



Mary Taylor, CPA
Auditor of State

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets - Cash Basis	13
Statement of Activities - Cash Basis.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	15
Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Cash Basis - Governmental Funds.....	16
Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – (Budget Basis) - General Fund	17
Statement of Fiduciary Assets and Liabilities – Cash Basis.....	18
Statement of Changes in Fiduciary Net Assets – Cash Basis.....	19
Notes to the Basic Financial Statements.....	21
Federal Awards Receipts and Expenditures Schedule	37
Notes to the Federal Awards Receipts and Expenditures Schedule.....	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	39
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	41
Schedule of Findings.....	43
Schedule of Prior Audit Findings	45

THIS PAGE INTENTIONALLY LEFT BLANK.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Danville Local School District
Knox County
411 South Market Street
Danville, Ohio 43014

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio, as of June 30, 2010, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133. *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

August 23, 2010

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

This discussion and analysis of the Danville Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for 2010 are as follows:

The School District's general fund receipts are primarily property taxes, State foundation and school district income tax. These receipts represent \$5,108,652 or eighty-three percent of the total cash received for the general fund. Property taxes showed the greatest percentage increase due to 2008 tax reappraisals. With the School District at the 20 mill floor, there was an increase to revenue without the passage of new taxes. School District income tax revenue decreased \$50,846 due to a slowed economy and a reduction in the renewal of the School District income tax by voters in November 2009. A previous rate of 1.5 percent was reduced to 1.25 percent. State Foundation increased about two percent with the funding shift to the Evidence-Based Model reported on the Pathway to Student Success form for the 2010-2011 biennial budget and the inclusion of State Fiscal Stabilization Funds from the federal government. Other sources of revenue include open-enrollment and interest on deposits. Open enrollment continues to account for about 10 percent of our student population. Interest on deposits decreased slightly from fiscal year 2009. Steps were taken to maximize investment earnings locally with certificate of deposit investments and the use of a sweep account.

Staff salary schedule was increased 2 percent at the base for fiscal year 2010 with an additional 15 year step added for longevity for non-certificated staff. Health insurance costs continue to be a major concern as employee claims were high. Plan changes were instituted and employees continue to share in the overall cost with the employees paying 15 percent of the premium. Benefits are 45 percent of salaries. Salaries and benefits comprise 74 percent of general fund expenditures.

Major purchases for the School District during fiscal year 2010 included \$133,879 for 2 new buses equipped with security cameras; \$26,807 for computers in the high school as well as for the treasurer's office; \$33,035 for heating systems upgrades in the high school and administrative buildings; \$14,574 for 5th and 6th grade lockers; and \$10,620 for high school restroom remodeling.

High utility costs continue to be a concern although they are partially offset by the fact that expenditures for bus repairs showed marked decrease as compared to fiscal year 2009 due to the purchase of new buses.

Prudent expending of school funds netted an increase in the general fund carryover balance of \$33,330.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the School District's government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Governmental activities - Most of the School District's basic services are reported here, including instruction, support services, food service operations and extracurricular activities. State and federal grants and local property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental fund is presented on the financial statements in a separate column. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental fund is the general fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the School District-wide financial statements because the resources of these funds are not available to support the School District's programs.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009 on a cash basis:

(Table 1)
Net Assets
Governmental Activities

	2010	2009	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,742,990	\$2,729,870	\$13,120
Net Assets			
Restricted for:			
Debt Service	\$176,551	\$173,149	\$3,402
Other Purposes	267,369	290,981	(23,612)
Unrestricted	2,299,070	2,265,740	33,330
Total Net Assets	\$2,742,990	\$2,729,870	\$13,120

Net assets of the governmental activities increased during fiscal year 2010. The increase is due to an increase in unrestricted net assets due to conservative spending.

Table 2 reflects the change in net assets for fiscal years 2010 and 2009 on a cash basis.

