

**DANSVILLE SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Dansville Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dansville Schools, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dansville Schools' 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dansville Schools as of June 30, 2011 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 13 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011, on our consideration of Dansville Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dansville Schools' basic financial statements. The additional information on pages 33 through 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Maney Costeiran PC*

October 11, 2011

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of Dansville Schools (the District) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

**FINANCIAL OVERVIEW**

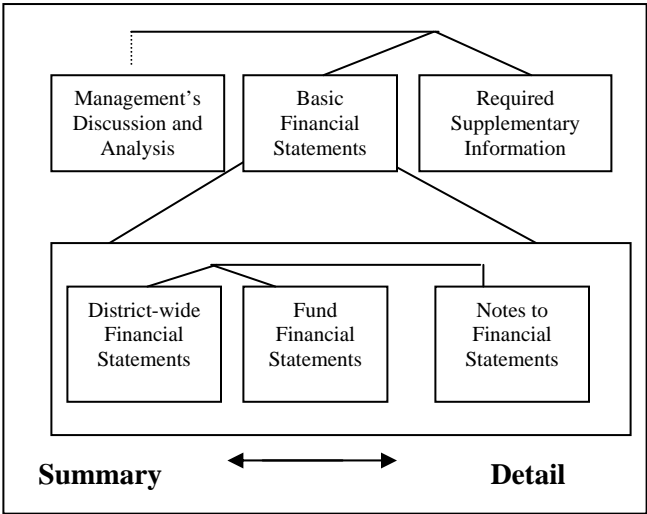
- The District’s general fund financial situation improved from the 2010 fiscal year to 2011.
- For the 2010-11 school year, general fund equity was increased by \$467,813.
- During the 2010-11 school year compared to 2009-10, general fund revenues increased by \$190,574 (2.5 percent), while expenditures decreased by \$30,490 (.4 percent).
- Student enrollment increased by 3 students from September of 2009 to September of 2010. This represents an increase of less than one percent from the September 2009 figure.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide notes to financial statements.
- The governmental funds statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**Figure A-1  
Organization of Dansville Schools’ Annual  
Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2</b>			
<b>Major Features of District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

### **DISTRICT-WIDE STATEMENTS**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net assets - The District's combined net assets were more on June 30, 2011 than the year before, increasing by \$860,725 to \$3,130,061.

<b>Table A-3</b>		
<b>Dansville Schools' Net Assets</b>		
	<u>2011</u>	<u>2010</u>
Current assets	\$ 3,689,555	\$ 2,852,433
Capital assets and other	<u>4,482,694</u>	<u>4,631,442</u>
Total assets	<u>8,172,249</u>	<u>7,483,875</u>
Long-term debt outstanding	2,234,406	2,924,899
Other liabilities	<u>2,807,782</u>	<u>2,289,640</u>
Total liabilities	<u>5,042,188</u>	<u>5,214,539</u>
Net assets:		
Invested in capital assets, net of related debt	2,124,679	1,996,368
Restricted for debt service	60,527	53,672
Restricted for food service	54,466	50,414
Restricted for capital projects (sinking fund)	159,167	142,238
Unrestricted	<u>731,222</u>	<u>26,644</u>
Total net assets	<u>\$ 3,130,061</u>	<u>\$ 2,269,336</u>

<b>Table A-4</b>		
<b>Changes in Dansville Schools' Net Assets</b>		
	2011	2010
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 274,431	\$ 294,117
Federal and state categorical grants	767,446	474,015
General revenues:		
Property taxes	978,741	954,348
State aid - unrestricted	5,919,763	5,976,021
Federal sources - unrestricted	301,374	255,922
Intermediate sources	412,622	518,881
Other	6,557	24,617
Total revenues	<u>8,660,934</u>	<u>8,497,921</u>
<b>Expenses:</b>		
Instruction	4,354,893	4,939,373
Support services	2,749,208	2,694,252
Community services	3,674	-
Food services	338,808	316,536
Interest on long-term debt	80,220	105,464
Depreciation	273,406	344,425
Total expenses	<u>7,800,209</u>	<u>8,400,050</u>
Change in net assets	<u>\$ 860,725</u>	<u>\$ 97,871</u>

### **District Governmental Activities**

The District's financial condition has resulted from a number of factors including the following:

- Proposal A established the student foundation grant concept. The foundation grant for Dansville Schools has increased from \$5,321 per student in 1995 to \$7,432 per student in 2011.
- The District continues to work earnestly to align expenditures with declining revenue each year. The District strives to manage staffing levels in accordance with student count and seeks to save money in non-instructional areas whenever possible.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

- The District's fund balance as combined for all funds, is \$1,412,386 compared to \$932,663 in 2010, an increase of \$479,723.
- The excess of revenues over expenditures for the general fund was \$467,813 for 2011 and \$192,688 for 2010.
- The general fund includes athletic revenues of \$85,220 and expenditures of \$231,526.
- The debt service fund combined fund balance decreased by \$8,234 during 2011 versus an increase of \$8,594 for 2010.

### General Fund and Budget Highlights

- During the 2010-11 fiscal year the original district budget was amended twice to reflect changes which affected the District. Significant changes included adjustments for State School Aid revenues, Federal ARRA revenues, actual staffing costs and other expenditure changes. The final budget was amended to show a ending fund balance of \$980,587 while the actual fund balance for the year was \$1,119,626.
- General fund revenues were \$77,046 under budget primarily due to less than anticipated grant revenues. General fund expenditures were \$216,085 under budget which is 2.9 percent of total expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's capital assets are as follows:

<b>Table A-5</b>				
<b>Dansville Schools' Capital Assets</b>				
	<b>2011</b>			<b>2010</b>
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>	<b>Net book value</b>
Land	\$ 130,000	\$ -	\$ 130,000	\$ 130,000
Buildings and improvements	16,124,150	12,052,757	4,071,393	4,253,752
Equipment and technology	240,068	103,362	136,706	149,585
Vehicles	805,207	660,612	144,595	98,105
Total	<u>\$ 17,299,425</u>	<u>\$ 12,816,731</u>	<u>\$ 4,482,694</u>	<u>\$ 4,631,442</u>

As disclosed in Note 4 to the financial statements, the District purchased \$124,658 of fixed assets during 2011. Depreciation expense was \$273,406.

