
<i>Total Operating Expenses</i>	<u>159,915</u>
<i>Operating Loss</i>	<u>(54,976)</u>
<b>Non-Operating Revenues</b>	
Donated Commodities	12,736
Operating Grants	49,010
Interest	<u>2,049</u>
<i>Total Non-Operating Revenues</i>	<u>63,795</u>
<i>Net Income</i>	8,819
<i>Retained Earnings Beginning of Year</i>	<u>40,884</u>
<i>Retained Earnings End of Year</i>	<u>\$49,703</u>

See accompanying notes to the general purpose financial statements

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Enterprise</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Revised Budget</b>	<b>Actual</b>	
<b>Revenues</b>			
Sales	\$104,908	\$104,939	\$31
Operating Grants	49,010	49,010	0
Interest	2,048	2,049	1
<i>Total Revenues</i>	<u>155,966</u>	<u>155,998</u>	<u>32</u>
<b>Expenses</b>			
Salaries and Wages	42,979	42,975	4
Fringe Benefits	17,917	17,846	71
Purchased Services	3,890	3,514	376
Materials and Supplies	79,700	78,333	1,367
Capital Outlay	14,000	13,202	798
<i>Total Expenses</i>	<u>158,486</u>	<u>155,870</u>	<u>2,616</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(2,520)	128	2,648
<i>Fund Equity Beginning of Year</i>	<u>38,917</u>	<u>38,917</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$36,397</u></u>	<u><u>\$39,045</u></u>	<u><u>\$2,648</u></u>

See accompanying notes to the general purpose financial statements

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$104,939
Cash Payments for Goods and Services	(81,847)
Cash Payments to Employees for Services	(42,975)
Cash Payments for Employee Benefits	<u>(17,846)</u>
<i>Net Cash Used for Operating Activities</i>	(37,729)
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	49,010
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for Capital Acquisitions	(13,202)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>2,049</u>
<i>Net Increase in Cash and Cash Equivalents</i>	128
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>38,917</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$39,045</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
<i>Operating Loss</i>	<u>(\$54,976)</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</b>	
Depreciation	3,416
Donated Commodities Used During Year	12,736
Decrease/(Increase) in Assets:	
Inventory Held for Resale	288
Prepaid Items	(73)
Increase in Liabilities:	
Accrued Wages and Benefits	559
Compensated Absences Payable	210
Intergovernmental Payable	<u>111</u>
<i>Total Adjustments</i>	<u>17,247</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$37,729)</u></u>

See accompanying notes to the general purpose financial statements



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Danville Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's three instructional facilities and one administrative building staffed by 26 noncertified and 53 certificated full-time teaching personnel who provide services to 657 students and other community members.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Danville Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

***Parent Teacher Organization, Athletic Boosters and Band Boosters*** The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organizations.

The School District is associated with Tri-Rivers Educational Computer Association, a jointly governed organization. This organization is presented in Note 9 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Danville Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund**

The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**Proprietary Fund Type:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income tax, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Knox County Budget Commission for rate determination.

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

**Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is being legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The allocation of appropriations among functions within a fund may be modified during the fiscal year by the Treasurer without Board approval. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents (Continued)**

During fiscal year 2000, investments were limited to certificates of deposits and STAR Ohio.

Nonparticipating investment contracts, including nonnegotiable certificates of deposit, are reported at cost. The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$57,811, which includes \$18,402 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and federal programs, categorized as follows:

**Entitlements**

***General Fund***

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

***Special Revenue Funds***

- Disadvantaged Pupil Impact Aid



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants**

***Special Revenue Funds***

Title VIB

Title I

Title VI

Drug Free Schools

Educational Management Information System

Professional Development

Parent Involvement Planning Grant

Library Automation System

Technology Learning Center

Career Development

Continuous Improvement Development Grant

Reducing Class Size

Ohio Reads

School Net Professional Development

***Capital Projects Fund***

School NetPlus

Technical Equity

Emergency School Building Repair

Classroom Facilities Assistance Program

***Reimbursable Grants***

***General Fund***

Vocational Education Equipment

***Proprietary Funds***

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to 61 percent of governmental fund revenue during the 2000 fiscal year.

**J. Interfund Assets and Liabilities**

Short-term interfund loans are classified as "interfund receivables/payables." Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Compensated Absences**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Contributed Capital**

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. The School District has no contributed capital.