(Table 2)
Changes in Net Assets
Governmental Activities

	2010	2009	Change
Receipts:			
<i>Program Receipts</i>			
Charges for Services and Sales	\$857,142	\$804,633	\$52,509
Operating Grants and Contributions	1,177,620	1,353,041	(175,421)
Capital Grants and Contributions	0	5,964	(5,964)
<i>Total Program Receipts</i>	\$2,034,762	\$2,163,638	(\$128,876)

(continued)

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

(Table 2)

Changes in Net Assets

Governmental Activities (continued)

	2010	2009	Change
General Receipts			
Property Taxes	\$1,317,323	\$1,218,888	\$98,435
Income Taxes	958,244	1,009,090	(50,846)
Grants and Entitlements Not Restricted to Specific Programs	3,217,407	2,852,927	364,480
Interest	63,837	64,479	(642)
Miscellaneous	72,228	73,126	(898)
<i>Total General Receipts</i>	<u>5,629,039</u>	<u>5,218,510</u>	<u>410,529</u>
<i>Total Receipts</i>	<u>\$7,663,801</u>	<u>\$7,382,148</u>	<u>\$281,653</u>
Disbursements:			
Instruction:			
Regular	\$2,986,217	\$2,823,406	\$162,811
Special	1,026,284	862,699	163,585
Vocational	128,374	127,014	1,360
Student Intervention Services	82,483	116,104	(33,621)
Support Services:			
Pupil	370,806	364,586	6,220
Instructional Staff	482,969	536,989	(54,020)
Board of Education	21,563	23,514	(1,951)
Administration	596,868	634,852	(37,984)
Fiscal	172,268	165,197	7,071
Operation and Maintenance of Plant	770,863	710,733	60,130
Pupil Transportation	354,240	238,792	115,448
Central	73,589	70,779	2,810
Operation of Non-Instructional Services	261,522	285,724	(24,202)
Extracurricular Activities	190,712	180,975	9,737
Debt Service	131,923	130,174	1,749
<i>Total Disbursements</i>	<u>7,650,681</u>	<u>7,271,538</u>	<u>379,143</u>
Increase in Net Assets	13,120	110,610	(97,490)
Net Assets Beginning of Year	<u>2,729,870</u>	<u>2,619,260</u>	<u>110,610</u>
Net Assets End of Year	<u><u>\$2,742,990</u></u>	<u><u>\$2,729,870</u></u>	<u><u>\$13,120</u></u>

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

Total program receipts represent less than 27 percent of total receipts and are primarily comprised of operating grants.

General receipts represent more than 73 percent of the School District's total governmental receipts, and of this amount, the majority is grants and entitlements. The next largest portion is made up of local taxes, both property and income tax. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The School District was responsible for providing educational services to 741 students. Instructional services are the largest cost to the School District. Regular educational expenses were the majority of instructional services and special education costs were also a significant cost to the School District. The remainder of instructional costs are made up of vocational instruction and student intervention services.

The other large cost for the School District is support services. Support services is made up of many subsections which include cost for such items as busing, libraries, guidance, nursing services, building and ground maintenance, administration, board of education, fiscal, non-instructional services, and capital outlay. Additional disbursements are for food services, extracurricular activities and debt service.

Governmental Activities

If you look at the Statement of Activities on page 15, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and maintenance of property. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers, State foundation revenue and other miscellaneous sources. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

(Table 3)

Governmental Activities

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements:				
Instruction:				
Regular	\$2,986,217	(\$2,060,103)	\$2,823,406	(\$2,172,233)
Special	1,026,284	(451,196)	862,699	(201,525)
Vocational	128,374	(128,374)	127,014	(127,014)
Student Intervention Services	82,483	84,493	116,104	28,266
Support Services:				
Pupil	370,806	(367,036)	364,586	(318,599)
Instructional Staff	482,969	(476,110)	536,989	(505,687)
Board of Education	21,563	(21,563)	23,514	(23,514)
Administration	596,868	(596,868)	634,852	(552,872)
Fiscal	172,268	(154,132)	165,197	(147,093)
Operation and Maintenance of Plant	770,863	(753,171)	710,733	(693,230)
Pupil Transportation	354,240	(354,240)	238,792	(70,173)
Central	73,589	(68,589)	70,779	(65,779)
Operation of Non-Instructional Services	261,522	(9,821)	285,724	(20,371)
Extracurricular Activities	190,712	(127,286)	180,975	(107,902)
Debt Service	131,923	(131,923)	130,174	(130,174)
<i>Total Disbursements</i>	<u>\$7,650,681</u>	<u>(\$5,615,919)</u>	<u>\$7,271,538</u>	<u>(\$5,107,900)</u>