## LONG-TERM DEBT

At year end the District had \$2,750,808 of long-term debt outstanding as shown in Table A-6. More detailed information is available in Note 7 to the financial statements.

	2011	2010
General obligation bonds	\$ 2,310,000	\$ 2,580,000
Limited obligation Durant bonds	48,015	55,074
Voluntary severance plan	140,417	221,000
Termination benefits	252,376	409,395
	<u>\$ 2,750,808</u>	<u>\$ 3,265,469</u>

During 2011, the District made principal payments of \$270,000 on its general obligation bonds.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could significantly affect its financial health in the future:

- Contracts with the District's teachers and support staff bargaining units will expire at June 30, 2012.
- General Ed transportation will be outsourced starting with the 2011-12 school year.
- The State of Michigan continues to experience troubled economic times. As of the writing of these statements the State had voted to decrease school funding by \$470 per pupil for the 2011-12 school year. The Foundation Allowance, which is comprised of both funds from the State and non-homestead property taxes, represented approximately 83 percent of general fund revenue for the District in 2010-11.
- The District's 2010-11 initial general fund budget includes the use of \$273,859 of fund balance.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the central administration, Dansville Schools, 1264 Adams Street; Dansville, MI 48819-0187.

## **BASIC FINANCIAL STATEMENTS**

**DANSVILLE SCHOOLS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<b>Governmental activities</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash	\$ 1,207,437
Cash - restricted state set aside	403,191
Investments	619,052
Receivables:	
Accounts receivable	16,886
Interest receivable	160
Due from other governmental units	1,384,783
Due from trust and agency activities	2,280
Inventories	15,617
Prepaid expenditures	40,149
	<b>3,689,555</b>
 <b>TOTAL CURRENT ASSETS</b>	
 <b>NONCURRENT ASSETS:</b>	
Capital assets	17,299,425
Less accumulated depreciation	(12,816,731)
	<b>4,482,694</b>
 <b>TOTAL ASSETS</b>	
	<b>\$ 8,172,249</b>

	<b>Governmental activities</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 187,849
Accrued interest payable	5,469
Accrued salaries and related items	745,965
Due to other governmental units	10,275
Note payable	1,200,000
Deferred revenue	127,611
Current portion of accrued interest	14,211
Current portion of long-term obligations	310,267
Current portion of termination benefits	206,135
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,807,782</b>
	<hr/>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	2,047,748
Noncurrent portion of termination benefits	186,658
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,234,406</b>
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>5,042,188</b>
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	2,124,679
Restricted for debt service	60,527
Restricted for food service	54,466
Restricted for capital projects (sinking fund)	159,167
Unrestricted	731,222
	<hr/>
<b>TOTAL NET ASSETS</b>	<b>3,130,061</b>
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,172,249</b>
	<hr/> <hr/>

**DANSVILLE SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$ 4,354,893	\$ -	\$ 444,744	\$ (3,910,149)
Support services	2,749,208	85,220	141,751	(2,522,237)
Community services	3,674	2,699	15,440	14,465
Food services	338,808	186,512	165,511	13,215
Interest on long-term debt	80,220	-	-	(80,220)
Unallocated depreciation	273,406	-	-	(273,406)
Total governmental activities	<u>\$ 7,800,209</u>	<u>\$ 274,431</u>	<u>\$ 767,446</u>	<u>(6,758,332)</u>
General revenues:				
Property taxes, levied for general purposes				490,543
Property taxes, levied for debt service				488,198
Investment earnings				699
State sources				5,919,763
Federal sources - unrestricted				301,374
Intermediate sources				412,622
Other				5,858
Total general revenues				<u>7,619,057</u>
<b>CHANGE IN NET ASSETS</b>				860,725
<b>NET ASSETS, beginning of year, as restated</b>				<u>2,269,336</u>
<b>NET ASSETS, end of year</b>				<u>\$ 3,130,061</u>

See notes to financial statements.

**DANSVILLE SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Other nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 946,084	\$ 261,353	\$ 1,207,437
Cash - restricted state set aside	403,191	-	403,191
Investments	564,735	54,317	619,052
Receivables:			
Accounts receivable	16,600	286	16,886
Interest receivable	160	-	160
Due from other governmental units	1,382,091	2,692	1,384,783
Due from other funds	-	6,229	6,229
Due from trust and agency activities	2,280	-	2,280
Inventories	13,042	2,575	15,617
Prepaid expenditures	40,149	-	40,149
<b>TOTAL ASSETS</b>	<b>\$ 3,368,332</b>	<b>\$ 327,452</b>	<b>\$ 3,695,784</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 187,140	\$ 709	\$ 187,849
Accrued interest payable	5,469	-	5,469
Accrued salaries and related items	718,950	27,015	745,965
Due to other governmental units	8,509	1,766	10,275
Due to other funds	6,229	-	6,229
Deferred revenue	122,409	5,202	127,611
Note payable	1,200,000	-	1,200,000
<b>TOTAL LIABILITIES</b>	<b>2,248,706</b>	<b>34,692</b>	<b>2,283,398</b>

See notes to financial statements.

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	\$ 13,042	\$ 2,575	\$ 15,617
Prepaid expenditures	40,149	-	40,149
Restricted for:			
Debt service	-	74,738	74,738
Food service	-	54,466	54,466
Capital projects	-	159,167	159,167
Assigned for subsequent year expenditures	273,859	1,814	275,673
Committed for facilities	195,854	-	195,854
Unassigned	596,722	-	596,722
	<u>1,119,626</u>	<u>292,760</u>	<u>1,412,386</u>
<b>TOTAL FUND BALANCES</b>	<u>1,119,626</u>	<u>292,760</u>	<u>1,412,386</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,368,332</u>	<u>\$ 327,452</u>	<u>\$ 3,695,784</u>
<b>Total governmental fund balances</b>			\$ 1,412,386
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 17,299,425	
Accumulated depreciation is		<u>(12,816,731)</u>	4,482,694
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(2,358,015)
Compensated absences and termination benefits			(392,793)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid			<u>(14,211)</u>
<b>Net assets of governmental activities</b>			<u>\$ 3,130,061</u>

See notes to financial statements.

