



Mary Taylor, CPA
Auditor of State

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2008, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

November 19, 2008

Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of 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, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for fiscal year 2008 are as follows:

- In total, net assets decreased by \$20,377.
- Revenues for governmental activities totaled \$6,918,082 in 2008. Of this total, 72.4 percent consisted of general revenues while program revenues accounted for the balance of 27.6 percent.
- Program expenses totaled \$6,938,459. Instructional expenses made up 49.6 percent of this total while support services accounted for 41.6 percent. Other expenses rounded out the remaining 8.8 percent.
- Outstanding general obligation bonded debt decreased from \$1,583,740 to \$1,546,988 in 2008.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes pertaining to those statements. The statements are organized so the reader can understand the Danville Local School District as a financial whole, or complete operating entity.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Danville Local School District, the general fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

Danville Local School District
Management's Discussion and Analysis
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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency and fiscal capacity.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are classified as governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance, pupil transportation, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

Governmental Funds

Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial 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 government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Danville Local School District
Management's Discussion and Analysis
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Unaudited

Table 1
Net Assets
Governmental Activities

	2008	2007	Change
Assets			
Current and Other Assets	\$4,358,118	\$4,716,711	(\$358,593)
Capital Assets, Net	9,365,296	8,907,420	457,876
<i>Total Assets</i>	<u>13,723,414</u>	<u>13,624,131</u>	<u>99,283</u>
Liabilities			
Current Liabilities	1,417,949	1,253,534	164,415
Long-Term Liabilities:			
Due Within One Year	106,861	104,662	2,199
Due in More Than One Year	1,572,145	1,619,099	(46,954)
<i>Total Liabilities</i>	<u>3,096,955</u>	<u>2,977,295</u>	<u>119,660</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	7,975,022	7,625,311	349,711
Restricted for:			
Debt Service	185,292	29,801	155,491
Other Purposes	317,393	418,098	(100,705)
Unrestricted	2,148,752	2,573,626	(424,874)
<i>Total Net Assets</i>	<u><u>\$10,626,459</u></u>	<u><u>\$10,646,836</u></u>	<u><u>(\$20,377)</u></u>

Total assets increased by \$99,283. The increase was largely caused by increases in capital assets due to the renovation of the science lab and the purchase of buses. Total liabilities increased by \$119,660, due primarily to increases in accrued wages payable and deferred revenue.

By comparing assets and liabilities, one can see the overall position of the School District has decreased as evidenced by the decrease in net assets of \$20,377.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$5,010,726 or 72.4 percent of the total revenue. The most significant portions of the general revenue are grants and entitlements, and local property and income tax. The remaining amount of revenue received was in the form of program revenues equaling \$1,907,356, or 27.6 percent of total revenue.

Table 2 shows the revenues, expenses and changes in net assets for fiscal years 2008 and 2007.

Danville Local School District
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Table 2
Changes in Net Assets
Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$797,912	\$808,771	(\$10,859)
Operating Grants and Contributions	1,106,343	651,814	454,529
Capital Grants and Contributions	3,101	0	3,101
Total Program Revenues	1,907,356	1,460,585	446,771
General Revenues:			
Property Taxes	1,009,719	1,161,650	(151,931)
Income Taxes	1,005,922	941,270	64,652
Grants and Entitlements	2,774,178	3,040,250	(266,072)
Investment Earnings	126,158	151,398	(25,240)
Miscellaneous	94,749	50,319	44,430
Total General Revenues	5,010,726	5,344,887	(334,161)
Total Revenues	6,918,082	6,805,472	112,610
Program Expenses			
Instruction:			
Regular	2,593,160	2,544,764	48,396
Special	730,278	681,536	48,742
Vocational	115,108	109,245	5,863
Support Services:			
Pupils	497,938	251,707	246,231
Instructional Staff	499,424	485,520	13,904
Board of Education	25,303	25,030	273
Administration	522,792	439,831	82,961
Fiscal	166,333	148,358	17,975
Operation and Maintenance of Plant	742,850	624,126	118,724
Pupil Transportation	366,933	260,158	106,775
Central	67,616	65,601	2,015
Operation of Non-Instructional Services	284,397	277,420	6,977
Extracurricular Activities	232,751	135,328	97,423
Interest and Fiscal Charges	93,576	66,366	27,210
Total Program Expenses	6,938,459	6,114,990	823,469
Increase (Decrease) in Net Assets	(20,377)	690,482	(710,859)
<i>Net Assets Beginning of Year</i>	10,646,836	9,956,354	690,482
<i>Net Assets End of Year</i>	\$10,626,459	\$10,646,836	(\$20,377)

