



Dave Yost • Auditor of State



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

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# Dave Yost • 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, 2011, 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, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3 to the financial statements, during the year ended June 30, 2011, the District adopted Government Accounting Standard No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which resulted in reclassifications to its governmental fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

August 23, 2011

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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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, 2011, 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 2011 are as follows:

The School District's general fund receipts are primarily property taxes, State foundation and School District income tax. These receipts represent \$4,990,580 or 83 percent of the total cash received for the general fund. Property taxes decreased \$17,413 from the previous year. School District income tax revenue decreased \$111,958 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 \$9,627 from fiscal year 2010. Steps have been taken to maximize investment earnings locally with certificate of deposit investments and the use of a sweep account. Overall, fiscal year 2011 receipts decreased by \$115,351.

Staff salary schedule base for fiscal year 2011 was not increased. 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 75 percent of general fund expenditures.

Major purchases for the School District during fiscal year 2011 included \$11,242 for repair and/or replacement of windows in the administrative building; \$19,568 for computers including a mobile lab for the junior high equipped with netbooks and new computer monitors in the library; \$14,250 for heating systems upgrades in the high school and administrative buildings; \$2,300 for engineering for completion of the track; \$1,784 for a new radio repeater; \$1,460 for bus cameras and \$1,405 for flammable safety cabinets.

High utility costs continue to be a concern as well as major increases in fuel costs for our buses. The School District recently entered into an agreement through Metropolitan Education Council and American Electric Power to help contain the cost of electric utility for thirty-three months.

Prudent expending of School District funds netted an increase in the general fund carryover balance of \$26,089.

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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**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 2011, 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.



**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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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 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, 2011  
Unaudited

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)  
**Net Assets**  
Governmental Activities

	2011	2010	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,789,400	\$2,742,990	\$46,410
<b>Net Assets</b>			
Restricted for:			
Debt Service	\$172,465	\$176,551	(\$4,086)
Other Purposes	262,278	237,871	24,407
Unrestricted	2,354,657	2,328,568	26,089
Total Net Assets	\$2,789,400	\$2,742,990	\$46,410

Net assets of the governmental activities increased during fiscal year 2011. 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 2011 and 2010 on a cash basis.

(Table 2)  
**Changes in Net Assets**  
Governmental Activities

	2011	2010	Change
<b>Receipts:</b>			
<b><i>Program Receipts</i></b>			
Charges for Services and Sales	\$806,087	\$857,142	(\$51,055)
Operating Grants and Contributions	1,108,629	1,177,620	(68,991)
<i>Total Program Receipts</i>	\$1,914,716	\$2,034,762	(\$120,046)

(continued)

**Danville Local School District**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2011  
Unaudited

(Table 2)

**Changes in Net Assets**

Governmental Activities (continued)

	2011	2010	Change
<b>General Receipts</b>			
Property Taxes	\$1,299,910	\$1,317,323	(\$17,413)
Income Taxes	846,286	958,244	(111,958)
Grants and Entitlements Not Restricted to Specific Programs	3,240,202	3,217,407	22,795
Interest	54,210	63,837	(9,627)
Miscellaneous	73,080	72,228	852
<i>Total General Receipts</i>	<u>5,513,688</u>	<u>5,629,039</u>	<u>(115,351)</u>
<i>Total Receipts</i>	<u>7,428,404</u>	<u>7,663,801</u>	<u>(235,397)</u>
<b>Disbursements:</b>			
Instruction:			
Regular	2,858,813	2,986,217	127,404
Special	994,842	1,026,284	31,442
Vocational	134,930	128,374	(6,556)
Student Intervention Services	123,933	82,483	(41,450)
Support Services:			
Pupil	288,382	370,806	82,424
Instructional Staff	460,407	482,969	22,562
Board of Education	23,018	21,563	(1,455)
Administration	712,897	596,868	(116,029)
Fiscal	167,985	172,268	4,283
Operation and Maintenance of Plant	709,517	770,863	61,346
Pupil Transportation	259,086	354,240	95,154
Central	73,414	73,589	175
Operation of Non-Instructional Services	255,450	261,522	6,072
Extracurricular Activities	175,807	190,712	14,905
Capital Outlay	5,263	0	(5,263)
Debt Service	138,250	131,923	(6,327)
<i>Total Disbursements</i>	<u>7,381,994</u>	<u>7,650,681</u>	<u>268,687</u>
Increase in Net Assets	46,410	13,120	33,290
Net Assets Beginning of Year	<u>2,742,990</u>	<u>2,729,870</u>	<u>13,120</u>
Net Assets End of Year	<u>\$2,789,400</u>	<u>\$2,742,990</u>	<u>\$46,410</u>

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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Total program receipts represent less than 26 percent of total receipts and are primarily comprised of operating grants.