**DANSVILLE SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>	<b>Other nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 490,543	\$ 488,198	\$ 978,741
Athletics	85,220	-	85,220
Other local sources	24,569	186,639	211,208
Total local sources	600,332	674,837	1,275,169
State sources	6,220,838	22,589	6,243,427
Federal sources	505,243	151,038	656,281
Incoming transfers and other	486,057	-	486,057
Total revenues	7,812,470	848,464	8,660,934
<b>EXPENDITURES:</b>			
Current:			
Instruction	4,592,495	-	4,592,495
Supporting services	2,727,297	-	2,727,297
Food service activities	-	338,808	338,808
Community service activities	3,674	-	3,674

See notes to financial statements.

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>			
Capital outlay	\$ -	\$ 146,569	\$ 146,569
Debt service:			
Principal repayment	-	277,059	277,059
Interest	-	94,807	94,807
Other	-	502	502
Total expenditures	<u>7,323,466</u>	<u>857,745</u>	<u>8,181,211</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>489,004</u>	<u>(9,281)</u>	<u>479,723</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	10,000	31,191	41,191
Transfers out	<u>(31,191)</u>	<u>(10,000)</u>	<u>(41,191)</u>
Total other financing sources (uses)	<u>(21,191)</u>	<u>21,191</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	467,813	11,910	479,723
<b>FUND BALANCES:</b>			
Beginning of year, as restated	<u>651,813</u>	<u>280,850</u>	<u>932,663</u>
End of year	<u>\$ 1,119,626</u>	<u>\$ 292,760</u>	<u>\$ 1,412,386</u>

See notes to financial statements.

**DANSVILLE SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

**Net change in fund balances total governmental funds** \$ 479,723

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(273,406)
Capital outlay	124,658

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	29,300
Accrued interest payable, end of the year	(14,211)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt	277,059
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Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	409,395
Accrued compensated absences and termination benefits, end of the year	(252,376)
Accrued voluntary severance plan, beginning of the year	221,000
Accrued voluntary severance plan, end of the year	(140,417)

**Change in net assets of governmental activities** \$ 860,725

**DANSVILLE SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2011**

	<b>Agency funds</b>	<b>Private Purpose Trust Fund</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 90,707	\$ 110,278
Investments	-	12,358
Due from other funds	-	5,589
	<b>\$ 90,707</b>	<b>\$ 128,225</b>
 <b>LIABILITIES:</b>		
Due to other funds	\$ 1,563	\$ 717
Due to student and other groups	89,144	-
	<b>90,707</b>	<b>717</b>
 <b>NET ASSETS:</b>		
Reserved for trust activities	-	127,508
	<b>\$ 90,707</b>	<b>\$ 128,225</b>
	<b>\$ 90,707</b>	<b>\$ 128,225</b>

**DANSVILLE SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2011**

	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS:</b>	
Contributions	\$ 5,000
Investment earnings	<u>374</u>
TOTAL ADDITIONS	5,374
 <b>DEDUCTIONS:</b>	
Scholarships awarded	<u>13,716</u>
<b>CHANGE IN NET ASSETS</b>	(8,342)
 <b>NET ASSETS:</b>	
Net assets - beginning of year	<u>135,850</u>
Net assets - end of year	<u><u>\$ 127,508</u></u>

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Dansville Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Reporting entity**

The Dansville Schools (the "District") is governed by the Dansville Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Other Non-major Funds**

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue funds.

The *debt service funds* account for resources accumulated and payments made for principal and interest on long-term general obligation debt.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

**Other Non-major Funds (Concluded)**

The capital projects *sinking fund* records capital project activities funded with sinking fund millage and other sources. For the sinking fund, the District has complied with the applicable provision of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust* fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not included in the District's government-wide financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies**

1. Cash and Equivalents Include Amounts in Demand Deposits and Certificates of Deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

2. Property Taxes (Concluded)

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Property	2.0000
Capital projects sinking fund	
PRE, Non-PRE, Commercial Property	1.0000

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

5. Capital Assets (Concluded)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 - 50 years
Furniture and other equipment	3 - 20 years
Vehicles	5 - 10 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Termination Benefits

The current and long-term liability for termination benefits is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

9. Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Debt Service funds and Food Service balances are considered restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2011. The District does not consider these amendments to be significant.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2011, the District had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weight average maturity (years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External Investment pool - CMF	\$ 604,728	0.0027	AAA	95.8%
MILAF External Investment pool - MAX	26,682	0.0027	AAA	4.2%
Total fair value	<u>\$ 631,410</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals approximately .0027 years.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2011, the fair value of the District's investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2011, the District did not have investments in commercial paper and corporate bonds.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2011, the carrying amount of the District's deposits was \$1,207,437 and the bank balance was \$1,656,916, of which \$1,253,725 was covered by federal depository insurance. The cash-restricted for State set-aside of \$403,191 was collateralized but uninsured.

