





**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY  
JUNE 30, 2020**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis .....	12
Statement of Activities – Cash Basis .....	13
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis .....	14
Statements of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds .....	15
Statement of Receipts, Disbursements and Changes in Fund Balance --Budget and Actual – Budget Basis General Fund.....	16
Statement of Fiduciary Net Position – Cash Basis Custodial Funds.....	17
Statement of Changes in Fiduciary Net Position – Cash Basis Custodial Funds.....	18
Notes to the Basic Financial Statements .....	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	47
Schedule of Findings.....	49
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	51

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, Ohio, as of June 30, 2020, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84. We did not modify our opinion regarding this matter.

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 11, 2021

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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This discussion and analysis of the Danville Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2020 are as follows:

- The School District's receipts are primarily from grants and entitlements not restricted to specific programs (primarily State Foundation), property taxes, charges for services program receipts (primarily open enrollment), School District income taxes, and operating grants, contributions and interest program receipts. These receipts represent a significant portion of the total cash received for the School District. Grants and entitlements not restricted to specific programs decreased from fiscal year 2019. State Foundation decreased approximately 3 percent with the funding formula calculation report referred to as the School Finance Payment Report (SFPR) for fiscal year 2020 mainly due to government mandate due to COVID-19. Another major source of revenue is generated by open enrollment which accounts for about 9.6 percent of general fund revenue. The increase in operating grants, contributions and interest was mainly related to State funding for student wellness and success. Overall, fiscal year 2020 receipts increased from the prior fiscal year.
- The School District salary schedule increased 1 percent for teachers' salaries and non-certified and supplemental salaries for fiscal year 2020. Health insurance costs are significant, and employees share in the overall cost, paying 15 to 20 percent of the premium. Dental insurance was implemented for the first time in January 2017. The Board and employees share in the premium 75 percent and 25 percent, respectively. An eyeglasses reimbursement program was also implemented. Salaries and benefits were 68.8 percent of general fund expenditures in fiscal year 2020.
- The majority of capital outlay purchases for the School District during fiscal year 2020 were in educational technology, building, and maintenance areas. Major purchases included \$50,230 for a Mitel phone system, \$290,247 for a new high school roof, and \$30,750 for chromebooks. The high school roof replacement will provide greater longevity for the building. Also, \$156,158 was spent on a high school renovation that is still in progress.
- Combined utility costs for electric, water, and natural gas decreased 16.8 percent from fiscal year 2019, mainly due to remote education in March through May 2020. Although electric rates have risen, the School District has benefited from the LED light replacement project by using less power. Fuel costs for buses decreased approximately 23 percent; however, the overall costs for supplies in the general fund increased around 44.6 percent due to the purchase of new reading curriculum. The School District is part of an agreement through Metropolitan Educational Technology Association (META) and American Electric Power to help contain the costs of electric utility through June of 2020. The School District replaced the phone system in the School District and installed phones in classrooms in the high school. This will help provide safety and security for students, and the School District saw a reduction in phone bills of 4.5 percent.

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2020, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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



**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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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 Fiscal Year Ended June 30, 2020*  
*Unaudited*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2020 compared to fiscal year 2019 on a cash basis.

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

	2020	Restated 2019	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,842,100	\$7,803,539	\$38,561
<b>Net Position</b>			
Restricted	\$454,195	\$382,818	\$71,377
Unrestricted	7,387,905	7,420,721	(32,816)
Total Net Position	\$7,842,100	\$7,803,539	\$38,561

Net position of the governmental activities increased during fiscal year 2020, despite the increase in disbursements, which was partly offset by a smaller increase in receipts. The increase in disbursements was primarily due to increases in instruction and capital outlay. These increases were mainly the result of increases in salaries and benefits, purchased services, and the purchase of a new reading curriculum, as well as several major capital disbursements for a new phone system, a new high school roof, and the start of a high school renovation project. These increases were partly offset by a decrease in operation and maintenance of plant disbursements due to COVID-19 and remote education. Operational costs decreased significantly in the last quarter of the fiscal year. The increase in total receipts was primarily due to an increase in program receipts, mainly operating grants, contributions and interest. The increase in operating grants, contributions and interest was mainly related to State funding for student wellness and success.

Table 2 reflects the change in net position for fiscal years 2020 and 2019 on a cash basis.