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Operating grants and contributions increased due to a change in the classification of revenues. Property taxes decreased by \$151,931 due to the decrease in tangible personal property tax money. The School District has an overall increase in expenses of \$823,469 with the largest increases in pupil support, pupil transportation, and extracurricular activities.

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 49.6 percent of the School District's fiscal year 2008 expenses were for instructional services. Additional supporting services for pupils, staff, pupil transportation and business operations amounted to 41.6 percent. The remaining amount of program expenses, 8.8 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Governmental Activities:				
Instruction:				
Regular	\$2,593,160	\$1,898,760	\$2,544,764	\$1,860,168
Special	730,278	209,748	681,536	484,149
Vocational	115,108	115,108	109,245	109,245
Support Services:				
Pupils	497,938	294,581	251,707	246,622
Instructional Staff	499,424	486,960	485,520	343,812
Board of Education	25,303	25,303	25,030	25,030
Administration	522,792	522,792	439,831	436,682
Fiscal	166,333	166,333	148,358	148,358
Operation and Maintenance of Plant	742,850	742,850	624,126	610,219
Pupil Transportation	366,933	221,049	260,158	260,158
Central	67,616	62,616	65,601	(6,835)
Operation of Non-Instructional Services	284,397	27,378	277,420	5,263
Extracurricular Activities	232,751	164,049	135,328	65,168
Interest and Fiscal Charges	93,576	93,576	66,366	66,366
Total	\$6,938,459	\$5,031,103	\$6,114,990	\$4,654,405

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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 72.2 percent of expenses are supported by general revenues including local property and income taxes and grant and entitlements not restricted to specific programs. Program revenues provided for the remaining 27.8 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major fund begins on page 14. The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,895,082 and expenditures of \$7,438,902. The net change in fund balance for the year was most significant in the general fund, with a decrease of \$435,480.

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its general fund budget numerous times, but none were significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the General fund, the original and final budget basis estimated revenue totaled \$5,818,118 and \$5,977,775, respectively. Final budget basis appropriations totaled \$6,466,011 compared to the original estimate of \$6,418,174.

The general fund's unencumbered ending cash balance totaled \$2,143,876, which was well above the original budgeted amount of \$1,831,398, due primarily to actual revenues throughout the year exceeding the original estimates. Additionally actual expenditures were less than appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$9,365,296 invested in land, construction in process, buildings, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal 2008 values compared to 2007. More detailed information is presented in Note 12 to the basic financial statements.

Danville Local School District
Management's Discussion and Analysis
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Table 4
Capital Assets at June 30
Governmental Activities

	2008	2007
Land	\$147,525	\$147,525
Construction In Process	0	31,011
Buildings and Improvements	8,654,699	8,465,822
Furniture, Fixtures and Equipment	322,829	206,638
Vehicles	240,243	56,424
<i>Total Capital Assets</i>	\$9,365,296	\$8,907,420

All capital assets, except land and construction in process, are reported net of depreciation. As one can see, there was an increase in capital assets during the fiscal year, due to additions of \$776,710 for fiscal year 2008. During fiscal year 2008, the School District purchased 3 buses, renovated a science lab, installed new football stadium bleachers, purchased computers, installed a key card door entry system for security, purchased a maintenance truck equipped with a snow plow and resurfaced the administrative parking lot.

Debt

At June 30, 2008 the School District had \$1,498,915 of classroom facilities improvement bonds. Table 5 below summarizes the School District's bonds outstanding. More detailed information is presented in Note 18 to the basic financial statements.