Fiduciary fund balances are not included in the above balance. As of June 30, 2011 all of the fiduciary fund's bank balance of \$204,490 was insured. The carry amount is \$200,985.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the funds as follows:

Deposits - including fiduciary funds of \$200,985	\$ 1,811,613
Investments - including fiduciary funds of \$12,358	631,410
	\$ 2,443,023

The above amounts are reported in the financial statements as follows:

District-wide:	
Cash and cash equivalents	\$ 1,207,437
Cash - restricted state set aside	403,191
Investments	619,052
Fiduciary funds:	
Cash and cash equivalents	200,985
Investments	12,358
	\$ 2,443,023

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Restated Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Capital assets, being depreciated:				
Buildings and additions	16,075,197	48,953	-	16,124,150
Equipment and technology	240,068	-	-	240,068
Vehicles	729,502	75,705	-	805,207
Total capital assets, being depreciated	<u>17,044,767</u>	<u>124,658</u>	<u>-</u>	<u>17,169,425</u>
Accumulated depreciation:				
Buildings and additions	11,821,445	231,312	-	12,052,757
Equipment and technology	90,483	12,879	-	103,362
Vehicles	631,397	29,215	-	660,612
Total accumulated depreciation	<u>12,543,325</u>	<u>273,406</u>	<u>-</u>	<u>12,816,731</u>
Net capital assets being depreciated	<u>4,501,442</u>	<u>(148,748)</u>	<u>-</u>	<u>4,352,694</u>
Net governmental capital assets	<u>\$ 4,631,442</u>	<u>\$ (148,748)</u>	<u>\$ -</u>	<u>\$ 4,482,694</u>

Depreciation for the fiscal year ended June 30, 2011 amounted to \$273,406. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units at June 30, 2011 consist of the following:

Other governmental units:	
State aid	\$ 1,304,225
Payments from ISD	79,920
Other	638
	<u>\$ 1,384,783</u>

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - NOTE PAYABLE**

At June 30, 2011, the District has notes payable outstanding of \$400,000, \$440,000 (set aside) and \$360,000. The notes have interest rates of 0.80%, 0.40% and 0.40%, respectively, and they collectively mature on August 22, 2011. At June 30, 2011, the District has \$403,191 of funds on deposit with a financial institution which are included as cash-restricted for state set-aside on the general fund balance sheet, to be applied against the \$440,000 note. The notes are secured by the full faith and credit of the District as well as pledged state aid. Activity for the year ended June 30, 2011 is as follows:

Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<u>\$ 1,300,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,200,000</u>

**NOTE 7 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The following is a summary of the long-term debt transactions of the District.

	2005 General obligation bonds	2008 Refunding Bonds	Limited obligation Durant bonds	Termination benefits and compensated absences	Voluntary severance plan	Total
Balance July 1, 2010 (as restated see note 14)	\$ 140,000	\$ 2,440,000	\$ 55,074	\$ 409,395	\$ 221,000	\$ 3,265,469
Deletions	<u>(25,000)</u>	<u>(245,000)</u>	<u>(7,059)</u>	<u>(157,019)</u>	<u>(80,583)</u>	<u>(514,661)</u>
Balance June 30, 2011	115,000	2,195,000	48,015	252,376	140,417	2,750,808
Less current portion	<u>(25,000)</u>	<u>(245,000)</u>	<u>(40,267)</u>	<u>(125,552)</u>	<u>(80,583)</u>	<u>(516,402)</u>
Total due after one year	<u>\$ 90,000</u>	<u>\$ 1,950,000</u>	<u>\$ 7,748</u>	<u>\$ 126,824</u>	<u>\$ 59,834</u>	<u>\$ 2,234,406</u>

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

Long-term debts and other obligations currently outstanding are as follows:

\$250,000 2005 School Improvement General Obligation Bonds, Series II dated June 1, 2005, due in annual principal installments from \$25,000 to \$30,000 through May 1, 2015, with interest at 4.25%, payable semi-annually.	\$ 115,000
\$2,930,000 2008 Refunding Bonds dated February 26, 2008, due in annual principal installments from \$240,000 to \$245,000 through May 1, 2020, with interest ranging from 3.25% to 4.00%, payable semi-annually.	2,195,000
Total general obligation debt	<u>2,310,000</u>
\$115,577 1998 limited obligation Durant Resolution Bonds dated November 24, 1998, due in annual installments from \$7,748 to \$40,267, with interest of 4.76%, payable annually through 2013. The annual debt service payments related to these bonds is paid through annual appropriation from the State of Michigan.	48,015
Total bonded debt	<u>2,358,015</u>
Obligation under contract for compensated absences	252,376
Voluntary severance plan	<u>140,417</u>
Total general long-term debt	<u><u>\$ 2,750,808</u></u>

Interest expense for the year ended June 30, 2011 was approximately \$80,000.

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2011, \$2,160,000 of bonds outstanding are considered defeased.

The District adopted voluntary severance plans with twelve employees in the fiscal years 2010 and 2009. The arrangements provide for payments ranging from \$10,000 to \$29,000 to each individual. The remaining liability of \$140,417 is to be paid in annual installments through July 2013. This amount has been recorded at the face amount, as the discounted present value approximates the face amount of the liability.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize long-term debt outstanding as of June 30, 2011, including interest of \$442,721 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 310,267	\$ 98,990	\$ 409,257
2013	282,748	76,069	358,817
2014	275,000	66,462	341,462
2015	275,000	57,224	332,224
2016	245,000	47,376	292,376
2017 - 2020	970,000	96,600	1,066,600
Total	2,358,015	442,721	2,800,736
Voluntary severance plan	140,417	-	140,417
Accumulated compensated absences	252,376	-	252,376
	<u>\$ 2,750,808</u>	<u>\$ 442,721</u>	<u>\$ 3,193,529</u>

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2011 are as follows:

Receivable fund	Amount	Payable fund	Amount
2008 refunding bonds	<u>\$ 6,229</u>	General fund	<u>\$ 6,229</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate through September 30, 2010 was 16.94% of payroll and increased to 19.41% for the base plan and 17.91% for pension plus members effective October 1, 2010 through October 31, 2010 at which time it increased again due to the number of retirees associated with the early retirement incentive to 20.66% for basic plan members and 19.16% for pension plus members for the period November 1, 2010 through June 30, 2011. In addition, the district is required to match 50% up to 1% of the employees contribution in the pension plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The health care portion is 5.5% before the 3% for the injunction. The District contributions to MPSERS for the year ended June 30, 2011, 2010 and 2009 were approximately \$782,000, \$690,000, and \$680,000, respectively, and were equal to the required contribution for those years.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)**

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account. Effective April 1, 2011, a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

Pension recipients are generally eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing coverage.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other needs including health insurance.

**NOTE 11 - TRANSFERS**

The general fund transferred \$31,191 to the 2005 debt service fund for debt payments. The general fund received \$10,000 from the food service fund during the current fiscal year as reimbursements for cost paid by the general fund.