General receipts represent more than 74 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 735 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, and fiscal. Additional disbursements are for food services, extracurricular activities, capital outlay 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, 2011  
Unaudited

(Table 3)

**Governmental Activities**

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
Instruction:				
Regular	\$2,858,813	(\$1,912,815)	\$2,986,217	(\$2,060,103)
Special	994,842	(570,530)	1,026,284	(451,196)
Vocational	134,930	(134,930)	128,374	(128,374)
Student Intervention Services	123,933	53,121	82,483	84,493
Support Services:				
Pupil	288,382	(288,382)	370,806	(367,036)
Instructional Staff	460,407	(453,582)	482,969	(476,110)
Board of Education	23,018	(23,018)	21,563	(21,563)
Administration	712,897	(712,897)	596,868	(596,868)
Fiscal	167,985	(149,883)	172,268	(154,132)
Operation and Maintenance of Plant	709,517	(691,820)	770,863	(753,171)
Pupil Transportation	259,086	(259,086)	354,240	(354,240)
Central	73,414	(68,414)	73,589	(68,589)
Operation of Non-Instructional Services	255,450	(1,565)	261,522	(9,821)
Extracurricular Activities	175,807	(109,964)	190,712	(127,286)
Capital Outlay	5,263	(5,263)	0	0
Debt Service	138,250	(138,250)	131,923	(131,923)
<i>Total Disbursements</i>	<u>\$7,381,994</u>	<u>(\$5,467,278)</u>	<u>\$7,650,681</u>	<u>(\$5,615,919)</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 \$7,428,404 and disbursements of \$7,381,994. 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 2011, 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 2011, 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, 2011*  
*Unaudited*

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Original budgeted disbursements were higher than final budgeted disbursements. Actual disbursements were \$260,855 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, 2011, the School District's outstanding debt included \$1,421,814 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 achieved "Excellent" status on the 2009-2010 Ohio State Report Card meeting 16 out of 26 performance indicators. However, the School 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 21<sup>st</sup> 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 School 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 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 73.39. However, due to

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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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 78.15 percent of the funding our State says we should receive in order to deliver a quality education program. That shortage amounts to \$840,476. Yet, that is just the beginning of the story.

For fiscal year 2010 the State of Ohio set the foundation level at \$5,732 per student. The School District actually expended \$9,610 to educate each student in that year - up from \$9,270 in fiscal year 2009. Based on the State's formula, in fiscal year 2010, the School District received \$4,990 per student, or 52 percent, in State aid. That left \$4,620, or 48 percent, to be picked up by the local taxpayer! Local property reappraisal coming in at a significantly higher percentage than the yearly increases in State basic aid, 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 significant increases 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 \$17,477 in fiscal year 2011 to an estimated \$36,000 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 5 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 nearly 10 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 2011. Also, interest on investments has decreased substantially since fiscal year 2008 as rates of return decreased to all time lows.

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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The School 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](mailto:payne_m@treca.org).



**Danville Local School District**  
*Statement of Net Assets - Cash Basis*  
*June 30, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,789,400</u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	\$172,465
Other Purposes	262,278
Unrestricted	<u>2,354,657</u>
<i>Total Net Assets</i>	<u>\$2,789,400</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, 2011

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Asset
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$2,858,813	\$640,376	\$305,622	(\$1,912,815)
Special	994,842	0	424,312	(570,530)
Vocational	134,930	0	0	(134,930)
Student Intervention Services	123,933	0	177,054	53,121
Support Services:				
Pupil	288,382	0	0	(288,382)
Instructional Staff	460,407	0	6,825	(453,582)
Board of Education	23,018	0	0	(23,018)
Administration	712,897	0	0	(712,897)
Fiscal	167,985	0	18,102	(149,883)
Operation and Maintenance of Plant	709,517	0	17,697	(691,820)
Pupil Transportation	259,086	0	0	(259,086)
Central	73,414	0	5,000	(68,414)
Operation of Non-Instructional Services	255,450	99,868	154,017	(1,565)
Extracurricular Activities	175,807	65,843	0	(109,964)
Capital Outlay	5,263	0	0	(5,263)
Debt Service	138,250	0	0	(138,250)
<b>Totals</b>	<b>\$7,381,994</b>	<b>\$806,087</b>	<b>\$1,108,629</b>	<b>(5,467,278)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
				1,160,571
				118,975
				20,364
				846,286
Income Taxes Levied for General Purposes				
Grants and Entitlements not Restricted				
				3,240,202
				54,210
				73,080
				<b>5,513,688</b>
				46,410
				2,742,990
				<b>\$2,789,400</b>

