



Dave Yost • Auditor of State

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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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 financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 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 District's internal control. Accordingly, we express no 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.

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 Danville Local School District, Knox County, Ohio, as of June 30, 2013, 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 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, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and 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 August 19, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 19, 2013

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Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
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, 2013, 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 2013 are as follows:

The School District's receipts are primarily from property taxes, grants and entitlements not restricted to specific programs (primarily State foundation) and School District income tax. These receipts represent \$5,467,536 or 74 percent of the total cash received for the School District. Property taxes increased \$34,575 from the previous year. School District income tax revenue increased \$36,240 due to a recovering economy. State Foundation decreased about one percent with the continuation of the Kasich administration "bridge formula" school funding model for the 2012-2013 biennial budget. Another major source of revenue is generated by open enrollment which accounts for about 10 percent of our student population. Overall, fiscal year 2013 receipts decreased by \$127,559 as compared to fiscal year 2012. The primary reason for this decrease is the loss of Education Jobs funding from the federal government.

The district salary schedule base was increased 1 percent for fiscal year 2013 with step increases reinstated for additional experience. Health insurance costs are significant and employees share in the overall cost, paying 15-20 percent of the premium. Benefits are 35 percent of salaries. Salaries and benefits comprise 74 percent of general fund expenditures.

Major purchases for the School District during fiscal year 2013 included \$76,800 for a bus; \$17,162 for front doors in the high school and administrative buildings; \$8,000 for fire alarm upgrade; \$6,512 for computers; and \$4,890 for high school window air conditioners. As an alternative to leasing, five new copies were purchased at a cost of \$23,670. A combined effort of the Mt. Vernon Community Trust, the Danville Athletic Boosters, the Energy Cooperative Operation Round Up program, the Hawk family and \$76,010 from the school's general fund has made the dream of an all weather track for the district a reality.

Utility costs have not increased significantly over the last couple of years; however, we experienced major increases in fuel costs for our buses over the same period. The School District recently entered into an agreement through Metropolitan Education Council and American Electric Power to help contain the cost of electric utility for thirty-three months.

Necessary expending of School District funds netted a decrease in the general fund carryover balance of \$58,034.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
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 2013, 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.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

The School District's basic financial statements consist of government-wide statements, including a statement of net 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, 2013
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2013 compared to 2012 on a cash basis:

(Table 1)
Net Position
Governmental Activities

	2013	2012	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,173,363	\$3,244,734	(\$71,371)
Net Position			
Restricted for:			
Debt Service	\$166,695	\$170,200	(\$3,505)
Other Purposes	224,953	234,785	(9,832)
Unrestricted	2,781,715	2,839,749	(58,034)
Total Net Position	\$3,173,363	\$3,244,734	(\$71,371)

Net position of the governmental activities decreased during fiscal year 2013. The decrease is due to an increase in expenditures in almost every category.

Table 2 reflects the change in net position for fiscal years 2013 and 2012 on a cash basis.

(Table 2)
Changes in Net Position
Governmental Activities

	2013	2012	Change
Receipts:			
Program Receipts			
Charges for Services and Sales	\$934,421	\$969,705	(\$35,284)
Operating Grants and Contributions	784,803	967,332	(182,529)
Total Program Receipts	\$1,719,224	\$1,937,037	(\$217,813)

(continued)

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited

(Table 2)

Changes in Net Position

Governmental Activities (continued)