Table 5
Outstanding Debt at Year End
Governmental Activities

	2008	2007
2000 Classroom Facilities Improvement Bonds	\$231,000	\$281,000
Accretion	117,915	96,655
2006 Refunded Classroom Facilities Improvement Bonds	1,150,000	1,155,000
Total	\$1,498,915	\$1,532,655

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. In fiscal year 2007, \$1,175,000 of general obligation bonds were issued to refund a portion of the 2000 bonds.

The School District's overall legal debt margin was \$3,714,185 with an unvoted debt margin of \$54,690.

Danville Local School District
Management's Discussion and Analysis
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Current Issues Affecting Financial Condition

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 the distinction of "Effective" status on the 2007-2008 Ohio State Report Card.

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

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

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

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 also shouldered the burden of a 2 percent school income tax. The effect of phantom revenue at just the top level of the State foundation cost the School District approximately \$161,708 in basic State aid for fiscal year 2008 alone. Yet, that is just the beginning of the story.

For fiscal year 2008 the State of Ohio set the foundation level at \$5,565 per student. The School District actually expended \$9,188 to educate each student in that year - up from \$7,983 in fiscal year 2007. Based on the State's formula, in fiscal year 2008, the School District received \$4,660 per student, or 51 percent, in State aid. That left \$4,528, or 49 percent, to be picked up by the local taxpayer! Property reappraisal, when coming in at a significantly higher percentage than the yearly increases in State basic aid reflect, further exacerbates the inadequacy of the State funding mechanism and further increases the burden on local taxpayers by widening the gulf between actual property tax receipts and the charge-off. Additionally, the School District is distressed by an increase in the number of economically disadvantaged students attending our schools. It is clear to see how the deleterious effects of the school funding mechanism, unfunded mandates, and a declining ability by local residents to assume the State's responsibility combine to create a downward spiral that must eventually lead to insolvency.

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

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Currently the School District completed a major renovation of High School Science facilities. 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. The modern systems included in the Elementary and Middle School Building are also expensive to operate and maintain in spite of their newness.

Other factors of concern in maintaining the fiscal integrity of the School District are numerous. CAFS reimbursement has ended, and the State bus purchase allowance has been reduced by 75 percent over the last five years. School safety issues are forcing upgrade of security and response systems. 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, 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 foundation amount – some \$3,623 less than the actual cost of educating the average student in fiscal year 2008. Also, interest on investments decreased almost 16 percent since fiscal year 2007 as rates of return decreased as well as the balance available for investment.

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 indifference 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 any questions about this report or need additional financial information, contact Mary Payne, Treasurer, at Danville Local School District, 405 S. Market St., P.O. Box 30, Danville, Ohio 43014, or email at payne_m@treca.org.

Danville Local School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,619,260
Accrued Interest Receivable	1,475
Accounts Receivable	7,316
Intergovernmental Receivable	138,434
Inventory Held for Resale	4,350
Materials and Supplies Inventory	1,764
Income Taxes Receivable	371,055
Property Taxes Receivable	1,175,665
Deferred Charges	38,799
Nondepreciable Capital Assets	147,525
Depreciable Capital Assets, Net	<u>9,217,771</u>
<i>Total Assets</i>	<u>13,723,414</u>
Liabilities	
Accrued Wages Payable	431,752
Intergovernmental Payable	145,698
Deferred Revenue	834,522
Accrued Interest Payable	5,977
Long-Term Liabilities:	
Due Within One Year	106,861
Due In More Than One Year	<u>1,572,145</u>
<i>Total Liabilities</i>	<u>3,096,955</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,975,022
Restricted for:	
Debt Service	185,292
Food Service Operations	153,283
Public School Support	58,395
Classroom Facilities Maintenance	45,443
Student Activities	20,445
Other Purposes	39,827
Unrestricted	<u>2,148,752</u>
<i>Total Net Assets</i>	<u><u>\$10,626,459</u></u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
Governmental Activities			Capital Grants and Contributions	Governmental Activities	
Instruction:					
Regular	\$2,593,160	\$612,543	\$81,857	\$0	(\$1,898,760)
Special	730,278	0	520,530	0	(209,748)
Vocational	115,108	0	0	0	(115,108)
Support Services:					
Pupils	497,938	0	203,357	0	(294,581)
Instructional Staff	499,424	0	12,464	0	(486,960)
Board of Education	25,303	0	0	0	(25,303)
Administration	522,792	0	0	0	(522,792)
Fiscal	166,333	0	0	0	(166,333)
Operation and Maintenance of Plant	742,850	0	0	0	(742,850)
Pupil Transportation	366,933	0	142,783	3,101	(221,049)
Central	67,616	0	5,000	0	(62,616)
Operation of Non-Instructional Services	284,397	116,667	140,352	0	(27,378)
Extracurricular Activities	232,751	68,702	0	0	(164,049)
Interest and Fiscal Charges	93,576	0	0	0	(93,576)
Totals	<u>\$6,938,459</u>	<u>\$797,912</u>	<u>\$1,106,343</u>	<u>\$3,101</u>	<u>(5,031,103)</u>