**DANSVILLE SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - SUBSEQUENT EVENTS**

The District received \$1,300,000 in August 2011 to replace the notes payable as described in Note 6.

**NOTE 13 - FUND BALANCE RECLASSIFICATION**

Beginning July 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the athletic activities are now included in the general fund rather than a separate fund. The reclassification of the beginning fund balance is as follows:

	General Fund
Fund balance, as previously reported	\$ 651,795
Adoption of GASB 54 (athletic fund balance)	18
	651,813
Fund balance, as restated	\$ 651,813

**NOTE 14 - RESTATEMENT OF NET ASSETS**

Beginning of year net assets have been restated to decrease net assets and increase early retirement incentive and compensated absence liabilities by \$245,125 for amounts not recorded in error at June 30, 2010.

Beginning of year net assets have been restated to decrease net assets and capital assets by \$299,351. The adjustment results from removal of the net book value of individual fixed assets with an original cost of less than \$5,000 in accordance with the District's capitalization policy.

	Net Assets
Net assets, as previously stated	\$ 2,813,812
Early retirement incentive and compensated absences	(245,125)
Capital assets	(299,351)
	2,269,336
Net assets, as restated	\$ 2,269,336

**REQUIRED SUPPLEMENTARY INFORMATION**

**DANSVILLE SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 418,976	\$ 489,387	\$ 490,543	\$ 1,156
Other local sources	55,442	116,789	109,789	(7,000)
State sources	5,956,450	6,217,835	6,220,838	3,003
Federal sources	176,904	558,702	505,243	(53,459)
Incoming transfers and other	487,769	506,803	486,057	(20,746)
Total revenues	<u>7,095,541</u>	<u>7,889,516</u>	<u>7,812,470</u>	<u>(77,046)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	3,800,521	3,923,193	3,846,997	76,196
Added needs	728,832	803,201	745,498	57,703
Total instruction	<u>4,529,353</u>	<u>4,726,394</u>	<u>4,592,495</u>	<u>133,899</u>
Supporting services:				
Pupil	232,749	242,638	245,205	(2,567)
Instructional staff	247,576	279,146	228,436	50,710
General administration	293,815	312,663	294,971	17,692
School administration	433,958	464,191	467,798	(3,607)
Business	135,362	117,731	122,765	(5,034)
Operation and maintenance	645,256	636,542	633,362	3,180
Pupil transportation	450,312	421,700	409,369	12,331
Central and other	112,300	92,136	93,865	(1,729)
Athletics	143,500	240,241	231,526	8,715
Total supporting services	<u>2,694,828</u>	<u>2,806,988</u>	<u>2,727,297</u>	<u>79,691</u>
Community services	4,350	6,169	3,674	2,495
Total expenditures	<u>7,228,531</u>	<u>7,539,551</u>	<u>7,323,466</u>	<u>216,085</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(132,990)</u>	<u>349,965</u>	<u>489,004</u>	<u>139,039</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	15,000	10,000	10,000	-
Transfers to other funds	(34,063)	(31,191)	(31,191)	-
Total other financing uses	<u>(19,063)</u>	<u>(21,191)</u>	<u>(21,191)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ (152,053)</u>	<u>\$ 328,774</u>	<u>467,813</u>	<u>\$ 139,039</u>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			<u>651,813</u>	
End of year			<u>\$ 1,119,626</u>	

**ADDITIONAL INFORMATION**

**DANSVILLE SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2011**

	<u>Food Service</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 32,289	\$ 68,720	\$ 160,344	\$ 261,353
Investments	54,317	-	-	54,317
Accounts receivable	286	-	-	286
Due from other governmental units	2,479	142	71	2,692
Due from other funds	-	6,229	-	6,229
Inventories	2,575	-	-	2,575
<b>TOTAL ASSETS</b>	<u>\$ 91,946</u>	<u>\$ 75,091</u>	<u>\$ 160,415</u>	<u>\$ 327,452</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 709	\$ -	\$ -	\$ 709
Accrued salaries and related items	27,015	-	-	27,015
Due to other governmental units	165	353	1,248	1,766
Deferred revenue	5,202	-	-	5,202
<b>TOTAL LIABILITIES</b>	<u>33,091</u>	<u>353</u>	<u>1,248</u>	<u>34,692</u>
<b>FUND BALANCES:</b>				
Nonspendable - inventory	2,575	-	-	2,575
Restricted for:				
Food service	54,466	-	-	54,466
Debt service	-	74,738	-	74,738
Capital projects	-	-	159,167	159,167
Assigned for subsequent year expenditures	1,814	-	-	1,814
<b>TOTAL FUND BALANCES</b>	<u>58,855</u>	<u>74,738</u>	<u>159,167</u>	<u>292,760</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 91,946</u>	<u>\$ 75,091</u>	<u>\$ 160,415</u>	<u>\$ 327,452</u>

**DANSVILLE SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Food service</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 324,700	\$ 163,498	\$ 488,198
Interest	-	127	-	127
Food sales	186,512	-	-	186,512
Other	-	-	-	-
Total local sources	<u>186,512</u>	<u>324,827</u>	<u>163,498</u>	<u>674,837</u>
State sources	14,473	8,116	-	22,589
Federal sources	<u>151,038</u>	<u>-</u>	<u>-</u>	<u>151,038</u>
Total revenues	<u>352,023</u>	<u>332,943</u>	<u>163,498</u>	<u>848,464</u>
<b>EXPENDITURES:</b>				
Current:				
Food service activities	338,808	-	-	338,808
Capital outlay	-	-	146,569	146,569
Debt service:				
Principal repayment	-	277,059	-	277,059
Interest expense on bonded debt	-	94,807	-	94,807
Other expense	-	502	-	502
Total expenditures	<u>338,808</u>	<u>372,368</u>	<u>146,569</u>	<u>857,745</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>13,215</u>	<u>(39,425)</u>	<u>16,929</u>	<u>(9,281)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	31,191	-	31,191
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>31,191</u>	<u>-</u>	<u>21,191</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,215	(8,234)	16,929	11,910
<b>FUND BALANCES:</b>				
Beginning of year	<u>55,640</u>	<u>82,972</u>	<u>142,238</u>	<u>280,850</u>
End of year	<u>\$ 58,855</u>	<u>\$ 74,738</u>	<u>\$ 159,167</u>	<u>\$ 292,760</u>