See accompanying notes to the basic financial statements

**Danville Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,354,657	\$434,743	\$2,789,400
<b>Fund Balances</b>			
Restricted	\$0	\$434,743	\$434,743
Assigned	43,245	0	43,245
Unassigned	2,311,412	0	2,311,412
<i>Total Fund Balances</i>	\$2,354,657	\$434,743	\$2,789,400

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, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$1,160,571	\$139,339	\$1,299,910
Income Tax	846,286	0	846,286
Intergovernmental	3,240,202	1,105,479	4,345,681
Interest	53,087	1,123	54,210
Tuition and Fees	625,546	0	625,546
Extracurricular Activities	0	65,843	65,843
Contributions and Donations	3,150	0	3,150
Charges for Services	0	99,868	99,868
Rentals	14,830	0	14,830
Miscellaneous	71,317	1,763	73,080
<i>Total Receipts</i>	<u>6,014,989</u>	<u>1,413,415</u>	<u>7,428,404</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	2,572,148	286,665	2,858,813
Special	693,763	301,079	994,842
Vocational	134,930	0	134,930
Student Intervention Services	10,963	112,970	123,933
Support Services:			
Pupil	252,820	35,562	288,382
Instructional Staff	322,045	138,362	460,407
Board of Education	23,018	0	23,018
Administration	699,728	13,169	712,897
Fiscal	164,573	3,412	167,985
Operation and Maintenance of Plant	691,162	18,355	709,517
Pupil Transportation	249,007	10,079	259,086
Central	68,414	5,000	73,414
Operation of Non-Instructional Services	0	255,450	255,450
Extracurricular Activities	102,348	73,459	175,807
Capital Outlay	5,263	0	5,263
Debt Service:			
Principal Retirement	0	75,000	75,000
Interest and Fiscal Charges	0	63,250	63,250
<i>Total Disbursements</i>	<u>5,990,182</u>	<u>1,391,812</u>	<u>7,381,994</u>
<i>Excess of Receipts Over Disbursements</i>	<u>24,807</u>	<u>21,603</u>	<u>46,410</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	1,282	0	1,282
Advances Out	0	(1,282)	(1,282)
<i>Total Other Financing Sources (Uses)</i>	<u>1,282</u>	<u>(1,282)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	26,089	20,321	46,410
<i>Fund Balances Beginning of Year</i> <i>- Restated (See Note 3)</i>	<u>2,328,568</u>	<u>414,422</u>	<u>2,742,990</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,354,657</u></u>	<u><u>\$434,743</u></u>	<u><u>\$2,789,400</u></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, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$1,160,571	\$1,160,571	\$1,160,571	\$0
Income Tax	846,286	846,286	846,286	0
Intergovernmental	3,240,202	3,240,202	3,240,202	0
Interest	53,000	53,087	53,087	0
Tuition and Fees	625,498	625,546	625,546	0
Contributions and Donations	3,150	3,150	3,150	0
Rentals	14,830	14,830	14,830	0
Miscellaneous	25,702	71,317	71,317	0
<i>Total Receipts</i>	<u>5,969,239</u>	<u>6,014,989</u>	<u>6,014,989</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,803,449	2,616,410	2,573,448	42,962
Special	775,882	734,036	693,763	40,273
Vocational	146,869	146,925	139,421	7,504
Student Intervention Services	33,373	33,373	10,963	22,410
Support Services:				
Pupil	268,482	265,051	252,820	12,231
Instructional Staff	232,052	341,873	322,045	19,828
Board of Education	26,316	26,199	23,018	3,181
Administration	721,818	725,323	699,728	25,595
Fiscal	167,624	167,624	164,573	3,051
Operation and Maintenance of Plant	726,910	727,170	702,902	24,268
Pupil Transportation	249,135	251,283	249,007	2,276
Central	68,887	68,687	68,414	273
Extracurricular Activities	159,749	159,314	102,348	56,966
Capital Outlay	6,000	5,300	5,263	37
<i>Total Disbursements</i>	<u>6,386,546</u>	<u>6,268,568</u>	<u>6,007,713</u>	<u>260,855</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(417,307)	(253,579)	7,276	260,855
<b>Other Financing Sources</b>				
Advances In	<u>0</u>	<u>0</u>	<u>1,282</u>	<u>1,282</u>
<i>Net Change in Fund Balance</i>	(417,307)	(253,579)	8,558	262,137
<i>Fund Balance Beginning of Year</i>	2,298,570	2,298,570	2,298,570	0
Prior Year Encumbrances Appropriated	<u>29,998</u>	<u>29,998</u>	<u>29,998</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,911,261</u>	<u>\$2,074,989</u>	<u>\$2,337,126</u>	<u>\$262,137</u>