**M. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid after sixty days are considered not to have been paid with current available financial resources. Capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Accrued Liabilities and Long-Term Obligations (Continued)**

Under Ohio Law, a debt retirement fund may be created and used for the payment of loans. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**N. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**O. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**P. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. FUND DEFICITS**

The following funds had deficit fund balances at June 30, 2000:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Title VI-B	\$208
Disadvantaged Pupil Impact Aid	63
Educational Management Information System	47

The deficits in the Title VI-B, Disadvantaged Pupil Impact Aid and Educational Management Information System special revenue funds resulted from the recognition of liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Principal payments on loans are on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. The School District repays short-term loans from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

7. Unreported cash represents amounts received, but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$461,076	\$3,750	(\$17,767)	\$245,351
Net Adjustments for Revenue Accruals	(162,063)	(3,454)	0	50,000
Advances In	32,893	0	0	0
Transfers for Debt Activity	(38,123)	0	38,123	0
Net Adjustments for Expenditure Accruals	13,558	3,864	0	27,112
Advances Out	0	0	0	(32,893)
Debt Service:				
Principal	0	0	(35,478)	0
Interest	2,645	0	(2,645)	0
Unrecorded Cash	192	0	0	0
Adjustment for Encumbrances	(25,330)	(11,376)	0	0
Budget Basis	<u>\$284,848</u>	<u>(\$7,216)</u>	<u>(\$17,767)</u>	<u>\$289,570</u>

**Net Income/Excess of Revenues  
Over Expenses  
Proprietary Fund Type**

GAAP Basis	\$8,819
Net Adjustment for Expense Accruals	1,095
Capital Outlay	(13,202)
Depreciation Expense	<u>3,416</u>
Budget Basis	<u>\$128</u>

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio);

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$646,861 and the bank balance was \$850,085. \$100,000 of the bank balance was covered by federal depository insurance. \$750,085 was collateralized with securities held by the pledging financial institution's agent in the School District's name.

**Investments** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in STAR Ohio had a fair value of \$687,566 at June 30, 2000.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement 9	\$1,334,427	\$0
Investments which are part of a cash management pool	(687,566)	687,566
GASB Statement 3	\$646,861	\$687,566

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<b>1999 Second - Half Collections</b>		<b>2000 First - Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/ Residential and Other Real Estate	\$29,263,400	88.01 %	\$35,259,450	89.89 %
Public Utility Personal	2,924,220	8.79	2,693,540	6.87
Tangible Personal Property	1,063,160	3.20	1,272,000	3.24
<b>Total Assessed Values</b>	<b>\$33,250,780</b>	<b>100.00 %</b>	<b>\$39,224,990</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation		\$41.00		\$41.00

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The School District receives property taxes from Knox and Holmes Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District as an advance at June 30, 2000, was \$338,437 in the general fund.

**7. INCOME TAX**

The School District levies a voted tax of one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. On January 1, 1999, an additional one and one-half percent tax collection began. This tax levy is for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2000, consisted of taxes, accounts (rent and tuition), intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
District Managed Sports Activities	\$1,161
E-Rate	<u>2,293</u>
Total	<u><u>\$3,454</u></u>

**9. JOINTLY GOVERNED ORGANIZATION**

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among school districts and educational service centers located in Delaware, Marion, Wyandot, Knox, and Morrow Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATION (Continued)**

The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of TRECA including budgeting, appropriating, contracting and designating management. All revenues are generated from participating districts and State funding. Danville Local School District paid \$7,574 to TRECA during fiscal year 2000. The Tri-Rivers Joint Vocational School is the fiscal agent of TRECA. Financial information can be obtained by writing to TRECA, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

**10. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$70,314
Less: accumulated depreciation	<u>(47,920)</u>
Net Fixed Assets	<u><u>\$22,394</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	<b>Balance 6/30/99</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/00</b>
Land and Improvements	\$45,473	\$0	\$0	\$45,473
Buildings and Improvements	1,581,339	83,916	0	1,665,255
Vehicles	487,897	63,170	26,116	524,951
Furniture and Equipment	803,622	65,891	18,000	851,513
Total General Fixed Assets	<u><u>\$2,918,331</u></u>	<u><u>\$212,977</u></u>	<u><u>\$44,116</u></u>	<u><u>\$3,087,192</u></u>

There was no significant construction in progress at June 30, 2000.