General Revenues

Property Taxes Levied for:

General Purposes	884,154
Debt Service	106,531
Classroom Maintenance	19,034
Income Taxes Levied for General Purposes	1,005,922
Grants and Entitlements not Restricted to Specific Programs	2,774,178
Investment Earnings	126,158
Miscellaneous	94,749

Total General Revenues 5,010,726

Change in Net Assets (20,377)

Net Assets Beginning of Year 10,646,836

Net Assets End of Year \$10,626,459

See accompanying notes to the basic financial statements

Danville Local School District

Balance Sheet

Governmental Funds

June 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,152,971	\$466,289	\$2,619,260
Inventory Held for Resale	0	4,350	4,350
Materials and Supplies Inventory	0	1,764	1,764
Accrued Interest Receivable	1,475	0	1,475
Accounts Receivable	2,796	4,520	7,316
Interfund Receivable	69,946	0	69,946
Intergovernmental Receivable	10,254	128,180	138,434
Income Taxes Receivable	371,055	0	371,055
Property Taxes Receivable	1,045,782	129,883	1,175,665
<i>Total Assets</i>	<u>\$3,654,279</u>	<u>\$734,986</u>	<u>\$4,389,265</u>
 Liabilities and Fund Balances			
Liabilities			
Accrued Wages Payable	\$393,910	\$37,842	\$431,752
Interfund Payable	0	69,946	69,946
Intergovernmental Payable	136,236	9,462	145,698
Deferred Revenue	786,350	130,962	917,312
<i>Total Liabilities</i>	<u>1,316,496</u>	<u>248,212</u>	<u>1,564,708</u>
 Fund Balances			
Reserved for Encumbrances	9,095	36,767	45,862
Reserved for Property Taxes	259,432	17,872	277,304
Unreserved, Undesignated			
Reported in:			
General Fund	2,069,256	0	2,069,256
Special Revenue Funds	0	259,011	259,011
Debt Service Fund	0	173,124	173,124
<i>Total Fund Balances</i>	<u>2,337,783</u>	<u>486,774</u>	<u>2,824,557</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,654,279</u>	<u>\$734,986</u>	<u>\$4,389,265</u>

See accompanying notes to the basic financial statements

Danville Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Funds Balances	\$2,824,557
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,365,296
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	63,839
Grants	<u>18,951</u>

Total	82,790
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Bond issuance costs will be amortized over the life of the bonds on the statement of net assets.	38,799
--	--------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(5,977)
--	---------

Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,335,000)
Capital Appreciation Bonds	(163,915)
Bond Premium	(154,117)
Loss on Refunding	106,044
Compensated Absences	<u>(132,018)</u>

Total	<u>(1,679,006)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$10,626,459</u></u>
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See accompanying notes to the basic financial statements