	2013	2012	Change
General Receipts			
Property Taxes	\$1,373,914	\$1,339,339	\$34,575
Income Taxes	933,285	897,045	36,240
Grants and Entitlements Not Restricted to Specific Programs	3,160,337	3,178,138	(17,801)
Interest	38,216	53,780	(15,564)
Miscellaneous	122,953	70,149	52,804
<i>Total General Receipts</i>	<u>5,628,705</u>	<u>5,538,451</u>	<u>90,254</u>
<i>Total Receipts</i>	<u>7,347,929</u>	<u>7,475,488</u>	<u>(127,559)</u>
Disbursements:			
Instruction:			
Regular	2,928,303	2,704,273	(224,030)
Special	932,975	937,704	4,729
Vocational	141,726	137,502	(4,224)
Student Intervention Services	7,778	93,399	85,621
Support Services:			
Pupil	264,010	212,804	(51,206)
Instructional Staff	431,819	428,345	(3,474)
Board of Education	23,637	23,891	254
Administration	653,793	646,534	(7,259)
Fiscal	199,021	171,325	(27,696)
Operation and Maintenance of Plant	730,814	713,781	(17,033)
Pupil Transportation	339,264	262,738	(76,526)
Central	72,305	73,020	715
Operation of Non-Instructional Services	277,319	275,771	(1,548)
Extracurricular Activities	270,673	197,929	(72,744)
Debt Service	145,863	141,138	(4,725)
<i>Total Disbursements</i>	<u>7,419,300</u>	<u>7,020,154</u>	<u>(399,146)</u>
Change in Net Position	(71,371)	455,334	(526,705)
Net Position Beginning of Year	<u>3,244,734</u>	<u>2,789,400</u>	<u>455,334</u>
Net Position End of Year	<u><u>\$3,173,363</u></u>	<u><u>\$3,244,734</u></u>	<u><u>(\$71,371)</u></u>

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
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Total program receipts represent less than 24 percent of total receipts and are primarily comprised of operating grants.

General receipts represent more than 76 percent of the School District's total governmental receipts, and of this amount, the majority is grants and entitlements. The next largest portion is made up of local taxes, both property and income tax. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The School District was responsible for providing educational services to 699 students. Instructional services are the largest cost to the School District. Regular educational expenses were the majority of instructional services and special education costs were also a significant cost to the School District. The remainder of instructional costs are made up of vocational instruction and student intervention services.

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

Governmental Activities

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

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited

(Table 3)

Governmental Activities

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements:				
Instruction:				
Regular	\$2,928,303	(\$2,064,370)	\$2,704,273	(\$1,676,563)
Special	932,975	(525,906)	937,704	(543,626)
Vocational	141,726	(141,726)	137,502	(137,502)
Student Intervention Services	7,778	(7,778)	93,399	(11,523)
Support Services:				
Pupil	264,010	(264,010)	212,804	(212,804)
Instructional Staff	431,819	(386,346)	428,345	(382,063)
Board of Education	23,637	(23,637)	23,891	(23,891)
Administration	653,793	(653,793)	646,534	(646,534)
Fiscal	199,021	(180,152)	171,325	(171,325)
Operation and Maintenance of Plant	730,814	(713,455)	713,781	(696,518)
Pupil Transportation	339,264	(339,264)	262,738	(262,738)
Central	72,305	(72,305)	73,020	(73,020)
Operation of Non-Instructional Services	277,319	(10,603)	275,771	(5,971)
Extracurricular Activities	270,673	(170,868)	197,929	(97,901)
Debt Service	145,863	(145,863)	141,138	(141,138)
<i>Total Disbursements</i>	<u>\$7,419,300</u>	<u>(\$5,700,076)</u>	<u>\$7,020,154</u>	<u>(\$5,083,117)</u>

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

The School District's Funds

Total governmental funds had receipts of \$7,347,929 and disbursements of \$7,419,300. The greatest decrease in fund balance occurred within the general fund. This decrease in fund balance is due to the fact that the general fund had increased expenditures during fiscal year 2013, causing the School District to spend more than its revenues.

General Fund Budgeting Highlights

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

During fiscal year 2013, the School District amended its general fund budget several times to reflect changing circumstances. Final budgeted receipts were consistent with original budgeted receipts due to no large fluctuations in revenue.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited

Original budgeted disbursements were lower than final budgeted disbursements due to conservative budgeting at the beginning of the fiscal year. Actual disbursements were \$178,954 less than final budgeted disbursements.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2013, the School District's outstanding debt included \$1,306,201 in general obligation and capital appreciation bonds issued for school improvement. For further information regarding the School District's debt, refer to Note 15 to the basic financial statements.