**11. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2000, the School District contracted with Wausau Insurance Company with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate and no deductible. Vehicles are covered for property and general liability insurance. There is a \$1,000 deductible. Wausau Insurance Company covers the boiler and machinery with a \$1,000 deductible and a \$4,000,000 limit.

Professional liability is protected by Wausau Insurance Company with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Insurance and hold a \$50 deductible for comprehensive and \$100 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year. The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$24,093, \$31,374 and \$40,005, respectively; 60.3 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$9,583 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$106,026, \$96,331 and \$166,728, respectively; 84.9 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$15,932 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$141,368 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million for the year ended June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase of 2.20 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$37,235.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 160 days.

**B. Health and Life Insurance**

The School District provided health insurance to most employees through United Health Care. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Educational Council Health Benefits Program in the amount of \$30,000, for all regular certified and noncertified employees.

**15. NOTE DEBT**

During fiscal year 1991, the School District issued a \$292,600 note for the purpose of implementing energy conservation measures at various School District buildings. This note is being repaid with tax revenue. This note is backed by the full faith and credit of the School District. The note liability is reflected in the general fund which received the proceeds.

The School District's note activity, including amounts outstanding and interest rates follow:

	<u>Balance 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/00</u>
General Fund:				
Energy Conservation - 5.25%	\$66,496	\$0	(\$35,478)	\$31,018

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
<u>2001</u>	<u>\$31,018</u>	<u>\$751</u>	<u>\$31,769</u>

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**16. LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2000, were as follows:

	<b>Principal Outstanding 6/30/99</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/00</b>
Capital Lease	\$5,306	\$0	\$5,306	\$0
Compensated Absences	41,434	0	2,548	38,886
Intergovernmental Payable	32,787	21,303	32,787	21,303
<b>Total General Long-Term Obligations</b>	<b>\$79,527</b>	<b>\$21,303</b>	<b>\$40,641</b>	<b>\$60,189</b>

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. During fiscal year 2000, the capital lease for copiers was terminated. The School District only paid \$505 from the general fund on the lease during the fiscal year.

The School District's overall legal debt margin was \$3,530,249 with an unvoted debt margin of \$39,225 at June 30, 2000.

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

	<b>Food Service</b>	<b>Uniform School Supplies</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$98,867	\$6,072	\$104,939
Depreciation	3,416	0	3,416
Operating Loss	(54,532)	(444)	(54,976)
Donated Commodities	12,736	0	12,736
Operating Grants	49,010	0	49,010
Interest	2,049	0	2,049
Net Income (Loss)	9,263	(444)	8,819
Fixed Assets Additions	13,202	0	13,202
Net Working Capital	22,697	5,942	28,639
Total Assets	61,494	5,942	67,436
Long-Term Compensated Absences Payable	1,330	0	1,330
Total Equity	\$43,761	\$5,942	\$49,703

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**18. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,142,494 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$290,143 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**19. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**19. CONTINGENCIES (Continued)**

**B. Litigation**

The School District is not a party to any legal proceedings.

**20. SET-ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b>Textbooks/ Instructional Materials</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>
Set-aside Reserve Balance as of June 30, 1999	\$2,061	\$33,667	\$43,266
Current Year Set-aside Requirement	70,333	70,333	0
Qualifying Disbursements	(72,394)	(104,000)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$43,266</u>
Set-aside Reserve Balance as of June 30, 2000	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$43,266</u></u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$43,266.

**21. SUBSEQUENT EVENTS**

On May 29, 2000, the Danville Local School District entered into an agreement with the Ohio School Facilities Commission for additions and renovations to the elementary school in the amount of \$8,155,688.

As part of this agreement, the School District agreed to sell \$1,656,000 in bonds. These bonds, dated June 15, 2000 were sold on July 17, 2000.





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education  
Danville Local School District  
Knox County  
P.O. Box 30  
Danville, Ohio 43014

We have audited the financial statements of Danville Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 13, 2000. We conducted our audit in accordance with 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.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 2000.

Board of Education  
Danville Local School District  
Knox County  
Report on Compliance and on Internal Control Required by  
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This report is intended for the information and use of the audit committee, management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

December 13, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**DANVILLE LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 02, 2001**