The dependence upon property tax, income tax and grants and entitlements receipts is apparent as the total cost of services far exceeds the program revenues. The majority of governmental activities are supported through these general receipts.

The School District's Funds

Total governmental funds had receipts of \$7,663,801 and disbursements of \$7,650,681. The greatest increase in fund balance occurred within the general fund. This increase in fund balance demonstrates that the general fund carefully monitored its expenditures during fiscal year 2010, causing the School District to spend within its revenues.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2010, the School District amended its general fund budget several times to reflect changing circumstances. Final budgeted receipts were consistent with original budgeted receipts due to no large fluctuations in revenue.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

Original budgeted disbursements were higher than final budgeted disbursements. Actual disbursements were \$168,785 less than final budgeted disbursements.

Capital Assets and Debt Administration

Capital Assets

The School District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At June 30, 2010, the School District's outstanding debt included \$1,425,941 in general obligation and capital appreciation bonds issued for school improvement. For further information regarding the School District's debt, refer to Note 14 to the basic financial statements.

Current Issues

The Danville Local School District's motto is *Excellence from All - Shaping Quality Graduates*. The School District Continuous Improvement Plan (CIP) is based on the primary goal of *Increasing Achievement for All Students*. The School District remains in "Effective" status on the 2009-2010 Ohio State Report Card with the high school achieving the distinction of "Excellent" in three out of the last four years. However, the district has failed to meet adequate yearly progress and has initiated the Ohio Improvement Process. There is a lot of work to do.

The Danville Local School District Continuous Improvement Plan includes the crucial goal of *Developing Adequate Support for Increasing Achievement*. Relative to accomplishing this end, the following activities are suggested:

1. Manage Available Funding to support achievement
2. Advocate for resources to support achievement
3. Align Available Resources to support achievement
4. Formulate and maintain plans for acquisition and rotation of technology, textbooks and other resources

Assuring the School District's financial welfare is an extreme challenge. Effective internal controls and careful budgeting have created positive cash flow and placed the School District on firm financial footing for the short term. Unfortunately, as is the case for a majority of Ohio's public school districts, the outlook over the longer term is far less hopeful. As the struggle to maintain solvency continues inside the School District, major external forces persist to make the task of preparing our youth for the 21st century increasingly difficult to support. The major external factors include: an underfunded foundation system of school support and the barrage of unfunded mandates from both Federal and State levels.

Danville Local School District is forced to rely heavily on local taxpayers to support our programs. The School District's property tax rate is currently at the 20 mill floor. The taxpayers, in an incredible show of support for our children's future, have renewed their trust in the district by passing a 1.25 percent income tax levy which when added to the already .5 percent continuing levy totals 1.75 percent. The State

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

foundation Evidence-Based Model Pathway to Student Success form shows we are a “Rural/Agri-High Poverty-Low Income” district with state share percentage funding at 71.64. However, due to economics, we are being limited to a .75 percent increase in State funds in each of the next two fiscal years. So, we are receiving 84.63 percent of the funding our State says we should receive in order to deliver a quality education program. That shortage amounts to \$542,084. Yet, that is just the beginning of the story.

