



**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018



Dave Yost • Auditor of State

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY
JUNE 30, 2018**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2018

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018
Unaudited

This discussion and analysis of the Danville Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2018 are as follows:

- The School District's receipts are primarily from grants and entitlements not restricted to specific programs (primarily State foundation), property taxes, School District income taxes, and from operating grants and contributions program receipts. These receipts represent a significant portion of the total cash received for the School District. Grants and entitlements not restricted to specific programs decreased from fiscal year 2017. State Foundation decreased almost 3 percent with the funding formula calculation report referred to as the School Finance Payment Report (SFPR) for fiscal year 2018 mainly due to declining enrollment. Another major source of revenue is generated by open enrollment which accounts for about 10 percent of general fund revenue. Operating grants and contributions program receipts also decreased in fiscal year 2018 mainly due to a cut in a Federal grant for elementary guidance. Overall, fiscal year 2018 receipts decreased from the prior fiscal year.
- The School District salary schedule increased 3 percent for teachers' salaries and non-certified and supplemental salaries for fiscal year 2018. Health insurance costs are significant, and employees share in the overall cost, paying 15 to 20 percent of the premium. Dental insurance was implemented for the first time in January 2017. The Board and employees share in the premium 75 percent and 25 percent, respectively. An eyeglasses reimbursement program was also implemented. Benefits are 37.7 percent of salaries. Together, salaries and benefits compose almost 74 percent of general fund expenditures.
- The majority of capital outlay purchases for the School District during fiscal year 2018 were in the transportation, educational technology, athletic facilities, maintenance and food service areas. Major purchases included \$82,470 for a new bus, \$60,672 for educational technology, \$7,435 for a new copier at the K-8 building, an additional \$13,175 for the football press box renovation, \$5,905 for a projector and screen in the high school auditorium, as well as \$6,358 for the LED lighting replacement, and \$13,956 for new food service equipment. Encumbrances at year end include amounts for contracted services with McGuire and Associates for \$10,757 for a Federal grant and general fund contracted services with AdTec Solutions for \$340.
- Combined utility costs for electric and natural gas decreased 4 percent for fiscal year 2018 due to lower electric usage with the implementation of LED lighting, despite higher natural gas usage due to a long, cold winter. Fuel costs for buses were up 11 percent, but still lower than they were three years ago. The School District is part of an agreement through Metropolitan Educational Technology Association and American Electric Power to help contain the cost of electric utility through June of 2020. A summer project to replace more of the School District lighting with LED bulbs should impact energy bills in a positive way going forward.
- Despite a decrease in receipts and other financing sources, the general fund had an increase in fund balance during fiscal year 2018, with a decrease in disbursements, mainly decreases in operation and maintenance of plant and capital outlay.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018
Unaudited

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2018, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018
Unaudited

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2018 compared to fiscal year 2017 on a cash basis:

(Table 1)
Net Position
Governmental Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$7,372,767</u>	<u>\$6,653,137</u>	<u>\$719,630</u>
Net Position			
Restricted	\$356,225	\$354,571	\$1,654
Unrestricted	<u>7,016,542</u>	<u>6,298,566</u>	<u>717,976</u>
Total Net Position	<u>\$7,372,767</u>	<u>\$6,653,137</u>	<u>\$719,630</u>

Net position of the governmental activities increased during fiscal year 2018, with the decrease in receipts being partly offset by a decrease in disbursements from fiscal year 2017. The primary causes for the decrease in receipts were a decrease in operating grants and contributions, mainly related to a cut in the Federal funds grant for elementary guidance, and a decrease in capital grants and contributions related to insurance recoveries in the prior fiscal year. The decrease in disbursements was primarily due to decreases in operation and maintenance of plant and in capital outlay. One of the major purchases in the prior fiscal year was a chiller replacement at the K-8 building, which was covered by the School District's insurance policy.

Table 2 reflects the change in net position for fiscal years 2018 and 2017 on a cash basis.