Current Issues

The Danville Local School District's motto is *Excellence from All - Shaping Quality Graduates*. The School District Continuous Improvement Plan (CIP) is based on the primary goal of *Increasing Achievement for All Students*. The School District achieved "Effective" status on the 2011-2012 Ohio State Report Card meeting only 17 out of 26 performance indicators, and falling short on both the Adequate Yearly Progress and Value Added Measure. There is a lot of work to do as we progress in the third year of the Ohio Improvement Process.

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

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

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

Danville Local School District is forced to rely heavily on local taxpayers to support our programs. The School District's property tax rate is currently at the 20 mill floor. The taxpayers, in an incredible show of support for our children's future, have renewed their trust in the School District by passing a 1.25 percent income tax levy which when added to the already .5 percent continuing levy totals 1.75 percent. As the 1.25 percent income tax levy expires in 2014, the district will be forced to go to the voters again for a

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited

renewal or possible increase. State Foundation decreased slightly with the shift to the Kasich administration "bridge formula" school funding model for the second year of the 2012-2013 biennial budget and the Ed Jobs Funds from the federal government was eliminated. The passage of HB59 for the 2014-2015 biennial budget estimates our increases in state funding to be 6.25 percent in the first year and 2.37 percent in the second year. Yet, that is just the beginning of the story.

For fiscal year 2012, the State of Ohio used a system called the Bridge Formula to fund schools. The School District expended \$9,307 to educate each student in that year - down from \$9,758 in fiscal year 2011. Based on the State's formula, in fiscal year 2012, the School District received \$4,517 per student, or nearly 50 percent, in State aid. That left \$4,790, or just over 50 percent, to be picked up by the local taxpayer! Local property reappraisal coming in at a significantly higher percentage than the yearly increases in State basic aid, further exacerbates the inadequacy of the State funding mechanism and further increases the burden on local taxpayers. Additionally, the School District is distressed by an increase in the number of economically disadvantaged students attending our schools. It is clear to see how the deleterious effects of the school funding mechanism, unfunded mandates, and a declining ability by local residents to assume the State's responsibility combine to create a downward spiral that must eventually lead to insolvency.

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

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

Other factors of concern in maintaining the fiscal integrity of the School District are numerous. State bus purchase allowance has ended. School safety issues are forcing upgrade of security and response systems. The federal Affordable Health Care Act will be implemented with no guarantees of a positive effect in reducing the cost of health care. The School District will be experiencing significant increases in the worker's compensation rate for one more year due to our penalty rating for one major work related accident. That will increase our expenditure from \$11,670 in fiscal year 2010 to \$17,477 in fiscal year 2011 to \$29,536 in fiscal year 2012, to \$34,079 in fiscal year 2013, provided we meet the State's criteria. All school districts are subject to a School Employees Retirement System catch up for the next 5 years. It will cost the School District \$9,608 per year. No Child Left Behind legislation has forced long overdue changes in American public education, even as it has wrought perhaps the largest set of under-funded and unfunded mandates imaginable. The increased costs of harvesting and applying data, training existing staff and recruiting new teachers, and retooling systems and classrooms, among others, has greatly taxed financial resources.

Open enrollment accounts for nearly 10 percent of School District general fund revenue. Unfortunately, this too is a mixed blessing since the State's formula for reimbursing the educating school district is based on the fiscal year 2009 foundation amount – far less than the actual cost of educating the average student in fiscal year 2013. Also, interest on investments has decreased substantially since fiscal year 2008 as rates of return decreased to all time lows.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013
Unaudited

As we look forward to fiscal year 2014, the School District will be on the ballot in the spring to renew or increase the expiring 1.25 percent income tax. Nearly one third of our teaching staff are either new to the profession or new to our district. In addition, technology upgrades have got to be made for the ever changing way we educate and do business.