For fiscal year 2009 the State of Ohio set the foundation level at \$5,732 per student. The School District actually expended \$9,271 to educate each student in that year - up from \$9,188 in fiscal year 2008. Based on the State's formula, in fiscal year 2009, the School District received \$5,137 per student, or 55 percent, in State aid. That left \$4,134, or 45 percent, to be picked up by the local taxpayer! Property reappraisal, when coming in at a significantly higher percentage than the yearly increases in State basic aid reflect, further exacerbates the inadequacy of the State funding mechanism and further increases the burden on local taxpayers by widening the gulf between actual property tax receipts and the charge-off. Additionally, the School District is distressed by an increase in the number of economically disadvantaged students attending our schools. It is clear to see how the deleterious effects of the school funding mechanism, unfunded mandates, and a declining ability by local residents to assume the State's responsibility combine to create a downward spiral that must eventually lead to insolvency.

The Danville Elementary and Middle School building project was completed in 2003. Built through the Ohio School Facilities Commission, the 3.1 mill local share was approved by the voters and amounted to 20 percent of construction costs. The local share bonded indebtedness, originally \$1,656,000, was refinanced in fiscal year 2007 in order to save \$132,721 for the taxpayers for the life of the issue. A one-half mill levy was passed that helps offset maintenance costs. The modern systems included in the Elementary and Middle School building are expensive to operate and maintain in spite of their newness.

The School District completed a major renovation of High School Science facilities in fiscal year 2008. Funding for this project came from the general fund and alumni contributions at a cost of \$386,090. Obviated by the need to upgrade science rooms, aging facilities at the School District's High School building are beginning to deteriorate and require additional expenditures to maintain.

Other factors of concern in maintaining the fiscal integrity of the School District are numerous. State bus purchase allowance has ended. School safety issues are forcing upgrade of security and response systems. School Employees Health Care Board best practices must be implemented with no guarantees of a positive effect in reducing the cost of health care. The School District will be experiencing a 100 percent increase in the Worker's Compensation rate for the next two years due to our penalty rating for one major work related accident. That will increase our expenditure from \$11,670 in fiscal year 2010 to \$23,000 in fiscal year 2011 to over \$46,000 in fiscal year 2012, provided we meet the State's criteria. All school districts are subject to a School Employees Retirement System catch up for the next 6 years. It will cost the School District \$9,608 per year. Proposed changes to State Teachers Retirement System funding, if approved, will increase the employer's liability in the near future. No Child Left Behind legislation has forced long overdue changes in American public education, even as it has wrought perhaps the largest set of under-funded and unfunded mandates imaginable. The increased costs of harvesting and applying data, training existing staff and recruiting new teachers, and retooling systems and classrooms, among others, has greatly taxed financial resources.

Open enrollment accounts for over 9 percent of School District general fund revenue. Unfortunately, this too is a mixed blessing since the State's formula for reimbursing the educating school district is based on the fiscal year 2009 foundation amount – far less than the actual cost of educating the average student in fiscal year 2010. Also, interest on investments has decreased substantially since fiscal year 2008 as rates of return decreased as well as the balance available for investment.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

The district renewed at a reduced rate an income tax levy that expired December 30, 2009 in November of 2009. The initial levy for 1.5 percent projected to raise \$630,000 is being reduced to 1.25 percent or \$525,000. The loss due to the reduction will have to be made up by reducing expenditures.

Basically, the financial outlook is not good. Continued vigilance inside the School District along with the historically strong support of our local citizens can only offset the governmental shortfall for the near term. Without some form of relief on the part of the State and Federal governments it is difficult if not impossible to see the situation improving.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mary Payne, Treasurer at Danville Local School District, 405 S. Market St. Danville, Ohio, 43014, payne_m@treca.org.