(Table 2)
Changes in Net Position
Governmental Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Receipts			
Program Receipts			
Charges for Services and Sales	\$1,166,499	\$1,187,884	(\$21,385)
Operating Grants and Contributions	1,068,757	1,238,417	(169,660)
Capital Grants and Contributions	<u>0</u>	<u>182,051</u>	<u>(182,051)</u>
Total Program Receipts	<u>\$2,235,256</u>	<u>\$2,608,352</u>	<u>(\$373,096)</u>

(continued)

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018
Unaudited

(Table 2)

Changes in Net Position
Governmental Activities (continued)

	2018	2017	Change
Receipts			
General Receipts			
Property Taxes	\$1,656,245	\$1,610,669	\$45,576
Income Taxes	987,571	964,517	23,054
Grants and Entitlements Not			
Restricted to Specific Programs	3,861,864	3,937,977	(76,113)
Unrestricted Contributions and Donations	16,850	16,292	558
Interest	98,769	61,678	37,091
Miscellaneous	101,016	46,871	54,145
<i>Total General Receipts</i>	<u>6,722,315</u>	<u>6,638,004</u>	<u>84,311</u>
<i>Total Receipts</i>	<u>8,957,571</u>	<u>9,246,356</u>	<u>(288,785)</u>
Disbursements			
Instruction:			
Regular	2,888,247	2,860,483	(27,764)
Special	1,394,992	1,322,800	(72,192)
Vocational	138,065	125,639	(12,426)
Student Intervention Services	1,573	2,096	523
Support Services:			
Pupil	629,555	678,238	48,683
Instructional Staff	347,075	378,867	31,792
Board of Education	27,087	31,379	4,292
Administration	780,039	723,964	(56,075)
Fiscal	222,814	218,776	(4,038)
Business	0	300	300
Operation and Maintenance of Plant	750,319	913,082	162,763
Pupil Transportation	374,801	261,213	(113,588)
Central	9,683	31,562	21,879
Operation of Non-Instructional Services	286,817	259,802	(27,015)
Extracurricular Activities	213,950	224,315	10,365
Capital Outlay	20,536	190,628	170,092
Debt Service	152,388	147,888	(4,500)
<i>Total Disbursements</i>	<u>8,237,941</u>	<u>8,371,032</u>	<u>133,091</u>
Change in Net Position	719,630	875,324	(155,694)
Net Position Beginning of Year	<u>6,653,137</u>	<u>5,777,813</u>	<u>875,324</u>
Net Position End of Year	<u>\$7,372,767</u>	<u>\$6,653,137</u>	<u>\$719,630</u>

Danville Local School District
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Total program receipts are comprised of charges for services and sales, operating grants and contributions, and capital grants and contributions. The capital grants and contributions in fiscal year 2017 consisted of insurance recoveries.

General receipts represent a majority of the School District's total governmental receipts, and of this amount, the majority is grants and entitlements not restricted to specific programs. The next largest portion is made up of local taxes, both property and income tax. Other receipts are less insignificant and somewhat unpredictable revenue sources.

The School District was responsible for providing educational services to 640 students. Instructional services are the largest cost to the School District. Regular educational disbursements were the majority of instructional services and special education costs were also a significant cost to the School District. The remainder of instructional costs are made up of vocational instruction and student intervention services.

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

Governmental Activities

If you look at the statement of activities on page 17, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and maintenance of property. The next two columns of the statement entitled program receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipts (disbursements) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers, State foundation revenue and other miscellaneous sources. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018
Unaudited

(Table 3)