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

Contacting the School District's Financial Management

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

Danville Local School District
Statement of Net Position - Cash Basis
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,173,363</u>
Net Position	
Restricted for:	
Debt Service	\$166,695
Other Purposes	224,953
Unrestricted	<u>2,781,715</u>
<i>Total Net Position</i>	<u>\$3,173,363</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, 2013

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Asset
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$2,928,303	\$739,761	\$124,172	(\$2,064,370)
Special	932,975	0	407,069	(525,906)
Vocational	141,726	0	0	(141,726)
Student Intervention Services	7,778	0	0	(7,778)
Support Services:				
Pupil	264,010	0	0	(264,010)
Instructional Staff	431,819	0	45,473	(386,346)
Board of Education	23,637	0	0	(23,637)
Administration	653,793	0	0	(653,793)
Fiscal	199,021	0	18,869	(180,152)
Operation and Maintenance of Plant	730,814	0	17,359	(713,455)
Pupil Transportation	339,264	0	0	(339,264)
Central	72,305	0	0	(72,305)
Operation of Non-Instructional Services	277,319	101,654	165,062	(10,603)
Extracurricular Activities	270,673	93,006	6,799	(170,868)
Debt Service	145,863	0	0	(145,863)
<i>Totals</i>	<u>\$7,419,300</u>	<u>\$934,421</u>	<u>\$784,803</u>	<u>(5,700,076)</u>
General Receipts				
Property Taxes Levied for:				
				1,226,374
				126,643
				20,897
				933,285
				3,160,337
				38,216
				<u>122,953</u>
				<u>5,628,705</u>
				(71,371)
				<u>3,244,734</u>
				<u>\$3,173,363</u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,781,715	\$391,648	\$3,173,363
Fund Balances			
Restricted	\$0	\$391,648	\$391,648
Assigned	31,030	0	31,030
Unassigned	2,750,685	0	2,750,685
<i>Total Fund Balances</i>	<i>\$2,781,715</i>	<i>\$391,648</i>	<i>\$3,173,363</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$1,226,374	\$147,540	\$1,373,914
Income Tax	933,285	0	933,285
Intergovernmental	3,159,987	777,154	3,937,141
Interest	37,836	380	38,216
Tuition and Fees	737,571	0	737,571
Extracurricular Activities	0	93,006	93,006
Contributions and Donations	1,200	6,799	7,999
Charges for Services	0	101,654	101,654
Rentals	2,190	0	2,190
Miscellaneous	121,047	1,906	122,953
<i>Total Receipts</i>	<u>6,219,490</u>	<u>1,128,439</u>	<u>7,347,929</u>
Disbursements			
Current:			
Instruction:			
Regular	2,835,026	93,277	2,928,303
Special	615,349	317,626	932,975
Vocational	141,726	0	141,726
Student Intervention Services	7,778	0	7,778
Support Services:			
Pupil	257,842	6,168	264,010
Instructional Staff	277,054	154,765	431,819
Board of Education	23,637	0	23,637
Administration	635,310	18,483	653,793
Fiscal	195,347	3,674	199,021
Operation and Maintenance of Plant	700,297	30,517	730,814
Pupil Transportation	338,439	825	339,264
Central	72,305	0	72,305
Operation of Non-Instructional Services	0	277,319	277,319
Extracurricular Activities	174,489	96,184	270,673
Debt Service:			
Principal Retirement	0	17,145	17,145
Interest and Fiscal Charges	0	60,863	60,863
Capital Appreciation Bonds Interest	0	67,855	67,855
<i>Total Disbursements</i>	<u>6,274,599</u>	<u>1,144,701</u>	<u>7,419,300</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(55,109)</u>	<u>(16,262)</u>	<u>(71,371)</u>
Other Financing Sources (Uses)			
Advances In	3,586	6,511	10,097
Advances Out	(6,511)	(3,586)	(10,097)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,925)</u>	<u>2,925</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(58,034)	(13,337)	(71,371)
<i>Fund Balances Beginning of Year</i>	<u>2,839,749</u>	<u>404,985</u>	<u>3,244,734</u>
<i>Fund Balances End of Year</i>	<u>\$2,781,715</u>	<u>\$391,648</u>	<u>\$3,173,363</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,214,341	\$1,226,374	\$1,226,374	\$0
Income Tax	924,127	933,285	933,285	0
Intergovernmental	3,128,981	3,159,987	3,159,987	0
Interest	37,465	37,836	37,836	0
Tuition and Fees	730,334	736,741	736,741	0
Contributions and Donations	2,169	1,200	1,200	0
Rentals	1,188	2,190	2,190	0
Miscellaneous	52,652	92,828	92,828	0
<i>Total Receipts</i>	6,091,257	6,190,441	6,190,441	0
Disbursements				
Current:				
Instruction:				
Regular	2,808,846	2,844,799	2,836,830	7,969
Special	622,344	690,034	615,531	74,503
Vocational	143,008	143,908	141,726	2,182
Student Intervention Services	2,562	7,788	7,778	10
Support Services:				
Pupil	242,655	264,329	257,842	6,487
Instructional Staff	305,084	304,307	278,469	25,838
Board of Education	27,859	27,631	23,637	3,994
Administration	640,239	619,194	603,033	16,161
Fiscal	189,264	198,709	195,347	3,362
Operation and Maintenance of Plant	725,607	727,336	705,441	21,895
Pupil Transportation	337,864	353,491	338,439	15,052
Central	71,956	72,599	72,305	294
Extracurricular Activities	165,783	175,696	174,489	1,207
<i>Total Disbursements</i>	6,283,071	6,429,821	6,250,867	178,954
<i>Excess of Receipts Over (Under) Disbursements</i>	(191,814)	(239,380)	(60,426)	178,954
Other Financing Sources (Uses)				
Advances In	0	3,586	3,586	0
Advances Out	0	0	(6,511)	(6,511)
<i>Total Other Financing Sources (Uses)</i>	0	3,586	(2,925)	(6,511)
<i>Net Change in Fund Balance</i>	(191,814)	(235,794)	(63,351)	172,443
<i>Fund Balance Beginning of Year</i>	2,731,476	2,731,476	2,731,476	0
Prior Year Encumbrances Appropriated	75,930	75,930	75,930	0
<i>Fund Balance End of Year</i>	\$2,615,592	\$2,571,612	\$2,744,055	\$172,443