Danville Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$859,688	\$123,992	\$983,680
Income Tax	1,005,922	0	1,005,922
Intergovernmental	3,148,809	732,107	3,880,916
Interest	118,557	7,601	126,158
Tuition and Fees	594,728	3,090	597,818
Extracurricular Activities	0	68,702	68,702
Contributions and Donations	5,470	275	5,745
Customer Sales and Services	0	116,667	116,667
Rentals	14,725	0	14,725
Miscellaneous	65,865	28,884	94,749
<i>Total Revenues</i>	<u>5,813,764</u>	<u>1,081,318</u>	<u>6,895,082</u>
Expenditures			
Current:			
Instruction:			
Regular	2,560,179	96,604	2,656,783
Special	545,970	167,974	713,944
Vocational	112,304	0	112,304
Support Services:			
Pupils	299,976	195,903	495,879
Instructional Staff	329,783	149,497	479,280
Board of Education	25,303	0	25,303
Administration	497,485	23,758	521,243
Fiscal	166,336	3,196	169,532
Operation and Maintenance of Plant	711,793	68,928	780,721
Pupil Transportation	448,945	5,956	454,901
Central	62,576	5,004	67,580
Operation of Non-Instructional Services	0	265,676	265,676
Extracurricular Activities	196,925	79,022	275,947
Capital Outlay	291,669	0	291,669
Debt Service:			
Principal Retirement	0	55,000	55,000
Interest and Fiscal Charges	0	73,140	73,140
<i>Total Expenditures</i>	<u>6,249,244</u>	<u>1,189,658</u>	<u>7,438,902</u>
<i>Net Change in Fund Balances</i>	(435,480)	(108,340)	(543,820)
<i>Fund Balances Beginning of Year</i>	<u>2,773,263</u>	<u>595,114</u>	<u>3,368,377</u>
<i>Fund Balances End of Year</i>	<u>\$2,337,783</u>	<u>\$486,774</u>	<u>\$2,824,557</u>

See accompanying notes to the basic financial statements

Danville Local School District

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds (543,820)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	745,699	
Depreciation	<u>(287,823)</u>	
Total		457,876

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	26,039	
Intergovernmental	<u>(3,039)</u>	
Total		23,000

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 55,000

In the statement of activities, interest is accrued on outstanding bonds, bond issuance costs and bond premium are amortized over the term of the bonds whereas in governmental funds, an expenditure is reported when bonds are issued.

Bond Issuance Costs	(2,424)	
Accrued Interest on Bonds	236	
Bond Accretion	(21,260)	
Amortization of Premium on Bonds	9,636	
Amortization of Loss on Refunding	<u>(6,624)</u>	
Total		(20,436)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 8,003

Change in Net Assets of Governmental Activities (\$20,377)

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$949,414	\$1,019,240	\$1,019,240	\$0
Income Tax	1,010,240	1,010,240	1,010,240	0
Intergovernmental	3,058,605	3,148,436	3,148,436	0
Interest	119,822	119,822	119,822	0
Tuition and Fees	596,773	596,773	596,773	0
Contributions and Donations	5,470	5,470	5,470	0
Rentals	14,725	14,725	14,725	0
Miscellaneous	63,069	63,069	63,069	0
<i>Total Revenues</i>	<u>5,818,118</u>	<u>5,977,775</u>	<u>5,977,775</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	2,514,632	2,567,813	2,533,934	33,879
Special	691,213	691,213	541,204	150,009
Vocational	123,327	123,327	116,824	6,503
Support Services:				
Pupils	281,941	281,941	292,763	(10,822)
Instructional Staff	304,321	306,977	329,728	(22,751)
Board of Education	29,337	29,337	25,259	4,078
Administration	499,560	499,560	485,658	13,902
Fiscal	166,873	166,873	165,467	1,406
Operation and Maintenance of Plant	729,926	728,926	707,170	21,756
Pupil Transportation	456,897	457,897	448,984	8,913
Central	61,182	61,182	60,522	660
Extracurricular Activities	236,094	228,094	196,225	31,869
Capital Outlay	322,871	322,871	291,669	31,202
<i>Total Expenditures</i>	<u>6,418,174</u>	<u>6,466,011</u>	<u>6,195,407</u>	<u>270,604</u>
<i>Excess of Revenues Under Expenditures</i>	(600,056)	(488,236)	(217,632)	270,604
Other Financing Uses				
Advances Out	0	0	(69,946)	(69,946)
<i>Net Change in Fund Balance</i>	(600,056)	(488,236)	(287,578)	200,658
<i>Fund Balance Beginning of Year</i>	1,863,756	1,863,756	1,863,756	0
Prior Year Encumbrances Appropriated	567,698	567,698	567,698	0
<i>Fund Balance End of Year</i>	<u>\$1,831,398</u>	<u>\$1,943,218</u>	<u>\$2,143,876</u>	<u>\$200,658</u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$293	\$55,034
Liabilities		
Due to Students	0	\$55,034
Net Assets		
Held in Trust for Scholarships	\$293	