Governmental Activities

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements				
Instruction:				
Regular	\$2,888,247	(\$1,839,961)	\$2,860,483	(\$1,814,099)
Special	1,394,992	(792,165)	1,322,800	(598,844)
Vocational	138,065	(112,012)	125,639	(99,695)
Student Intervention Services	1,573	(1,573)	2,096	(2,096)
Support Services:				
Pupil	629,555	(494,512)	678,238	(469,004)
Instructional Staff	347,075	(322,297)	378,867	(367,967)
Board of Education	27,087	(27,087)	31,379	(31,379)
Administration	780,039	(738,844)	723,964	(687,700)
Fiscal	222,814	(222,263)	218,776	(218,776)
Business	0	0	300	0
Operation and Maintenance of Plant	750,319	(626,007)	913,082	(895,746)
Pupil Transportation	374,801	(298,195)	261,213	(257,783)
Central	9,683	(9,683)	31,562	(7,740)
Operation of Non-Instructional Services	286,817	(131,212)	259,802	(6,800)
Extracurricular Activities	213,950	(213,950)	224,315	(148,586)
Capital Outlay	20,536	(20,536)	190,628	(8,577)
Debt Service	152,388	(152,388)	147,888	(147,888)
<i>Total Disbursements</i>	<u>\$8,237,941</u>	<u>(\$6,002,685)</u>	<u>\$8,371,032</u>	<u>(\$5,762,680)</u>

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

The School District's Funds

Total governmental funds had an increase in fund balance, with the greatest increase in fund balance occurring within the general fund. The decrease in receipts from the prior fiscal year was partly offset by a decrease in disbursements. The decrease in receipts was mainly related to the decrease in intergovernmental receipts, due to decreases in foundation funding and Federal grants. The decrease in disbursements was mainly related to decreases in operation and maintenance of plant and capital outlay. A new chiller system was purchased and subsequently reimbursed by insurance in the prior fiscal year.

General Fund Budgeting Highlights

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

Danville Local School District
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During fiscal year 2018, the School District amended its general fund budget a few times to reflect changing circumstances. Final budgeted receipts were higher than original budgeted receipts due to beginning with somewhat conservative estimates. Final budgeted disbursements were more than original budgeted disbursements due mainly to increases in pupil transportation and special instruction. Actual disbursements were less than final budgeted disbursements, because the School District did not spend what it anticipated in every disbursement category, especially in operation and maintenance of plant.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2018, the School District's outstanding debt included \$847,953 in general obligation bonds issued for school improvement. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

Current Issues

The Danville Local School District's motto is *Excellence from All - Shaping Quality Graduates*. The School District Continuous Improvement Plan (CIP) is based on the primary goal of *Increasing Achievement for All Students*. The most current School District Report Card indicates that there is a lot of work to do as we progress in the Ohio Improvement Process.

Many could argue the School District Report Card is not a true measure of a school district and how it prepares its students for the future. During the 2017-2018 school year, no student was retained for failure to pass the 3rd grade reading guarantee. Reports show our students who choose to take it have steadily improved over the past four years on the ACT test and outperform the State average. Our athletic teams achieved football team Final Four in the State playoffs, softball State regional finals, and one individual placed in State wrestling competition. Our Mock Trial team also participated in State competition. For those students who find the traditional classroom a challenge, there is an equine therapy program. Danville School District has a plethora of accomplishments when it comes to our students.

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

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

Assuring the School District's financial welfare is a challenge. Effective internal controls and careful budgeting have created positive cash flow and placed the School District on firm financial footing for the short-term. Unfortunately, as is the case for a majority of Ohio's public school districts, the outlook over

Danville Local School District
Management's Discussion and Analysis
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the longer-term is at best unpredictable due to the State and legislative budget process. As the struggle to maintain solvency continues inside the School District, major external forces persist to make the task of preparing our youth for the 21st century increasingly difficult to support. The major external factors include an underfunded and ever-changing foundation system of school support and the barrage of unfunded mandates from both Federal and State levels.