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,699	\$65,792
Liabilities		
Due to Students	0	\$65,792
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, 2013

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$700
Deductions	
Scholarships Awarded	<u>300</u>
<i>Change in Net Position</i>	400
<i>Net Position Beginning of Year</i>	<u>1,299</u>
<i>Net Position End of Year</i>	<u><u>\$1,699</u></u>

See accompanying notes to the basic financial statements

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Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 33 noncertified employees and 61 certificated full-time teaching personnel who provide services to 699 students and other community members.

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

Primary Government

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

Component Units

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

Other Organizations

The School District participates in two jointly governed organizations and one insurance pool. These organizations are the Tri-Rivers Educational Computer Association, Knox County Career Center, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 17 and 18 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, 2013

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 following is the School District's major governmental fund:

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013

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

Cash and Investments

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

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

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

During fiscal year 2013, investments were limited to STAROhio, the State Treasurer’s Investment Pool and non-negotiable certificates of deposit.

STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s net asset value per share which is the price the investment could be sold for at June 30, 2013.

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 2013 was \$37,836, of which \$5,034 was assigned from other School District funds.

Inventory and Prepaid Items

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

Interfund Receivables/Payables

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

Capital Assets

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

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

Net 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 food service operations, uniform school supplies, summer school and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net 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.