See accompanying notes to the basic financial statements

**Danville Local School District**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$899	\$61,040
<b>Liabilities</b>		
Due to Students	0	\$61,040
<b>Net Assets</b>		
Held in Trust for Scholarships	\$899	

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, 2011*

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	<u>Scholarship</u>
<b>Additions</b>	
Contributions and Donations	\$400
<b>Deductions</b>	
	<u>0</u>
<i>Change in Net Assets</i>	400
<i>Net Assets Beginning of Year</i>	<u>499</u>
<i>Net Assets End of Year</i>	<u><u>\$899</u></u>

See accompanying notes to the basic financial statements

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**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 1 - Reporting Entity**

Danville Local School District (the 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 64 certificated full-time teaching personnel who provide services to 735 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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are 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 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, 2011*

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**General Fund** - The general fund is used to account for all financial resources, except those required to be accounted for and reported 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, 2011*

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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 2011, investments were limited to STAROhio, the State Treasurer’s Investment Pool, certificates of deposit, and a sweep account.

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, 2011.

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 2011 was \$53,087, of which \$8,320 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.

***Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities 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.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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***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.

***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***

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Change in Accounting Principles and Restatement of Fund Balance**

***Change in Accounting Principles***

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

***Restatement of Fund Balance***

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	General	Other Governmental	Total
Fund Balance at June 30, 2010	\$2,299,070	\$443,920	\$2,742,990
Change in Fund Structure	29,498	(29,498)	0
Adjusted Fund Balance at June 30, 2010	\$2,328,568	\$414,422	\$2,742,990

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**Note 4 – Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Restricted for</i>			
Food Service Operations	\$0	\$142,193	\$142,193
Classroom Maintenance	0	64,400	64,400
Athletics and Music	0	14,446	14,446
Special Education	0	13,506	13,506
Network Connectivity	0	3,000	3,000
Other Purposes	0	24,733	24,733
Debt Service Payments	0	172,465	172,465
<i>Total Restricted</i>	0	434,743	434,743
<i>Assigned to</i>			
Other Purposes	43,245	0	43,245
<i>Unassigned</i>	2,311,412	0	2,311,412
<i>Total Fund Balances</i>	<u>\$2,354,657</u>	<u>\$434,743</u>	<u>\$2,789,400</u>

**Note 5 – 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 6 - 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 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 \$17,531.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 7 – 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.

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.



**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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, \$2,400,364 of the School District's bank balance of \$2,900,364 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, 2011, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$18 has an average maturity of 58.3 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 8 - 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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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, 2011, are available to finance fiscal year 2011 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential and Agricultural	\$56,516,100	89.33 %	\$57,215,470	89.07 %
Commercial and Industrial	4,755,610	7.52	4,927,230	7.67
Public Utility Personal	1,997,720	3.15	2,092,150	3.26
Total	\$63,269,430	100.00 %	\$64,234,850	100.00 %
Tax rate per \$1,000 of assessed valuation	\$43.59		\$43.67	

**Note 9 – 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.

**Note 10 - Pension Plans**

*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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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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, 2011, 2010, and 2009 were \$89,409, \$96,735, and \$64,203, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

***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](http://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 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, 2011, 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 2010, 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, 2011, 2010, and 2009 were \$371,258, \$371,779, and \$358,435, respectively; 82.41 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 2010 (the latest information available) were \$20,826 made by the School District and \$14,875 made by the plan members.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 11 - Postemployment Benefits**

***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 2011, 1.43 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 2011, this amount was \$15,141.

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, 2011, 2010, and 2009 were \$25,967, \$18,620, and \$43,508, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

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, 2011, 2010, and 2009, were \$5,754, \$5,753, and \$5,297, respectively; 100 percent has been contribution for fiscal years 2011, 2010, and 2009.

***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](http://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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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2011, 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, 2011, 2010, and 2009 were \$28,558, \$28,598, and \$27,572, respectively; 82.41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**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 2011, 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 no 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 \$26,218,934 limit and a \$250 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.