Danville Local School District is forced to rely heavily on local taxpayers to support our programs. The School District's property tax rate is currently at the 20 mill floor. The taxpayers, in an incredible show of support for our children's future, have renewed their trust in the School District by passing a 1.25 percent income tax levy for ten years which, when added to the already .5 percent continuing levy, totals 1.75 percent. State Foundation increased noticeably with the shift to the Kasich administration School Finance Payment Report (SFPR) for the 2015-2016 biennial budget, granting additional foundation funding for targeted assistance and capacity aide in an amount that has prompted the Board to reduce the income tax to 1.5 percent. According to the 2017 Cupp Report, our taxpayers are giving more than their fair share of support to the School District and the Board, recognizing that, voted to reduce their tax liability.

The Danville Elementary and Middle School building project was completed in 2003. Built through the Ohio School Facilities Commission, the 3.1 mill local share was approved by the voters and amounted to 20 percent of construction costs. The local share bonded indebtedness, originally \$1,656,000, was refinanced in fiscal year 2007, in order to save \$132,721 for the taxpayers for the life of the issue. A one-half mill levy was passed that helps offset maintenance costs but only raises about \$39,000 annually. The modern systems included in the Elementary and Middle School buildings are expensive to operate and maintain.

The School District completed a major renovation of High School Science facilities in fiscal year 2008. Funding for this project came from the general fund and alumni contributions at a cost of \$386,090. Obviated by the need to upgrade science rooms, aging facilities at the School District's High School building are beginning to deteriorate and require additional expenditures to maintain. Communication from the Ohio School Facilities Commission says the School District must wait a minimum of twenty years from previous funding before a new funding program can be offered.

Other factors of concern in maintaining the fiscal integrity of the School District are numerous. State bus purchase allowance has ended. School safety issues are forcing upgrade of security and response systems. The Federal Affordable Health Care Act was implemented with no guarantees of a positive effect in reducing the cost of health care. No Child Left Behind legislation has forced long overdue changes in American public education, even as it has wrought perhaps the largest set of under-funded and unfunded mandates imaginable. An influx of non-English speaking students has forced the School District to provide non-reimbursable services. The Common Core legislation is under fire while the amount of testing required continues to increase for which technology upgrades are necessitated. Yet, the State legislators have passed legislation to allow the number of days students are in school to be reduced significantly by implementing a minimum number of hours instead of days per school year. The increased costs of harvesting and applying data, training existing staff and recruiting new teachers, and retooling systems and classrooms, among others, has greatly taxed financial resources.

Open enrollment accounts for about 10 percent of School District general fund revenue. Unfortunately, this too is a mixed blessing since the State's formula for reimbursing the educating school district is based on the fiscal year 2009 Foundation amount – far less than the actual cost of educating the average student in fiscal year 2018. On the bright side, interest on investments has increased to where the amount generated makes a difference on the balance sheet.

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Basically, the short-term financial outlook with the passage of a ten year renewal levy is good or as good as it can be. Continued vigilance inside the School District, along with the historically strong support of our local citizens, help offset the governmental shortfall for the near-term and help to preserve the School District for the future.

There is a need to take pause for a personal statement. I have had the honor and privilege to serve this School District over the past 30 years. I appreciate the opportunity given and trust placed in me by the Board, staff and community. I leave the School District knowing that education truly is key to the future for all humanity and thankful for the education Danville Schools provided my father and siblings, my husband and I and our children, and now my grandchildren. I will be leaving Danville Schools as an employee in January 2019 when I plan to retire, but will continue to support it from the sidelines for years to come.

Contacting the School District's Financial Management

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

Basic Financial Statements

Danville Local School District
Statement of Net Position - Cash Basis
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,372,767</u>
Net Position	
Restricted for:	
Debt Service	\$109,158
Food Service Operations	126,764
Classroom Maintenance	88,412
Other Purposes	31,891
Unrestricted	<u>7,016,542</u>
<i>Total Net Position</i>	<u>\$7,372,767</u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2018