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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 – Changes in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53” Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 4 – Fund Balance

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

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Restricted for</i>			
Food Service Operations	\$0	\$129,643	\$129,643
Classroom Maintenance	0	76,298	76,298
Athletics and Music	0	18,994	18,994
Other Purposes	0	18	18
Debt Service Payments	0	166,695	166,695
<i>Total Restricted</i>	0	391,648	391,648
<i>Assigned to</i>			
Other Purposes	31,030	0	31,030
<i>Unassigned</i>	2,750,685	0	2,750,685
<i>Total Fund Balances</i>	<u>\$2,781,715</u>	<u>\$391,648</u>	<u>\$3,173,363</u>

Note 5 – Accountability

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

Note 6 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$8,546. Also, the uniform school supplies and public school support funds are included with the general fund on the balance sheet, as they do not have a committed or restricted revenue source.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 7 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,793,727 of the School District's bank balance of \$3,363,391 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2012, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$8 has an average maturity of 57.5 days.

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

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential and Agricultural	\$59,431,710	89.38 %	\$60,052,890	89.21 %
Commercial and Industrial	4,839,640	7.28	4,989,500	7.41
Public Utility Personal	2,223,150	3.34	2,271,460	3.38
Total	\$66,494,500	100.00 %	\$67,313,850	100.00 %
Tax rate per \$1,000 of assessed valuation	\$43.63		\$43.67	

Note 9 – Income Tax

The School District levies a voted tax of one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. From January 1, 2005 through December 31, 2010 an additional one and one-half percent tax was collected. On January 1, 2011, it was replaced with a one and one-quarter percent tax that will be collected for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Note 10 – Interfund Transactions

At June 30, 2013, the general fund had an unpaid interfund cash advance, in the amount of \$6,511, for short-term loans made to nonmajor funds. These loans were made to support programs and projects in special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 11 - Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$107,248, \$105,693, and \$89,409, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$369,632 and \$14,147 for the fiscal year ended June 30, 2013, \$355,853 and \$11,730 for the fiscal year ended June 30, 2012, and \$359,528 and \$11,730 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83.29 percent has been contributed for the DB plan and 83.29 percent has been contributed for the Combined Plan. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 (the latest information available) were \$10,827 made by the School District and \$7,733 made by the plan members. In addition, member contributions of \$10,105 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Note 12 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$35,800. During fiscal year 2013, the School District paid \$16,374 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$17,684, \$21,222, and \$25,967, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$6,058, \$6,242, and \$5,754, respectively; 100 percent has been contribution for fiscal years 2013, 2012, and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$29,211, \$28,276, and \$28,558, respectively. For fiscal year 2013, 83.29 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, the School District contracted with Schools of Ohio Risk Sharing Authority for general liability coverage with a \$1,000,000 single occurrence limit and \$12,000,000 aggregate and no deductible. Professional liability is protected at the level of \$12,000,000 for single occurrence and aggregate limit and no deductible. Vehicles have no deductible for both comprehensive and collision and are covered for property and automobile liability insurance in the amount of \$12,000,000.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$27,224,154 limit and a \$0 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, 2013

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, 2013, if applicable, cannot be determined at this time.

Litigation

As of June 30, 2013, the School District was not party to any legal proceedings.

Note 15 – Debt

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deletions	Amount Outstanding 6/30/13	Amounts Due in One Year
Governmental Activities					
2000 Classroom Facilities Improvement \$46,000 4.85%-5.75%					
Capital Appreciation Bonds	\$32,740	\$0	\$12,145	\$20,595	\$11,081
Accretion on Capital Appreciation Bonds	171,221	24,227	67,855	127,593	73,919
Total 2000 Classroom Facilities Improvement Bonds	203,961	24,227	80,000	148,188	85,000
2006 Classroom Facilities Improvement \$1,175,000 5.25%-5.50% Serial Bonds					
Unamortized Premium	115,573	0	9,636	105,937	0
Unamortized Loss on Refunding	(79,548)	0	(6,624)	(72,924)	0
Total 2006 Classroom Facilities Improvement Bonds	1,166,025	0	8,012	1,158,013	5,000
Total Governmental Activities	\$1,369,986	\$24,227	\$88,012	\$1,306,201	\$90,000