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$200
Interest	<u>4</u>
<i>Total Additions</i>	204
Deductions	
Scholarships Awarded	<u>200</u>
<i>Change in Net Assets</i>	4
<i>Net Assets Beginning of Year</i>	<u>289</u>
<i>Net Assets End of Year</i>	<u><u>\$293</u></u>

See accompanying notes to the basic financial statements

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's two instructional facilities and one administrative building staffed by 27 noncertified employees and 63 certificated full-time teaching personnel who provide services to 732 students and other community members.

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

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

The 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 10 and 11 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the 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.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The School District reports its activities in two categories of funds: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. 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 therefore not

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

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

During fiscal year 2008, investments in the pool were limited to certificates of deposits and STAR Ohio. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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 on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$118,557 which includes \$14,858 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food held for resale and supplies held for consumption.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

G. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	30 - 60 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	10 years

H. Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within the governmental fund statements, bond issuance costs are expended when incurred. Bond issuance costs are generally paid from the bond proceeds.

I. Bond Premium

On government-wide financial statement, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued.

J. Deferred Loss on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of the Ohio School Facilities Commission refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. The accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented net of the general obligation bonds payable on the statement of net assets.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

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

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

N. Interfund Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

O. Fund Balance Reserves

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$502,685 of restricted net assets, none of which are restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for various state and federal grants, uniform school supplies and summer school.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a 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 authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the original and final appropriations were passed by the Board of Education. 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, 2008

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

Note 3 – Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the STRS and the SERS post-employment healthcare plan in the amount of \$4,008 and \$12,142, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 - Fund Deficits

The following funds had deficit fund balances at June 30, 2008:

<u>Special Revenue Funds</u>	<u>Deficit</u>
Education Management Information System	\$17
Poverty Based Assistance	5,129
Title VI	632

The deficits in the special revenue funds resulted from the recognition of liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$435,480)
Net Adjustment for Revenue Accruals	164,011
Net Adjustment for Expenditure Accruals	62,932
Advances Out	(69,946)
Encumbrances	(9,095)
Budget Basis	<u><u>(\$287,578)</u></u>

Note 6 - Deposits and Investments

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

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

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

Danville Local School District
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For the Fiscal Year Ended June 30, 2008

Interim deposits are deposits of interim monies. Interim moneys 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 notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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.

Deposits

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 the possession of an outside party. At year end, \$700,000 of the School District's bank balance of \$884,563 was exposed to custodial credit risk because it 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 Federal Deposit Insurance Corporation.

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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Investments

As of June 30, 2008, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$1,987,193 has an average maturity of 53.8 days.

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Knox and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes are available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current year operations is offset by a credit to deferred revenue.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The amount available as an advance at June 30, 2008 was \$259,432 in the general fund, \$3,186 in the classroom facilities maintenance special revenue fund and \$14,686 in the bond retirement fund. The amount available as an advance at June 30, 2007, was \$418,984 in the general fund, \$5,159 in the classroom facilities maintenance special revenue fund and \$23,499 in the bond retirement fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed vales upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$51,368,480	93.28 %	\$53,093,180	94.74 %
Public Utility Personal	2,293,550	4.16	1,899,590	3.39
Tangible Personal Property	1,407,469	2.56	1,048,827	1.87
Total	\$55,069,499	100.00 %	\$56,041,597	100.00 %
Tax rate per \$1,000 of assessed valuation	\$43.76		\$43.79	