	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$2,888,247	\$990,380	\$57,906	(\$1,839,961)
Special	1,394,992	0	602,827	(792,165)
Vocational	138,065	0	26,053	(112,012)
Student Intervention Services	1,573	0	0	(1,573)
Support Services:				
Pupil	629,555	0	135,043	(494,512)
Instructional Staff	347,075	0	24,778	(322,297)
Board of Education	27,087	0	0	(27,087)
Administration	780,039	0	41,195	(738,844)
Fiscal	222,814	0	551	(222,263)
Operation and Maintenance of Plant	750,319	100,848	23,464	(626,007)
Pupil Transportation	374,801	75,271	1,335	(298,195)
Central	9,683	0	0	(9,683)
Operation of Non-Instructional Services	286,817	0	155,605	(131,212)
Extracurricular Activities	213,950	0	0	(213,950)
Capital Outlay	20,536	0	0	(20,536)
Debt Service	152,388	0	0	(152,388)
Total	\$8,237,941	\$1,166,499	\$1,068,757	(6,002,685)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,508,559
Debt Service				125,468
Classroom Maintenance				22,218
Income Taxes Levied for General Purposes				987,571
Grants and Entitlements not Restricted to Specific Programs				3,861,864
Unrestricted Contributions and Donations				16,850
Interest				98,769
Miscellaneous				101,016
Total General Receipts				6,722,315
Change in Net Position				719,630
Net Position Beginning of Year				6,653,137
Net Position End of Year				\$7,372,767

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,016,542	\$356,225	\$7,372,767
Fund Balances			
Restricted	\$0	\$356,225	\$356,225
Committed	340	0	340
Assigned	17,445	0	17,445
Unassigned	6,998,757	0	6,998,757
<i>Total Fund Balances</i>	<i>\$7,016,542</i>	<i>\$356,225</i>	<i>\$7,372,767</i>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$1,508,559	\$147,686	\$1,656,245
Income Tax	987,571	0	987,571
Intergovernmental	4,099,807	810,814	4,910,621
Interest	98,437	332	98,769
Tuition and Fees	988,340	0	988,340
Extracurricular Activities	0	75,271	75,271
Contributions and Donations	16,850	20,000	36,850
Charges for Services	0	100,848	100,848
Rentals	2,040	0	2,040
Miscellaneous	99,037	1,979	101,016
<i>Total Receipts</i>	<u>7,800,641</u>	<u>1,156,930</u>	<u>8,957,571</u>
Disbursements			
Current:			
Instruction:			
Regular	2,846,243	42,004	2,888,247
Special	1,018,868	376,124	1,394,992
Vocational	133,662	4,403	138,065
Student Intervention Services	1,573	0	1,573
Support Services:			
Pupil	494,512	135,043	629,555
Instructional Staff	322,297	24,778	347,075
Board of Education	27,087	0	27,087
Administration	737,078	42,961	780,039
Fiscal	219,697	3,117	222,814
Operation and Maintenance of Plant	728,528	21,791	750,319
Pupil Transportation	373,568	1,233	374,801
Central	9,683	0	9,683
Operation of Non-Instructional Services	0	286,817	286,817
Extracurricular Activities	140,201	73,749	213,950
Capital Outlay	20,536	0	20,536
Debt Service:			
Principal Retirement	0	105,000	105,000
Interest and Fiscal Charges	0	47,388	47,388
<i>Total Disbursements</i>	<u>7,073,533</u>	<u>1,164,408</u>	<u>8,237,941</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>727,108</u>	<u>(7,478)</u>	<u>719,630</u>
Other Financing Sources (Uses)			
Advances In	0	9,132	9,132
Advances Out	(9,132)	0	(9,132)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,132)</u>	<u>9,132</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	717,976	1,654	719,630
<i>Fund Balances Beginning of Year</i>	<u>6,298,566</u>	<u>354,571</u>	<u>6,653,137</u>
<i>Fund Balances End of Year</i>	<u>\$7,016,542</u>	<u>\$356,225</u>	<u>\$7,372,767</u>