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

The capital appreciation bonds remain outstanding at June 30, 2013. The capital appreciation bonds were originally sold at a discount of \$279,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2012 through 2015.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The maturity amount of outstanding capital appreciation bonds at June 30, 2013, is \$170,000. The accretion recorded for fiscal year 2013 was \$24,227, for a total outstanding bond liability of \$148,188 at June 30, 2013.

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

The School District's overall legal debt margin was \$4,894,625 with an unvoted debt margin of \$67,114 at June 30, 2013.

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2014	\$5,000	\$60,588	\$11,081	\$73,919
2015	5,000	60,313	9,514	75,486
2016	85,000	57,838	0	0
2017	95,000	52,887	0	0
2018	105,000	47,388	0	0
2019-2023	670,000	136,613	0	0
2024	160,000	4,200	0	0
Total	\$1,125,000	\$419,827	\$20,595	\$149,405

In 2006, the School District defeased a 2000 Classroom Facilities Improvement bond issue, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2013, \$1,180,000 of the defeased bonds are still outstanding.

Note 16 - 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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	115,235
Current Year Offsets	(20,897)
Qualifying Disbursements	(326,663)
Totals	(\$232,325)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balance as of June 30, 2013	\$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 17 - Jointly Governed Organizations

Tri-Rivers Educational Computer Association

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

The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of TRECA including budgeting, appropriating, contracting and designating management. All revenues are generated from participating districts and State funding. Danville Local School District paid \$24,435 to TRECA during fiscal year 2013. The Tri-Rivers Joint Vocational School is the fiscal agent of TRECA. Financial information can be obtained by writing to TRECA, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

Knox County Career Center

The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District paid \$0 to the Career Center during fiscal year 2013. 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, 2013

Note 18 – Insurance Pool

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

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**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 30,739	\$ 30,739
Cash Assistance:			
School Breakfast Program	10.553	19,060	19,060
National School Lunch Program	10.555	142,043	142,043
Cash Assistance Subtotal:		<u>161,103</u>	<u>161,103</u>
Total Child Nutrition Cluster		<u>191,842</u>	<u>191,842</u>
Total U.S. Department of Agriculture		<u>191,842</u>	<u>191,842</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	222,040	231,748
Special Education Grants to States (IDEA Part B)	84.027	144,955	146,429
21st Century Community Learning Centers	84.287	4,636	1,050
Title II-D Education Technology State Grant	84.318	820	1,282
Title IV-B Rural & Low Income	84.358	36,323	37,476
Title II-A Improving Teacher Quality	84.367	29,213	29,213
Race to the Top Grant	84.395	52,330	53,984
<i>Total Passed Through Ohio Department of Education</i>		<u>490,317</u>	<u>501,182</u>
Total U.S. Department of Education		<u>490,317</u>	<u>501,182</u>
Total Federal Awards		<u>\$ 682,159</u>	<u>\$ 693,024</u>

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

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT 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 financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 19, 2013, wherein we noted the 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 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 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 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 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 2012-001.

Entity's Response to Findings

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

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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 19, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Danville Local School District, Knox County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Danville Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Danville Local Scholl District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 19, 2013

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2013-001

Noncompliance

Annual Financial Report

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

DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)

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

FINDING NUMBER 2013-001 (Continued)

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

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

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

Officials’ Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 117.38 – The District did not prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.	No	Reissued as Finding 2013-001

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on April 23, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

August 19, 2013

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Dave Yost • Auditor of State

DANVILLE LOCAL SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 10, 2013**