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

	2020	Restated 2019	Change
<b>Receipts</b>			
<b>Program Receipts</b>			
Charges for Services and Sales	\$1,248,321	\$1,220,535	\$27,786
Operating Grants, Contributions and Interest	1,140,242	864,937	275,305
Capital Grants and Contributions	0	25,000	(25,000)
Total Program Receipts	\$2,388,563	\$2,110,472	\$278,091

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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

	2020	Restated 2019	Change
<b>Receipts (continued)</b>			
<b>General Receipts</b>			
Property Taxes	\$1,749,287	\$1,703,536	\$45,751
Income Taxes	1,158,532	1,081,092	77,440
Grants and Entitlements Not Restricted to Specific Programs	3,870,425	3,947,259	(76,834)
Interest	135,008	163,261	(28,253)
Miscellaneous	70,131	75,704	(5,573)
<i>Total General Receipts</i>	<u>6,983,383</u>	<u>6,970,852</u>	<u>12,531</u>
<i>Total Receipts</i>	<u>9,371,946</u>	<u>9,081,324</u>	<u>290,622</u>
<b>Disbursements</b>			
Instruction:			
Regular	3,199,720	3,034,622	(165,098)
Special	1,457,493	1,360,438	(97,055)
Vocational	141,363	135,982	(5,381)
Student Intervention Services	2,262	1,757	(505)
Support Services:			
Pupil	672,476	610,504	(61,972)
Instructional Staff	425,082	389,635	(35,447)
Board of Education	26,675	27,135	460
Administration	729,769	748,569	18,800
Fiscal	255,608	285,462	29,854
Operation and Maintenance of Plant	771,548	886,967	115,419
Pupil Transportation	354,918	263,786	(91,132)
Central	14,402	13,988	(414)
Operation of Non-Instructional Services	311,200	275,167	(36,033)
Extracurricular Activities	314,496	290,615	(23,881)
Capital Outlay	496,635	229,071	(267,564)
Debt Service	159,738	156,337	(3,401)
<i>Total Disbursements</i>	<u>9,333,385</u>	<u>8,710,035</u>	<u>(623,350)</u>
Change in Net Position	38,561	371,289	(332,728)
Net Position Beginning of Year	<u>7,803,539</u>	<u>7,432,250</u>	<u>371,289</u>
Net Position End of Year	<u><u>\$7,842,100</u></u>	<u><u>\$7,803,539</u></u>	<u><u>\$38,561</u></u>

Total program receipts are composed of charges for services and sales, operating grants, contributions and interest, and capital grants and contributions.

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

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

The School District was responsible for providing educational services to 613 students. Instructional services are the largest cost to the School District. Regular educational disbursements were the majority of instructional services and special education costs were also a significant cost to the School District. The remainder of instructional costs are made up of vocational instruction and student intervention services.

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

**Governmental Activities**

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

(Table 3)

**Governmental Activities**

	2020		Restated 2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements</b>				
Instruction:				
Regular	\$3,199,720	(\$2,155,601)	\$3,034,622	(\$1,998,062)
Special	1,457,493	(923,497)	1,360,438	(867,840)
Vocational	141,363	(115,616)	135,982	(111,127)
Student Intervention Services	2,262	(2,262)	1,757	(1,757)
Support Services:				
Pupil	672,476	(458,566)	610,504	(600,515)
Instructional Staff	425,082	(351,167)	389,635	(356,017)
Board of Education	26,675	(26,675)	27,135	(27,135)
Administration	729,769	(719,766)	748,569	(726,077)
Fiscal	255,608	(255,608)	285,462	(285,462)
Operation and Maintenance of Plant	771,548	(737,318)	886,967	(820,736)
Pupil Transportation	354,918	(354,918)	263,786	(262,586)
Central	14,402	(14,402)	13,988	(13,988)
Operation of Non-Instructional Services	311,200	(32,565)	275,167	(15,630)
Extracurricular Activities	314,496	(140,488)	290,615	(127,223)
Capital Outlay	496,635	(496,635)	229,071	(229,071)
Debt Service	159,738	(159,738)	156,337	(156,337)
<i>Total Disbursements</i>	<u>\$9,333,385</u>	<u>(\$6,944,822)</u>	<u>\$8,710,035</u>	<u>(\$6,599,563)</u>

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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

**The School District's Funds**

Total governmental funds had an increase in fund balance due to the increase in fund balance occurring in the other governmental funds. The increase in disbursements was partly offset by an increase in receipts from the prior fiscal year. The increase in disbursements was primarily due to increases in regular instruction and capital outlay, mainly related to increases in salaries and benefits and purchased services, materials and supplies costs of a new reading curriculum, and several capital purchases. The increase in receipts was mainly related to the increase in intergovernmental receipts discussed previously, as well as smaller increases in property taxes and income tax.

The general fund had a decrease in fund balance due to an increase in disbursements, slightly offset by only a small increase in receipts. The increase in disbursements was primarily related to increases in regular and special instruction and capital outlay as discussed previously.