See accompanying notes to the basic financial statements

Danville Local School District
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,495,202	\$1,508,559	\$1,508,559	\$0
Income Tax	978,827	987,571	987,571	0
Intergovernmental	4,063,507	4,099,807	4,099,807	0
Interest	97,565	98,437	98,437	0
Tuition and Fees	979,589	988,340	988,340	0
Contributions and Donations	16,701	16,850	16,850	0
Rentals	2,022	2,040	2,040	0
Miscellaneous	59,543	60,075	60,075	0
<i>Total Receipts</i>	<i>7,692,956</i>	<i>7,761,679</i>	<i>7,761,679</i>	<i>0</i>
Disbursements				
Current:				
Instruction:				
Regular	2,867,817	2,873,961	2,849,856	24,105
Special	1,023,182	1,063,333	1,019,305	44,028
Vocational	132,531	136,464	133,662	2,802
Student Intervention Services	3,890	1,575	1,573	2
Support Services:				
Pupil	516,920	528,490	494,512	33,978
Instructional Staff	353,070	362,826	322,637	40,189
Board of Education	30,810	30,831	27,087	3,744
Administration	723,209	718,151	696,768	21,383
Fiscal	226,964	226,832	220,447	6,385
Operation and Maintenance of Plant	851,394	861,235	728,528	132,707
Pupil Transportation	368,280	412,086	373,568	38,518
Central	9,455	10,310	9,683	627
Extracurricular Activities	139,798	143,434	140,201	3,233
Capital Outlay	13,500	23,462	20,536	2,926
<i>Total Disbursements</i>	<i>7,260,820</i>	<i>7,392,990</i>	<i>7,038,363</i>	<i>354,627</i>
<i>Excess of Receipts Over Disbursements</i>	<i>432,136</i>	<i>368,689</i>	<i>723,316</i>	<i>354,627</i>
Other Financing Sources (Uses)				
Transfers In	6,902	6,902	6,902	0
Advances Out	0	(9,132)	(9,132)	0
<i>Total Other Financing Sources (Uses)</i>	<i>6,902</i>	<i>(2,230)</i>	<i>(2,230)</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	<i>439,038</i>	<i>366,459</i>	<i>721,086</i>	<i>354,627</i>
<i>Fund Balance Beginning of Year</i>	<i>6,237,133</i>	<i>6,237,133</i>	<i>6,237,133</i>	<i>0</i>
Prior Year Encumbrances Appropriated	40,538	40,538	40,538	0
<i>Fund Balance End of Year</i>	<i>\$6,716,709</i>	<i>\$6,644,130</i>	<i>\$6,998,757</i>	<i>\$354,627</i>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,699	\$59,575
Liabilities		
Due to Students	0	\$59,575
Net Position		
Held in Trust for Scholarships	\$1,699	

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$300
Deductions	
Scholarships Awarded	<u>400</u>
<i>Change in Net Position</i>	(100)
<i>Net Position Beginning of Year</i>	<u>1,799</u>
<i>Net Position End of Year</i>	<u><u>\$1,699</u></u>

See accompanying notes to the basic financial statements

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 – Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and Federal guidelines. This Board of Education controls the School District's two instructional facilities and one administrative building staffed by 35 noncertified employees and 60 certified full-time teaching personnel who provide services to 640 students and other community members.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Danville Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component Units

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

Other Organizations

The School District participates in two jointly governed organizations and one insurance pool. These organizations are the Metropolitan Educational Technology Association, Knox County Career Center, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 15 and 16 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. These statements usually distinguish between those activities of the School District that are governmental and those that are business-type. The School District, however, has no business-type activities.

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

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

Fund Accounting

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Cash and Cash Equivalents

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

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During fiscal year 2018, investments were limited to STAR Ohio, the State Treasurer’s Investment Pool. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2018 was \$98,437, of which \$5,215 was assigned from other School District funds.