**DANSVILLE SCHOOLS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2011**

	<b>2008 Refunding Bonds</b>
<b>ASSETS</b>	
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 68,720
Due from other governmental units	142
Due from other funds	<u>6,229</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 75,091</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES:</b>	
Due to other governmental funds	<u>\$ 353</u>
<b>FUND BALANCES:</b>	
Restricted for debt service	<u>74,738</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 75,091</u></b>

**DANSVILLE SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2011**

	<u>2008 Refunding Bonds</u>	<u>Durant</u>	<u>2005 School Improvement Bonds</u>	<u>Athletic Facility</u>	<u>Total Nonmajor</u>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 324,700	\$ -	\$ -	\$ -	\$ 324,700
Interest	127	-	-	-	127
	<u>324,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,827</u>
State sources	<u>-</u>	<u>8,116</u>	<u>-</u>	<u>-</u>	<u>8,116</u>
Total revenues	<u>324,827</u>	<u>8,116</u>	<u>-</u>	<u>-</u>	<u>332,943</u>
<b>EXPENDITURES:</b>					
Principal repayment	245,000	7,059	25,000	-	277,059
Interest on bonded debt	87,800	1,057	5,950	-	94,807
Other	257	-	241	4	502
Total expenditures	<u>333,057</u>	<u>8,116</u>	<u>31,191</u>	<u>4</u>	<u>372,368</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>					
	<u>(8,230)</u>	<u>-</u>	<u>(31,191)</u>	<u>(4)</u>	<u>(39,425)</u>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers from other funds	<u>-</u>	<u>-</u>	<u>31,191</u>	<u>-</u>	<u>31,191</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(8,230)</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(8,234)</u>
<b>FUND BALANCES:</b>					
Beginning of year	<u>82,968</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>82,972</u>
End of year	<u>\$ 74,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,738</u>

**DANSVILLE SCHOOLS  
 AGENCY FUNDS - STUDENT ACTIVITY FUNDS  
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND LIABILITIES  
 YEAR ENDED JUNE 30, 2011**

	<b>Balance 7/1/10</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance 6/30/11</b>
Elementary school	\$ 26,391	\$ 81,109	\$ 80,767	\$ 26,733
Middle school	27,500	70,961	75,015	23,446
High school	24,260	91,058	76,353	38,965
	<u>\$ 78,151</u>	<u>\$ 243,128</u>	<u>\$ 232,135</u>	<u>\$ 89,144</u>

**DANSVILLE SCHOOLS  
BONDED DEBT  
JUNE 30, 2011**

\$250,000 Bonds issued June 1, 2005:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 25,000	\$ 2,444	\$ 2,444	2012	\$ 29,888
30,000	1,913	1,913	2013	33,826
30,000	1,275	1,275	2014	32,550
30,000	637	637	2015	31,274
<u>\$ 115,000</u>	<u>\$ 6,269</u>	<u>\$ 6,269</u>		<u>\$ 127,538</u>

The above bonds have an interest rate of 4.25%. The bonds were issued for the purpose of improving facilities.

**DANSVILLE SCHOOLS  
BONDED DEBT  
JUNE 30, 2011**

\$2,930,000 Bonds issued February 26, 2008:

Principal due May 1,	Interest due		Debt service requirement for fiscal	
	May 1,	November 1,	June 30,	Amount
\$ 245,000	\$ 39,919	\$ 39,919	2012	\$ 324,838
245,000	35,937	35,937	2013	316,874
245,000	31,956	31,956	2014	308,912
245,000	27,975	27,975	2015	300,950
245,000	23,688	23,688	2016	292,376
245,000	19,400	19,400	2017	283,800
245,000	14,500	14,500	2018	274,000
240,000	9,600	9,600	2019	259,200
240,000	4,800	4,800	2020	249,600
<u>\$ 2,195,000</u>	<u>\$ 207,775</u>	<u>\$ 207,775</u>		<u>\$ 2,610,550</u>

The above bonds have interest rates from 3.25% to 4.0%. The bonds were issued for the purpose of partially refunding the 1998 bonds.

**DANSVILLE SCHOOLS  
BONDED DEBT  
JUNE 30, 2011**

\$115,577 Durant Bond – Issued November 24, 1998

<u>Year ending June 30</u>	<u>Principal due May 15</u>	<u>Interest due May 15</u>	<u>Total due annually</u>
2012	\$ 40,267	\$ 14,264	\$ 54,531
2013	<u>7,748</u>	<u>369</u>	<u>8,117</u>
Total Durant	<u><u>\$ 48,015</u></u>	<u><u>\$ 14,633</u></u>	<u><u>\$ 62,648</u></u>

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the District (the "State Aid Payments"). The District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitution or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**DANSVILLE SCHOOLS**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2011**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Dansville Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dansville Schools as of and for the year ended June 30, 2011, which collectively comprise Dansville Schools' basic financial statements and have issued our report thereon dated October 11, 2011. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dansville Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dansville Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dansville Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2011-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dansville Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Dansville Schools in a separate letter dated October 11, 2011.

Dansville Schools' response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Dansville Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Manes Costeiran PC*

October 11, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Dansville Schools

Compliance

We have audited Dansville Schools' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dansville Schools' major federal programs for the year ended June 30, 2011. Dansville Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dansville Schools' management. Our responsibility is to express an opinion on Dansville Schools' 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. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dansville Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Dansville Schools' compliance with those requirements.