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**

***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, 2011.

***Litigation***

As of June 30, 2011, the School District was not party to any legal proceedings.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**Note 14 – Debt**

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deletions	Amount Outstanding 6/30/11	Amounts Due in One Year
<b>Governmental Activities</b>					
2000 Classroom Facilities Improvement					
\$1,610,000 4.85%-5.75% Serial Bonds	\$70,000	\$0	\$70,000	\$0	\$0
\$46,000 4.85%-5.75% Capital Appreciation Bonds	46,000	0	0	46,000	13,260
Accretion on Capital Appreciation Bonds	169,941	31,836	0	201,777	61,740
<b>Total 2000 Classroom Facilities Improvement Bonds</b>	<b>285,941</b>	<b>31,836</b>	<b>70,000</b>	<b>247,777</b>	<b>75,000</b>
2006 Classroom Facilities Improvement					
\$1,175,000 5.25%-5.50% Serial Bonds	1,140,000	0	5,000	1,135,000	5,000
Unamortized Premium	134,845	0	9,636	125,209	0
Unamortized Loss on Refunding	(92,796)	0	(6,624)	(86,172)	0
<b>Total 2006 Classroom Facilities Improvement Bonds</b>	<b>1,182,049</b>	<b>0</b>	<b>8,012</b>	<b>1,174,037</b>	<b>5,000</b>
<b>Total Governmental Activities</b>	<b>\$1,467,990</b>	<b>\$31,836</b>	<b>\$78,012</b>	<b>\$1,421,814</b>	<b>\$80,000</b>

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.

The capital appreciation bonds remain outstanding at June 30, 2011. 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 \$4,754,575 with an unvoted debt margin of \$64,035 at June 30, 2011.

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2011 are as follows:

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
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	85,000	57,838	0	0
2017-2021	570,000	204,075	0	0
2022-2024	460,000	37,013	0	0
Total	\$1,135,000	\$541,828	\$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, 2011, \$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.

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2010	(\$107,828)	\$0
Current Year Set-aside Requirement	93,968	93,968
Current Year Offsets	0	(20,364)
Qualifying Disbursements	(107,035)	(158,772)
Totals	(\$120,895)	(\$85,168)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0	\$0
Set-aside Reserve Balance as of June 30, 2011	\$0	\$0

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative fund balance is therefore not presented as being carried forward to 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**

***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 \$21,766 to TRECA during fiscal year 2011. 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.

***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 paid \$126 to the Career Center during fiscal year 2011. 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.

**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, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 34,830	\$ 34,830
Cash Assistance:			
School Breakfast Program	10.553	15,503	15,503
National School Lunch Program	10.555	133,430	133,430
School Snack Program	10.558	1,151	1,151
Cash Assistance Subtotal:		<u>150,084</u>	<u>150,084</u>
Total Child Nutrition Cluster		<u>184,914</u>	<u>184,914</u>
Total U.S. Department of Agriculture		<u><b>184,914</b></u>	<u><b>184,914</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	167,169	169,725
ARRA - Title I Grants to Local Educational Agencies	84.389	15,950	21,830
Total Title I Grant Cluster		<u>183,119</u>	<u>191,555</u>
Special Education Grants to States (IDEA Part B)	84.027	151,031	146,206
ARRA - Special Education Grants to States (IDEA Part B)	84.391	12,024	13,060
Total Special Education Cluster		<u>163,055</u>	<u>159,266</u>
Education Jobs Fund	84.410	14,311	-
21st Century Community Learning Centers	84.287	177,054	178,225
Title II-D Education Technology State Grant	84.318	1,827	545
Title II-A Improving Teacher Quality	84.367	34,546	34,465
ARRA - State Fiscal Stabilization	84.394	251,787	251,787
<i>Total Passed Through Ohio Department of Education</i>		<u>825,699</u>	<u>815,843</u>
Total U.S. Department of Education		<u><b>825,699</b></u>	<u><b>815,843</b></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Medical Assistance Program			
Community Alternative Funding System	93.778	21,927	-
Total United States Department of Health and Human Services		<u>21,927</u>	<u>-</u>
<b>Total Federal Awards</b>		<u><b>\$ 1,032,540</b></u>	<u><b>\$ 1,000,757</b></u>

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**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.



# Dave Yost • 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 23, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the District adopted Government Accounting Standard 54 which resulted in reclassification to governmental fund balances. 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 opinions 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 2011-01.

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, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 23, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect Danville Local School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 could directly and materially affect its major federal program for the year ended June 30, 2011.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over 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 intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

August 23, 2011

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.394 - State Fiscal Stabilization Fund
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)

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

**FINDING NUMBER 2011-01**

**Noncompliance**

**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 AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**



**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	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	Reissued as Finding 2011-01

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Danville Local School District, Knox County, Ohio, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 2, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 23, 2011

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# Dave Yost • 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 6, 2011**