Inventory and Prepaid Items

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

Interfund Receivables/Payables

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

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

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for instructional enhancements, athletics and music, and Federal and State grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for public school support.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Note 3 – Accountability

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

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budgetary basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$5,140. Also, the uniform school supplies and public school support funds are included with the general fund on the statement of assets and fund balances, as they do not have a committed or restricted receipt source. The net change in fund balance for these funds was (\$6,902) and (\$1,348), respectively.

Note 5 – Fund Balance

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<i>Restricted for:</i>			
Debt Service Payments	\$0	\$109,158	\$109,158
Food Service Operations	0	126,764	126,764
Classroom Maintenance	0	88,412	88,412
<i>Other Purposes:</i>			
Instructional Enhancements	0	15,902	15,902
Athletics and Music	0	15,932	15,932
Other Purposes	0	57	57
<i>Total Restricted</i>	0	356,225	356,225
<i>Committed to:</i>			
<i>Purchases on Order:</i>			
E-Rate Consulting Services	340	0	340
<i>Assigned to:</i>			
<i>Purchases on Order:</i>			
Student Instruction	4,050	0	4,050
Support Services	750	0	750
Public School Support	12,645	0	12,645
<i>Total Assigned</i>	17,445	0	17,445
<i>Unassigned</i>	6,998,757	0	6,998,757
<i>Total Fund Balances</i>	\$7,016,542	\$356,225	\$7,372,767

Note 6 – Deposits and Investments

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time, if training requirements have been met.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

As of June 30, 2018, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$3,297,230 has an average maturity of 48.9 days.

Credit Risk Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 7 – Income Tax

In November 1989, the School District voted a tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. From January 1, 2005, through December 31, 2010, an additional 1.5 percent tax was collected. On January 1, 2011, it was replaced with a 1.25 percent tax. In the spring of 2014, voters approved the renewal of the 1.25 percent tax to be collected for the next ten years. In November of 2015, the Board passed a resolution lowering the 1.25 percent voted tax .25 percent effective January 1, 2016, making the total to be collected 1.5 percent. The .5 percent is continuing and the 1 percent is in effect for the remainder of the 10 years through December 2024. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility real taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Knox and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2018 taxes were collected are as follows:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential and Agricultural	\$72,822,940	89.73 %	\$72,099,880	89.18 %
Commercial and Industrial	5,151,420	6.35	5,224,260	6.46
Public Utility Personal	3,186,030	3.92	3,524,080	4.36
Total	\$81,160,390	100.00 %	\$80,848,220	100.00 %

Tax rate per \$1,000 of assessed valuation	\$43.07	\$43.39
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During fiscal year 2018, property tax values decreased in the School District. This caused the tax rate to increase so that the bond levy would meet its collection amount.

Note 9 – Interfund Transactions

At June 30, 2018, the general fund had an unpaid interfund cash advance in the amount of \$9,132 for a short-term loan made to other governmental funds. The loan was made to support programs and projects in the early childhood education special revenue fund pending the receipt of grant money that will be used to repay the loan. The loan is expected to be repaid within one month.

Note 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability represent the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB

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liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$130,493 for fiscal year 2018.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan

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payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$454,733 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02793570%	0.02802450%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.02680970%</u>	<u>0.02839671%</u>	
Change in Proportionate Share	<u>-0.00112600%</u>	<u>0.00037221%</u>	
Proportionate Share of the Net Pension Liability	\$1,601,820	\$6,745,699	\$8,347,519

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited

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service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,222,910	\$1,601,820	\$1,081,531

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented as follows:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set-back from age 80 through 89, and no set-back from age 90 and above.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and do not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,669,730	\$6,745,699	\$4,282,641

Note 11 – Defined Benefit OPEB Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. See Note 10 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District’s surcharge obligation was \$15,901.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$20,734 for fiscal year 2018.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on the School District’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.02831350%	0.02802450%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.02719000%</u>	<u>0.02839671%</u>	
Change in Proportionate Share	<u>-0.00112350%</u>	<u>0.00037221%</u>	
Proportionate Share of the Net OPEB Liability	\$729,708	\$1,107,935	\$1,837,643