In our opinion, Dansville Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

Management of Dansville Schools 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 Dansville Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dansville Schools' internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dansville Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Dansville Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, management, others within the District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Manes Costeiran PC*

October 11, 2011

**DANSVILLE SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/10	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/11
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
Non-cash assistance (donated foods):								
National School Lunch - Non-bonus	10.555		\$ 20,417	\$ -	\$ -	\$ 20,417	\$ 20,417	\$ -
National School Lunch - Bonus			166	-	-	166	166	-
Total non-cash assistance			<u>20,583</u>	<u>-</u>	<u>-</u>	<u>20,583</u>	<u>20,583</u>	<u>-</u>
Cash assistance:								
National School Lunch - Breakfast program	10.553	101970	21,074	-	19,344	1,730	1,730	-
		111970	16,589	-	-	16,589	16,589	-
			<u>37,663</u>	<u>-</u>	<u>19,344</u>	<u>18,319</u>	<u>18,319</u>	<u>-</u>
National School Lunch Program	10.555	101950	19,985		19,985			-
		111950	12,140			12,140	12,140	-
		101960	77,997		77,997			-
		111960	99,996			99,996	99,996	-
			<u>210,118</u>	<u>-</u>	<u>97,982</u>	<u>112,136</u>	<u>112,136</u>	<u>-</u>
Total cash assistance			<u>247,781</u>	<u>-</u>	<u>117,326</u>	<u>130,455</u>	<u>130,455</u>	<u>-</u>
Total Child Nutrition Cluster			<u>268,364</u>	<u>-</u>	<u>117,326</u>	<u>151,038</u>	<u>151,038</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>268,364</u>	<u>-</u>	<u>117,326</u>	<u>151,038</u>	<u>151,038</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**DANSVILLE SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/10	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/11
<u>U.S. Department of Education:</u>								
Passed through the Michigan Department of Education:								
Title I Cluster:								
Title I, Part A, Improving basic programs	84.010	101530-0910	\$ 79,089	\$ 34,945	\$ 64,760	\$ 47,850	\$ 12,905	\$ -
		111530-1011	90,467	-	-	21,296	56,795	35,499
			169,556	34,945	64,760	69,146	69,700	35,499
ARRA Title I, Part A, Improving basic programs	84.389	101535-0910	27,811	1,503	2,162	1,503	-	-
		111535-1011	25,648	-	-	25,648	25,648	-
			53,459	1,503	2,162	27,151	25,648	-
Total Title I Cluster			223,015	36,448	66,922	96,297	95,348	35,499
Title II, Part A, Improving Teacher Quality	84.367	100520-0910	39,220	12,718	18,673	28,222	15,504	-
		110520-1011	36,695	-	-	18,707	23,723	5,016
			75,915	12,718	18,673	46,929	39,227	5,016
ARRA Improving Teacher Quality, Part D carry over	84.386	114295-1011	1,399	-	-	978	978	-
ARRA Education Stabilization Fund	84.394	102525-0910	255,922	140,499	255,922	140,499	-	-
		112525-1011	105,032	-	-	60,629	105,032	44,403
			360,954	140,499	255,922	201,128	105,032	44,403
Education Jobs Fund	84.410	112545-1011	196,342	-	-	113,274	196,342	83,068
Total passed through Michigan Department of Education			857,625	189,665	341,517	458,606	436,927	167,986

The accompanying notes are an integral part of this schedule.

**DANSVILLE SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/10	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/11
<u>U.S. Department of Education (Concluded):</u>								
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
Preschool Incentive	84.173	100460-0910	\$ 2,970	\$ 2,970	\$ 2,970	\$ 2,970	\$ -	\$ -
		110460-1011	6,242	-	-	-	6,242	6,242
			9,212	2,970	2,970	2,970	6,242	6,242
ARRA Preschool Incentive	84.392	100465-0910	1,699	911	911	911	-	-
		100465-1011	2,444	-	-	-	2,444	2,444
			4,143	911	911	911	2,444	2,444
ARRA IDEA Flowthrough	84.391	100455-0910	105,769	32,755	32,755	32,755	-	-
		100455-1011	70,980	-	-	-	55,405	55,405
			176,749	32,755	32,755	32,755	55,405	55,405
Total Special Education Cluster			190,104	36,636	36,636	36,636	64,091	64,091
Total U.S. Department of Education			1,047,729	226,301	378,153	495,242	501,018	232,077
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District:								
Medicaid Outreach	93.778		4,225	-	-	4,225	4,225	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,320,318	\$ 226,301	\$ 495,479	\$ 650,505	\$ 656,281	\$ 232,077

The accompanying notes are an integral part of this schedule.

**DANSVILLE SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Dansville Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. ARRA Education Stabilization Fund (CFDA # 84.394) and the Education Jobs Fund (CFDAs #84.410) were audited as the major programs, representing 46% of expenditures.
3. The threshold for distinguishing type A and type B programs was \$300,000.
4. Management has utilized the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 505,243
Special revenue fund	<u>151,038</u>
	<u><u>\$ 656,281</u></u>

**DANSVILLE SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**Section I - Summary of Auditors' Results**

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***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

➤ Material weakness(es) identified?   X   Yes        No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   No

Noncompliance material to financial statements noted?        Yes   X   No

***Federal Awards***

Internal control over major programs:

➤ Material weakness(es) identified:        Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.410	Education Jobs Fund
84.394	ARRA Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:   \$  300,000  

Auditee qualified as low-risk auditee?   X   Yes        No

**DANSVILLE SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**Section II – Financial Statement Findings**

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**Finding 2011-1 Considered a material weakness**

**Criteria:** Audit adjustments in amount meeting the definition of a material weakness were proposed by the auditor and accepted by management.

**Condition:** During the course of the 2011 audit two prior year adjustments were made to restate opening net assets. Net assets by \$299,351 related to the removal of fixed assets below the capitalization threshold of \$5,000 per individual item. Net assets were reduced for early retirement incentives and compensated absence liabilities not recorded in the prior year.

**Context:** The fixed asset adjustment is the result of managements corrective action plan related to the fixed asset component of the finding 2009-2 which was issued in each of the prior two years. The early retirement and compensated absence adjustment resulted from 2011 audit procedures performed. These adjustment only affected the entity-wide financial statements.