Danville Local School District
Statement of Net Assets - Cash Basis
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,742,990</u>
Net Assets	
Restricted for:	
Debt Service	\$176,551
Other Purposes	267,369
Unrestricted	<u>2,299,070</u>
<i>Total Net Assets</i>	<u>\$2,742,990</u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2010

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Asset
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$2,986,217	\$690,191	\$235,923	(\$2,060,103)
Special	1,026,284	0	575,088	(451,196)
Vocational	128,374	0	0	(128,374)
Student Intervention Services	82,483	0	166,976	84,493
Support Services:				
Pupil	370,806	0	3,770	(367,036)
Instructional Staff	482,969	0	6,859	(476,110)
Board of Education	21,563	0	0	(21,563)
Administration	596,868	0	0	(596,868)
Fiscal	172,268	0	18,136	(154,132)
Operation and Maintenance of Plant	770,863	0	17,692	(753,171)
Pupil Transportation	354,240	0	0	(354,240)
Central	73,589	0	5,000	(68,589)
Operation of Non-Instructional Services	261,522	103,525	148,176	(9,821)
Extracurricular Activities	190,712	63,426	0	(127,286)
Debt Service	131,923	0	0	(131,923)
<i>Totals</i>	<u>\$7,650,681</u>	<u>\$857,142</u>	<u>\$1,177,620</u>	<u>(5,615,919)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	1,176,569
Debt Service	120,123
Classroom Maintenance	20,631
Income Taxes Levied for General Purposes	958,244
Grants and Entitlements not Restricted to Specific Programs	3,217,407
Interest	63,837
Miscellaneous	72,228
<i>Total General Receipts</i>	<u>5,629,039</u>
Change in Net Assets	13,120
<i>Net Assets Beginning of Year</i>	<u>2,729,870</u>
<i>Net Assets End of Year</i>	<u><u>\$2,742,990</u></u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,299,070	\$443,920	\$2,742,990
Fund Balances			
Reserved for Encumbrances	\$29,998	\$68,898	\$98,896
Unreserved:			
Undesignated, Reported in:			
General Fund	2,269,072	0	2,269,072
Special Revenue Funds	0	198,471	198,471
Debt Service Fund	0	176,551	176,551
<i>Total Fund Balances</i>	<u>\$2,299,070</u>	<u>\$443,920</u>	<u>\$2,742,990</u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$1,176,569	\$140,754	\$1,317,323
Income Tax	958,244	0	958,244
Intergovernmental	3,217,407	1,175,120	4,392,527
Interest	62,861	976	63,837
Tuition and Fees	668,897	3,723	672,620
Extracurricular Activities	0	63,426	63,426
Contributions and Donations	2,500	0	2,500
Charges for Services	0	103,525	103,525
Rentals	17,571	0	17,571
Miscellaneous	55,783	16,445	72,228
<i>Total Receipts</i>	<u>6,159,832</u>	<u>1,503,969</u>	<u>7,663,801</u>
Disbursements			
Current:			
Instruction:			
Regular	2,747,928	238,289	2,986,217
Special	675,367	350,917	1,026,284
Vocational	128,374	0	128,374
Student Intervention Services	5,061	77,422	82,483
Support Services:			
Pupil	303,686	67,120	370,806
Instructional Staff	270,716	212,253	482,969
Board of Education	21,563	0	21,563
Administration	562,164	34,704	596,868
Fiscal	168,825	3,443	172,268
Operation and Maintenance of Plant	710,091	60,772	770,863
Pupil Transportation	344,295	9,945	354,240
Central	68,589	5,000	73,589
Operation of Non-Instructional Services	0	261,522	261,522
Extracurricular Activities	122,349	68,363	190,712
Debt Service:			
Principal Retirement	0	65,000	65,000
Interest and Fiscal Charges	0	66,923	66,923
<i>Total Disbursements</i>	<u>6,129,008</u>	<u>1,521,673</u>	<u>7,650,681</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,824</u>	<u>(17,704)</u>	<u>13,120</u>
Other Financing Sources (Uses)			
Advances In	3,788	1,282	5,070
Advances Out	(1,282)	(3,788)	(5,070)
<i>Total Other Financing Sources (Uses)</i>	<u>2,506</u>	<u>(2,506)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	33,330	(20,210)	13,120
<i>Fund Balances Beginning of Year</i>	<u>2,265,740</u>	<u>464,130</u>	<u>2,729,870</u>
<i>Fund Balances End of Year</i>	<u>\$2,299,070</u>	<u>\$443,920</u>	<u>\$2,742,990</u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,176,569	\$1,176,569	\$1,176,569	\$0
Income Tax	958,244	958,244	958,244	0
Intergovernmental	3,211,286	3,217,407	3,217,407	0
Interest	62,072	62,072	62,861	789
Tuition and Fees	668,827	668,827	668,897	70
Contributions and Donations	2,500	2,500	2,500	0
Rentals	16,721	16,721	17,571	850
Miscellaneous	55,783	55,783	55,783	0
<i>Total Receipts</i>	6,152,002	6,158,123	6,159,832	1,709
Disbursements				
Current:				
Instruction:				
Regular	2,749,698	2,768,645	2,748,139	20,506
Special	806,759	684,293	675,367	8,926
Vocational	140,188	142,712	128,374	14,338
Student Intervention Services	6,325	6,325	5,061	1,264
Support Services:				
Pupil	315,178	315,178	312,471	2,707
Instructional Staff	271,452	296,320	275,617	20,703
Board of Education	26,050	26,050	21,563	4,487
Administration	567,337	573,922	564,164	9,758
Fiscal	168,964	168,964	168,825	139
Operation and Maintenance of Plant	756,975	772,473	724,192	48,281
Pupil Transportation	354,269	354,269	344,295	9,974
Central	67,094	69,206	68,589	617
Extracurricular Activities	180,534	149,434	122,349	27,085
<i>Total Disbursements</i>	6,410,823	6,327,791	6,159,006	168,785
<i>Excess of Receipts Over (Under) Disbursements</i>	(258,821)	(169,668)	826	170,494
Other Financing Sources (Uses)				
Advances In	3,788	3,788	3,788	0
Advances Out	0	0	(1,282)	(1,282)
<i>Total Other Financing Sources (Uses)</i>	3,788	3,788	2,506	(1,282)
<i>Net Change in Fund Balance</i>	(255,033)	(165,880)	3,332	169,212
<i>Fund Balance Beginning of Year</i>	2,251,237	2,251,237	2,251,237	0
Prior Year Encumbrances Appropriated	14,503	14,503	14,503	0
<i>Fund Balance End of Year</i>	\$2,010,707	\$2,099,860	\$2,269,072	\$169,212