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Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-

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Notes to the Basic Financial Statements
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normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability for SERS, what the School District's proportionate share of net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what the School District's proportionate share of the net OPEB liability for SERS would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$881,216	\$729,708	\$609,676
	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's Proportionate Share of the Net OPEB Liability	\$592,103	\$729,708	\$911,830

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented as follows:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District's proportionate share of the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$1,487,385	\$1,107,935	\$808,045

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$769,746	\$1,107,935	\$1,553,031

Note 12 – Debt

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Amount Outstanding 6/30/17	Additions	Deletions	Amount Outstanding 6/30/18	Amounts Due in One Year
Governmental Activities					
2006 Classroom Facilities Improvement:					
\$1,175,000 5.25%-5.50% Serial Bonds	\$935,000	\$0	\$105,000	\$830,000	\$115,000
Unamortized Premium	67,393	0	9,636	57,757	0
Unamortized Loss on Refunding	(46,428)	0	(6,624)	(39,804)	0
Total Governmental Activities	\$955,965	\$0	\$108,012	\$847,953	\$115,000

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

The School District's overall legal debt margin was \$6,555,498 with an unvoted debt margin of \$80,848 at June 30, 2018.

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ended June 30	General Obligation Bonds	
	Serial	
	Principal	Interest
2019	\$115,000	\$41,337
2020	125,000	34,738
2021	130,000	27,725
2022	145,000	20,344
2023	155,000	12,469
2024	160,000	4,200
Total	\$830,000	\$140,813

Note 13 – Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2018, the School District contracted with Schools of Ohio Risk Sharing Authority for general liability coverage with a \$15,000,000 single occurrence limit and \$17,000,000 annual aggregate and no deductible. Professional liability is protected at the level of \$15,000,000 for single occurrence and aggregate limit and no deductible. Vehicles have no deductible for both comprehensive and collision and are covered for automobile liability insurance in the amount of \$15,000,000.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$31,291,477 limit, subject to a \$300,000,000 pool limit for any one occurrence, and a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As a result of the fiscal year 2018 reviews, the School District is owed \$17,582. This amount has not been included in the financial statements.

Litigation

As of June 30, 2018, the School District was not party to any legal proceedings.

Note 15 – Jointly Governed Organizations

Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The School District paid \$35,897 to META during fiscal year 2018 for services. Financial information can be obtained from David Varda, CFO, 100 Executive Drive, Marion, Ohio 43302.

Knox County Career Center

The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District paid \$504 to the Career Center during fiscal year 2018. To obtain financial information, write to the Knox County Career Center, Tracy Elliott, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 – Insurance Pool

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 105 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

Note 17 – Set-Aside Requirements

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

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-Aside Requirement	112,207
Current Year Offsets	(22,218)
Qualifying Disbursements	(280,273)
Totals	(\$190,284)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Reserve Balance as of June 30, 2018	\$0

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

Note 18 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$5,140
Other Governmental Funds	12,057
Total	\$17,197

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 15, 2018, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

School District's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2018

DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2018

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

FINDING NUMBER 2018-001

Noncompliance – Annual Financial Reporting

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

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

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

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

Officials' Response

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

Danville Local Schools

P.O. Box 30

Danville, Ohio 43014

740-599-6116 • Fax 740-599-5417

www.danvilleschools.org

Administration

Jason Snively
Superintendent

Mary Payne
Treasurer

Board of Education

Carolyn Addair
Charlie Bratton
David Dusthimer
Darrel Severns
Paul Stover

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001 2016-001	Ohio Rev. Code §117.38 – Annual Financial Report not prepared in accordance with generally accepted accounting principles Finding initially issued during FY 2009 Audit.	Not Corrected	School district officials made the financial decision to not report on a GAAP basis Reissued as Finding 2018-001



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DANVILLE LOCAL SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 6, 2018**