**Cause:** Use of the incorrect fixed asset capitalization policy. The early retirement incentive and compensated absence adjustment was an inadvertent oversight during the 2010 audit.

**Effect:** Net assets as previously reported were overstated by \$544,476, a material amount.

**Recommendation:** Additional review of adjustments between the entity-wide and fund level financial statement should be performed by management to reduce the risk of unrecorded amounts. The fixed asset portion of finding 2009-2 issued in 2010 and 2009 is considered resolved.

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**Section III – Federal Award Findings and Question Costs**

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None

**DANSVILLE SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

**2010 Finding labeled 2009-2** Considered a Significant Deficiency

**Condition:** During the course of the audit, it was noted that the District has not formally adopted written procedures and policies for the following areas: a capital assets policy, a fraud risk management policy, a conflict of interest policy, and documentation of accounting procedures.

Criteria: Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations.

**Effect:** Accounting is an essential function of the District. The District may have greater risk to these functions being performed improperly if the related policies and procedures are not documented. Capital assets represent a substantial amount of the District's net assets. The District may have greater risk with these assets if a capital asset policy is not adopted. Also, a fraud risk management policy that would include a conflict of interest policy program is essential to the District's ability to assess vulnerabilities to fraudulent activities or conflicts of interest whether any of those exposures could result in material misstatement of the financial statements.

**Recommendation:** We recommend that the District develop an accounting manual that would document all of its accounting procedures and business practices. We recommend that the District adopt and implement a capital asset policy which would define a capitalization threshold and methods for acquiring and disposing of capital assets. We also recommend the District develop and adopt a fraud risk management policy that also takes into consideration a conflict of interest policy which would include policies and procedures on ways for management to prevent, detect and deter fraudulent activities.

**Status:** The District has taken appropriate action during the fiscal year ended 2011 to resolve the capitalization policy issue. The resulting adjustment is disclosed in finding 2011-1. Key accounting procedures have been documented. The Board of Education is in the process of revising all board policies and will adopt fraud and conflict of interest policies in the near future.

**DANSVILLE SCHOOLS  
CORRECTIVE ACTION PLAN  
JUNE 30, 2011  
CONTACT PERSON: JANET YACHIM  
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Dansville Schools respectfully submits the following corrective action plan for the year ended June 30, 2011.

**Auditor :** Maner Costerisan  
2425 E. Grand River Avenue, Suite 1  
Lansing, Michigan 48912

**Audit Period:** Year ended June 30, 2011

The findings from the June 30, 2011 schedule of finds and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**Finding – Financial statement audit**

**Finding 2011-1** Considered a material weakness

**Recommendation:** Additional review of adjustments between the entity-wide and fund level financial statement should be performed by management to reduce the risk of unrecorded amounts.

**Action to be taken:** Management will take necessary actions to implement the above recommendations.

October 11, 2011

To the Board of Education  
Dansville Schools

In planning and performing our audit of the financial statements of Dansville Schools as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Dansville Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 11, 2011 on the financial statements of Dansville Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

### **Capital Assets Inventory**

We understand it has been a number of years since the District performed a physical inventory of its capital assets. We recommend the District develop a plan to conduct a physical inventory on at least a biannual basis to help maintain an accurate listing of capitalized assets.

### **Consider Establishing a Fraud Hotline**

The District's code of ethics encourages employees to report any suspicion of fraud or misconduct, but it does not provide an effective, practical mechanism for doing so. We believe that as a result, employees would be hesitant to report knowledge or suspicions that could prevent or detect fraud or other misconduct that could be detrimental to the District. Studies show that most frauds are known to someone in the defrauded organization and are revealed after a tip is received from someone with knowledge about the fraud. However, an employee may not report suspicions or knowledge of fraud if he or she does not know to whom to report, especially if the perpetrator is someone high up in the District or someone to whom the employee reports. We recommend that management consider establishing a fraud hotline.

The very existence of a fraud hotline would serve as a deterrent to misconduct by creating among employees a perception that fraud would be detected and reported. It would also demonstrate the District's serious intent to prevent and detect fraud. In addition, the hotline could also be used to report incidents of harassment, unsafe working conditions, violence, or violations of laws or regulations. This would allow the District to address such situations in a timely manner and could help prevent or minimize fines, lawsuits, legal liability, or adverse publicity by demonstrating that the District has procedures for receiving and addressing complaints.

An effective fraud hotline should have the following features:

- It should be available 24/7. Studies show that 40% of calls to fraud hotlines are made at night or on weekends. Employees typically will not call during normal work hours to report on coworkers or supervisors, and they often will not call back if their first call is not answered.
- The hotline must allow anonymous calls to protect confidentiality so that employees will not fear possible retaliation if they are identified as the whistle-blower.
- Employees should be made aware of the hotline's availability and the reasons why they should use it. This could be done via informational posters, memos, or brochures.

#### **Changes in employer and employee pension contributions**

During the past fiscal year there have numerous changes to the contribution rates as well the addition of the pension plus plan for new employees. The amounts required to be contributed by the District and employees now vary depending on date of hire and the type of plan employees are in.

We perform limited tests to determine the overall reasonableness of the District's pension contributions. While we found no errors in our testing we recommend controls would be improved if there were periodic reviews of the employer and employee contribution calculations to determine all employee records are accurate and the proper amount of withholding and contributions are being made based on these numerous changes.

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

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Manes Costeiran PC*

October 11, 2011

To the Board of Education  
Dansville Schools

We have audited the financial statements of Dansville Schools for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Dansville Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Dansville Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Dansville Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Dansville Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Dansville Schools' compliance with those requirements.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Treasurer of the Board of Education in our discussion about planning matters on August 8, 2011.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Dansville Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011, except for the adoption of GASB 54 (*Fund Balance Reporting and Governmental Fund Type Definitions*). We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was

Estimates have been used in calculating the liability for employee termination benefits. The estimated liability is approximately \$252,000.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any significant disclosures.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. As detailed in Note 14 to the financial statements, two material misstatements were detected as a result of audit procedures and corrected by management.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 11, 2011.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement as auditors.

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

Very truly yours,

*Maney Costeiran PC*