**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 2020, the School District amended its general fund budget several times to reflect changing circumstances. Final budgeted receipts were higher than original budgeted receipts due to beginning with somewhat conservative estimates. Final budgeted disbursements were more than original budgeted disbursements due mainly to an increase in capital outlay. Actual disbursements were less than final budgeted disbursements because the School District did not spend what it anticipated in nearly every disbursement category due to conservative spending and due to operational savings due to COVID-19 and remote learning from the middle of March until the end of the school year.

**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, 2020, the School District's outstanding debt included \$601,929 in general obligation bonds issued for school improvement. The School District's overall legal debt margin was \$7,208,173 with an unvoted debt margin of \$85,546. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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**Current Issues**

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

Many could argue the School District Report Card is not a true measure of a school district and how it prepares its students for the future. During the 2019-2020 school year, no student was retained for failure to pass the 3<sup>rd</sup> grade reading guarantee. Reports show our students who choose to take it have steadily improved over the past four years on the ACT test and outperform the State average. Our drama students put on a major production each year. Our Mock Trial team participated in the State competition as well as a competition in Atlanta, Georgia, and our MOOT trial won the State competition. For those students who find the traditional classroom a challenge, there is an equine therapy program. Danville School District has a plethora of accomplishments when it comes to our students.

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

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

Assuring the School District's financial welfare is a challenge. Effective internal controls and careful budgeting have created positive cash flow for the last few years and placed the School District on firm financial footing from which we can do some needed capital improvement projects and repairs. Unfortunately, as is the case for a majority of Ohio's public-school districts, the outlook over the longer-term is at best unpredictable due to the State and legislative budget process, as well as the COVID-19 pandemic. As the struggle to maintain solvency continues inside the School District, major external forces persist to make the task of preparing our youth for the 21<sup>st</sup> century increasingly difficult to support. The major external factors include an underfunded and ever-changing Foundation system of school support and the barrage of unfunded mandates from both Federal and State levels. In fiscal year 2020, the State was forced to reduce Foundation payments to the School District by approximately \$100,000 in order to balance the State budget due to the COVID-19 pandemic. The School District anticipates this same decrease in State funding in fiscal year 2021, as well as a decrease in income tax revenue for the same reasons.

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, renewed their trust in the School District by passing a 1.25 percent income tax levy for ten years which the Board reduced to 1 percent in fiscal year 2015. When added to the already 0.5 percent continuing levy, the income tax rate totals 1.5 percent.

**Danville Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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The School District replaced a major portion of the high school roof in the summer of 2019 in the amount of \$290,247. The School District also began a major renovation project at the high school to educate grades 7 through 12 at the high school building and Pre-K through grade 6 at the elementary building. Currently there is only one cafeteria in the School District, and there are many children that are transient between the high school and the elementary. This renovation, which includes a warming kitchen, eating area and additional classrooms, will stop most of this foot traffic between buildings and will help with the safety and security of the children.

**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 Tonya Mickley, Treasurer at Danville Local School District, 405 South Market Street, Danville, Ohio 43014, [tonya.mickley@danvilleschools.org](mailto:tonya.mickley@danvilleschools.org).

**Danville Local School District**  
*Statement of Net Position - Cash Basis*  
*June 30, 2020*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,842,100
 <b>Net Position</b>	
Restricted for:	
Debt Service	\$99,042
Food Service Operations	81,975
Classroom Maintenance	81,728
Student Activities	88,070
Student Wellness and Success	99,854
Other Purposes	3,526
Unrestricted	7,387,905
<i>Total Net Position</i>	\$7,842,100

See accompanying notes to the basic financial statements



**Danville Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2020

	Cash Disbursements	Program Receipts		Net Receipts (Disbursements) and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$3,199,720	\$998,980	\$45,139	(\$2,155,601)
Special	1,457,493	0	533,996	(923,497)
Vocational	141,363	0	25,747	(115,616)
Student Intervention Services	2,262	0	0	(2,262)
Support Services:				
Pupil	672,476	0	213,910	(458,566)
Instructional Staff	425,082	0	73,915	(351,167)
Board of Education	26,675	0	0	(26,675)
Administration	729,769	0	10,003	(719,766)
Fiscal	255,608	0	0	(255,608)
Operation and Maintenance of Plant	771,548	0	34,230	(737,318)
Pupil Transportation	354,918	0	0	(354,918)
Central	14,402	0	0	(14,402)
Operation of Non-Instructional Services	311,200	75,473	203,162	(32,565)
Extracurricular Activities	314,496	173,868	140	(140,488)
Capital Outlay	496,635	0	0	(496,635)
Debt Service	159,738	0	0	(159,738)
<b>Total</b>	<b>\$9,333,385</b>	<b>\$1,248,321</b>	<b>\$1,140,242</b>	<b>(6,944,822)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
				1,589,094
				136,792
				23,401
				1,158,532
				3,870,425
				135,008
				70,131
				<u>6,983,383</u>
				Change in Net Position 38,561
				<i>Net Position Beginning of Year - Restated (See Note 3)</i> <u>7,803,539</u>
				<i>Net Position End of Year</i> <u><u>\$7,842,100</u></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, 2020*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,466,177	\$375,923	\$7,842,100
<b>Fund Balances</b>			
Restricted	\$0	\$454,195	\$454,195
Committed	798,810	0	798,810
Assigned	1,834,101	0	1,834,101
Unassigned (Deficit)	4,833,266	(78,272)	4,754,994
<i>Total Fund Balances</i>	<u>\$7,466,177</u>	<u>\$375,923</u>	<u>\$7,842,100</u>