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2010

	Private Purpose Trust Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$499	\$50,665
Liabilities		
Due to Students	0	\$50,665
Net Assets		
Held in Trust for Scholarships	\$499	

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2010

	Scholarship
Additions	
Contributions and Donations	\$200
Deductions	
Scholarships Awarded	200
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	499
<i>Net Assets End of Year</i>	\$499

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - 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 statute and federal guidelines. This Board of Education controls the School District's two instructional facilities and one administrative building staffed by 34 noncertified employees and 65 certificated full-time teaching personnel who provide services to 741 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.

Primary Government

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 the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

Other Organizations

The School District participates in two jointly governed organizations and one insurance pool. These organizations are the Tri-Rivers Educational Computer Association, Knox County Career Center, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its governmental activities. Following are the more significant of the School District's accounting policies.

Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following is the School District's major governmental fund:

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

General Fund - The general fund 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.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund which accounts for a program that provides college scholarship assistance to students. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the School District’s 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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2010, investments were limited to STAROhio, the State Treasurer’s Investment Pool.

STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for at June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2010 was \$62,861, of which \$9,355 was assigned from other School District funds.

Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District’s cash basis of accounting.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, uniform school supplies, summer school and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Interfund Transactions

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 3 – Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Reporting for Intangible Assets”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s financial statements.

Note 4 – Accountability

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined.

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$29,998.