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), tuition and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Funds:	
Miscellaneous Federal Grants	\$95,585
Title I	14,927
Title VI-B	12,894
CAFS Reimbursements	9,881
Title II-A	4,774
Miscellaneous	373
Total	\$138,434

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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. On January 1, 2006, an additional one and one-half percent tax collection began. 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 - Jointly Governed Organizations

A. *Tri-Rivers Educational Computer Association*

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

The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of TRECA including budgeting, appropriating, contracting and designating management. All revenues are generated from participating districts and State funding. Danville Local School District paid \$58,560 to TRECA during fiscal year 2008. The Tri-Rivers Joint Vocational School is the fiscal agent of TRECA. Financial information can be obtained by writing to TRECA, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

B. *Knox County Career Center*

The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District did not make any payments to the Career Center during fiscal year 2008. 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 11 – 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 12 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$147,525	\$0	\$0	\$147,525
Construction in Progress	31,011	281,408	(312,419)	0
Total Capital Assets, not being Depreciated	<u>178,536</u>	<u>281,408</u>	<u>(312,419)</u>	<u>147,525</u>
Capital Assets, being Depreciated				
Buildings and Improvements	10,370,766	367,293	0	10,738,059
Furniture, Fixtures and Equipment	1,067,244	181,977	(30,476)	1,218,745
Vehicles	482,408	227,440	0	709,848
Total Capital Assets, being Depreciated	<u>11,920,418</u>	<u>776,710</u>	<u>(30,476)</u>	<u>12,666,652</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,904,944)	(178,416)	0	(2,083,360)
Furniture, Fixtures and Equipment	(860,606)	(65,786)	30,476	(895,916)
Vehicles	(425,984)	(43,621)	0	(469,605)
Total Accumulated Depreciation	<u>(3,191,534)</u>	<u>(287,823) *</u>	<u>30,476</u>	<u>(3,448,881)</u>
Total Capital Assets, being Depreciated, net	<u>8,728,884</u>	<u>488,887</u>	<u>0</u>	<u>9,217,771</u>
Governmental Activities Capital Assets, Net	<u>\$8,907,420</u>	<u>\$770,295</u>	<u>(\$312,419)</u>	<u>\$9,365,296</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$126,421
Special	17,500
Vocational	2,993
Support Services:	
Pupils	9,617
Instructional Staff	20,671
Administration	4,361
Fiscal	937
Operation and Maintenance of Plant	35,053
Pupil Transportation	45,961
Food Service Operations	18,663
Extracurricular Activities	5,646
Total Depreciation Expense	<u>\$287,823</u>

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 13 - 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 2008, the School District contracted with Schools of Ohio Risk Sharing Authority for general liability coverage with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate and no deductible. Professional liability is protected at the level of \$1,000,000 for single occurrence and aggregate limit and a \$4,000 deductible. Vehicles have a \$500 deductible for both comprehensive and collision and are covered for property and automobile liability insurance in the amount of \$1,000,000. An additional excess liability policy of \$3,000,000 is also included.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$24,801,587 limit and a \$500 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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 14 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$62,546, \$59,459 and \$53,737 respectively; 41.69 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer 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 monthly 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, 2008, 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 2007, the portion used to fund pension obligations 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, 2008, 2007, and 2006 were \$340,456, \$309,031, and \$290,407, respectively; 82.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,419 made by the School District and \$13,130 made by the plan members.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 15 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., 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 2008, 4.18 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 2008, this amount was \$13,656.

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, 2008, 2007, and 2006 were \$28,542, \$19,740, and \$18,753 respectively; 41.69 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,507, \$4,043, and \$4,277 respectively; 41.69 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

2008, 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, 2008, 2007, and 2006 were \$26,189, \$23,772, and \$22,339 respectively; 82.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 16 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 195 days. Upon retirement, payment is made for one-fourth of total sick leave accumulation up to a maximum accumulation of 160 days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Health and Life Insurance