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 five 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 passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,456,673 of the School District's bank balance of \$2,956,673 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2010, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$4 has an average maturity of 56.0 days.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 7 - 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 (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Knox and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential and Agricultural	\$56,233,220	89.42 %	\$56,516,100	89.33 %
Commercial and Industrial	4,763,780	7.57	4,755,610	7.52
Public Utility Personal	1,894,730	3.01	1,997,720	3.15
Total	<u>\$62,891,730</u>	<u>100.00 %</u>	<u>\$63,269,430</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation		\$43.79		\$43.59

Note 8 – 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. From January 1, 2005 through December 31, 2009 an additional one and one-half percent tax was collected. On January 1, 2010, it was replaced with a one and one-quarter percent tax that will be collected 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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 – Interfund Transfers

At June 30, 2010, the general fund had an unpaid interfund cash advance, in the amount of \$1,282, for short-term loans made to nonmajor funds. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 10 - Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$96,735, \$64,203, and \$62,546, respectively; 45.60 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal year 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the combined plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligation was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$371,779, \$358,435, and \$340,456, respectively; 84.19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2009 (the latest information available) were \$5,651 made by the School District and \$16,165 made by the plan members.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$15,139.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$18,620, \$43,508, and \$28,542, respectively; 45.60 percent has been contributed for fiscal years 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, were \$5,753, \$5,297, and \$4,507, respectively; 45.60 percent has been contribution for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$28,598, \$27,572, and \$26,189, respectively; 84.19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 12 - 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 2010, the School District contracted with Schools of Ohio Risk Sharing Authority for general liability coverage with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Professional liability is protected at the level of \$5,000,000 for single occurrence and aggregate limit and a \$1,000 deductible. Vehicles have no deductible for both comprehensive and collision and are covered for property and automobile liability insurance in the amount of \$5,000,000. An additional excess liability policy of \$1,000,000 is also included.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$26,221,041 limit and a \$500 deductible. 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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

Note 13 - 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, 2010.

B. Litigation

As of June 30, 2010, the School District was not party to any legal proceedings.

Note 14 – Debt

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/09	Additions	Deletions	Amount Outstanding 6/30/10	Amounts Due in One Year
Governmental Activities					
2000 Classroom Facilities Improvement					
\$1,610,000 4.85%-5.75% Serial Bonds	\$130,000	\$0	\$60,000	\$70,000	\$70,000
\$46,000 4.85%-5.75% Capital Appreciation Bonds	46,000	0	0	46,000	0
Accretion on Capital Appreciation Bonds	142,179	27,762	0	169,941	0
Total 2000 Classroom Facilities Improvement Bonds	318,179	27,762	60,000	285,941	70,000
2006 Classroom Facilities Improvement					
\$1,175,000 5.25%-5.50% Serial Bonds	1,145,000	0	5,000	1,140,000	5,000
Unamortized Premium	144,481	0	9,636	134,845	0
Unamortized Loss on Refunding	(99,420)	0	(6,624)	(92,796)	0
Total 2006 Classroom Facilities Improvement Bonds	1,190,061	0	8,012	1,182,049	5,000
Total Governmental Activities	\$1,508,240	\$27,762	\$68,012	\$1,467,990	\$75,000

In fiscal year 2000, the School District issued \$1,656,000 in voted general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$1,610,000 and \$46,000, respectively. The general obligation bonds were issued for the purpose of building a new elementary and middle school. The bonds were issued for a twenty-five year period and as noted below a portion was refunded in fiscal year 2007. The bonds will be paid from the debt service fund.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The serial and capital appreciation bonds remain outstanding at June 30, 2010. The capital appreciation bonds were originally sold at a discount of \$279,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2012 through 2015.

In November 2006, the School District issued \$1,175,000 in voted general obligation bonds for the purpose of refunding a portion of the 2000 Classroom Facilities Improvement bonds to take advantage of lower interest rates. The bonds were issued for a seventeen year period with final maturity at December 1, 2023. The bonds will be retired from the debt service fund.

The School District's overall legal debt margin was \$4,596,774 with an unvoted debt margin of \$63,069 at June 30, 2010.

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2011	\$75,000	\$63,250	\$0	\$0
2012	5,000	61,138	13,260	61,740
2013	5,000	60,863	12,145	67,855
2014	5,000	60,588	11,081	73,919
2015	5,000	60,313	9,514	75,486
2016-2020	525,000	234,188	0	0
2021-2024	590,000	64,738	0	0
Total	\$1,210,000	\$605,078	\$46,000	\$279,000

In 2006, the School District defeased a 2000 Classroom Facilities Improvement bond issue, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2010, \$1,180,000 of the defeased bonds are still outstanding.

Note 15 - Set Aside Requirements

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. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2009	(\$103,215)	\$0
Current Year Set-aside Requirement	114,784	114,784
Current Year Offsets	0	(20,631)
Qualifying Disbursements	(119,397)	(311,923)
Totals	(\$107,828)	(\$217,770)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$107,828)	\$0
Set-aside Reserve Balance as of June 30, 2010	\$0	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 16 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed organization among school districts and educational service centers located in Crawford, Delaware, Franklin, Knox, Marion, Morrow, Muskingum, Union and Wyandot 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.

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 \$24,856 to TRECA during fiscal year 2010. 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.

B. Knox County Career Center

The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District did not make any payments to the Career Center during fiscal year 2010. To obtain financial information, write to the Knox County Career Center, Tracy Elliott, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 17 – Insurance Pool

The School District participates in the Schools of Ohio Risk Sharing Authority, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan's business and affairs are conducted by a nine member board consisting of member schools' superintendents and treasurers. Financial information can be obtained from Schools of Ohio Risk Sharing Authority, Inc. 8050 North High Street, Suite 160, Columbus, Ohio, 43235-6483.

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 29,721	\$ 29,721
Cash Assistance:			
School Breakfast Program	10.553	12,552	12,552
National School Lunch Program	10.555	130,114	130,114
School Snack Program	10.558	1,383	1,383
Cash Assistance Subtotal:		<u>144,049</u>	<u>144,049</u>
Total Child Nutrition Cluster		<u>173,770</u>	<u>173,770</u>
Total U.S. Department of Agriculture		<u>173,770</u>	<u>173,770</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	143,610	143,724
ARRA - Title I Grants to Local Educational Agencies	84.389	44,660	38,780
Total Title I Grant Cluster		<u>188,270</u>	<u>182,504</u>
Special Education Grants to States (IDEA Part B)	84.027	140,068	145,010
ARRA - Special Education Grants to States (IDEA Part B)	84.391	152,276	151,240
Total Special Education Cluster		<u>292,344</u>	<u>296,250</u>
Safe and Drug Free Schools and Community	84.186	3,769	3,283
21st Century Community Learning Centers	84.287	166,975	171,972
Title II-D Education Technology State Grant	84.318	138	1,446
Title II-A Improving Teacher Quality	84.367	33,260	33,268
ARRA - State Fiscal Stabilization	84.394	200,025	200,025
<i>Total Passed Through Ohio Department of Education</i>		<u>884,781</u>	<u>888,748</u>
Total U.S. Department of Education		<u>884,781</u>	<u>888,748</u>
Total Federal Awards		<u>\$ 1,058,551</u>	<u>\$ 1,062,518</u>

The accompanying notes to this schedule are an integral part of this schedule.

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Danville Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Danville Local School District
Knox County
411 South Market Street
Danville, Ohio 43014

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 23, 2010, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 23, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Danville Local School District
Knox County
411 South Market Street
Danville, Ohio 43014

To the Board of Education:

Compliance

We have audited the compliance of Danville Local School District, Knox County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Danville Local School District, Knox County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated August 23, 2010.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 23, 2010

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #10.553, 10.555, 10.558 – Child Nutrition Cluster CFDA #84.287 – 21 st Century Community Learning Centers
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2010-001

Noncompliance Finding

Annual Financial Report

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District prepare its financial statements in accordance with GAAP.

Officials’ Response:

District officials made a financial decision not to report on GAAP. Given the size of the District, the cost to report on GAAP exceeds the benefit.

3. FINDINGS FOR FEDERAL AWARDS

None.

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 117.38 – The District did not prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.	No	Re-issued as Finding 2010-001



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 9, 2010**