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

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 18 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Amount Outstanding 6/30/07	Additions	Deletions	Amount Outstanding 6/30/08	Amounts Due in One Year
Governmental Activities					
2000 Classroom Facilities Improvement					
\$1,610,000 4.85%-5.75% Serial Bonds	\$235,000	\$0	\$50,000	\$185,000	\$55,000
\$46,000 4.85%-5.75% Capital Appreciation Bonds	46,000	0	0	46,000	0
Accretion on Capital Appreciation Bonds	96,655	21,260	0	117,915	0
Total 2000 Classroom Facilities Improvement Bonds	377,655	21,260	50,000	348,915	55,000
2006 Classroom Facilities Improvement					
\$1,175,000 5.25%-5.50% Serial Bonds	1,155,000	0	5,000	1,150,000	5,000
Unamortized Premium	163,753	0	9,636	154,117	0
Unamortized Loss on Refunding	(112,668)	0	(6,624)	(106,044)	0
Total 2006 Classroom Facilities Improvement Bonds	1,206,085	0	8,012	1,198,073	5,000
Compensated Absences	140,021	1,600	9,603	132,018	46,861
Total Governmental Activities	\$1,723,761	\$22,860	\$67,615	\$1,679,006	\$106,861

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 with final maturity at December 1, 2024. The bonds will be paid from the debt service fund.

The serial and capital appreciation bonds remain outstanding at June 30, 2008. 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.

Compensated absences will be paid from the general fund and the food service, Title VI-B, Title I and Title II special revenue funds.

The School District's overall legal debt margin was \$3,714,185 with an unvoted debt margin of \$54,690 at June 30, 2008.

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2008 are as follows:

Danville Local School District
Notes to the Basic Financial Statements
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Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2009	\$60,000	\$70,174	\$0	\$0
2010	65,000	66,923	0	0
2011	75,000	63,250	0	0
2012	5,000	61,138	13,260	61,740
2013	5,000	60,863	12,145	67,855
2014-2018	295,000	279,012	20,595	149,405
2019-2023	670,000	136,614	0	0
2024	160,000	4,200	0	0
Total	\$1,335,000	\$742,174	\$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, 2008, \$1,180,000 of the defeased bonds are still outstanding.

Note 19 - Set-Asides

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

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2007	(\$70,604)	\$0
Current Year Set-aside Requirement	113,860	113,860
Current Year Offsets	0	(22,700)
Qualifying Disbursements	(105,705)	(868,112)
Totals	(\$62,449)	(\$776,952)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$62,449)	\$0
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Note 20 – Interfund Balances

Interfund balances at June 30, 2008, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$69,946. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

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**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
Food Distribution Program	10.550	\$ -	\$ 24,194	\$ -	\$ 24,194
Child Nutrition Cluster:					
School Breakfast Program	10.553	23,898	-	23,898	-
National School Lunch Program	10.555	127,933	-	127,933	-
School Snack Program	10.558	1,392	-	1,392	-
Total Child Nutrition Cluster		<u>153,223</u>	<u>24,194</u>	<u>153,223</u>	<u>24,194</u>
Total U.S. Department of Agriculture		<u>153,223</u>	<u>24,194</u>	<u>153,223</u>	<u>24,194</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Direct Program:</i>					
REAP Grant	84.358	617	-	617	-
<i>Passed Through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies	84.010	87,355	-	91,178	-
Special Education Grants to States (IDEA Part B)	84.027	165,000	-	167,234	-
Safe and Drug Free Schools and Community	84.186	2,920	-	3,161	-
21st Century Community Learning Centers	84.287	104,415	-	173,730	-
Innovative Education Program Strategies	84.298	1,034	-	1,666	-
Title II-D Education Technology State Grant	84.318	913	-	913	-
Title II-A Improving Teacher Quality	84.367	30,533	-	31,301	-
Total U.S. Department of Education		<u>392,787</u>	<u>-</u>	<u>469,800</u>	<u>-</u>
Total Federal Awards		<u>\$ 546,010</u>	<u>\$ 24,194</u>	<u>\$ 623,023</u>	<u>\$ 24,194</u>

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

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-cash assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2008. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 19, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Danville Local School District, Knox County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Danville Local School District, Knox County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 19, 2008

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.027 – Special Education Grants To States CFDA #84.287 – 21 st Century Community Learning Centers
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

DANVILLE LOCAL SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2009**