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, 2020

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$1,589,094	\$160,193	\$1,749,287
Income Taxes	1,158,532	0	1,158,532
Intergovernmental	4,082,349	905,690	4,988,039
Interest	135,008	604	135,612
Tuition and Fees	996,940	0	996,940
Extracurricular Activities	0	173,868	173,868
Contributions and Donations	0	22,024	22,024
Charges for Services	0	75,473	75,473
Rentals	2,040	0	2,040
Miscellaneous	59,847	10,284	70,131
<i>Total Receipts</i>	8,023,810	1,348,136	9,371,946
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	3,140,476	59,244	3,199,720
Special	1,137,851	319,642	1,457,493
Vocational	136,930	4,433	141,363
Student Intervention Services	2,262	0	2,262
Support Services:			
Pupil	558,363	114,113	672,476
Instructional Staff	357,645	67,437	425,082
Board of Education	26,675	0	26,675
Administration	722,252	7,517	729,769
Fiscal	251,972	3,636	255,608
Operation and Maintenance of Plant	729,861	41,687	771,548
Pupil Transportation	353,718	1,200	354,918
Central	14,402	0	14,402
Operation of Non-Instructional Services	0	311,200	311,200
Extracurricular Activities	135,824	178,672	314,496
Capital Outlay	496,635	0	496,635
Debt Service:			
Principal Retirement	0	125,000	125,000
Interest and Fiscal Charges	0	34,738	34,738
<i>Total Disbursements</i>	8,064,866	1,268,519	9,333,385
<i>Net Change in Fund Balances</i>	(41,056)	79,617	38,561
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	7,507,233	296,306	7,803,539
<i>Fund Balances End of Year</i>	\$7,466,177	\$375,923	\$7,842,100

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, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,548,000	\$1,470,624	\$1,589,094	\$118,470
Income Taxes	1,081,500	1,159,000	1,158,532	(468)
Intergovernmental	4,147,650	4,087,551	4,082,349	(5,202)
Interest	145,000	155,000	135,008	(19,992)
Tuition and Fees	936,175	1,004,175	996,940	(7,235)
Contributions and Donations	2,000	20,000	0	(20,000)
Rentals	2,040	2,040	2,040	0
Miscellaneous	20,000	40,000	36,600	(3,400)
<i>Total Receipts</i>	7,882,365	7,938,390	8,000,563	62,173
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,163,980	3,212,200	3,148,389	63,811
Special	1,084,802	1,138,735	1,138,735	0
Vocational	167,019	153,600	136,930	16,670
Student Intervention Services	2,061	2,315	2,262	53
Support Services:				
Pupil	593,141	642,684	559,245	83,439
Instructional Staff	427,202	410,230	358,511	51,719
Board of Education	31,076	31,076	26,675	4,401
Administration	763,939	747,925	710,509	37,416
Fiscal	276,837	268,486	254,372	14,114
Operation and Maintenance of Plant	913,673	850,775	729,861	120,914
Pupil Transportation	433,101	418,601	353,718	64,883
Central	15,160	15,575	14,402	1,173
Extracurricular Activities	159,756	161,652	135,824	25,828
Capital Outlay	308,211	1,300,295	1,295,445	4,850
<i>Total Disbursements</i>	8,339,958	9,354,149	8,864,878	489,271
<i>Net Change in Fund Balance</i>	(457,593)	(1,415,759)	(864,315)	551,444
<i>Fund Balance Beginning of Year</i>	7,482,926	7,482,926	7,482,926	0
Prior Year Encumbrances Appropriated	11,297	11,297	11,297	0
<i>Fund Balance End of Year</i>	\$7,036,630	\$6,078,464	\$6,629,908	\$551,444

See accompanying notes to the basic financial statements

**Danville Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Custodial Fund*  
*June 30, 2020*

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<b>Assets</b>	\$0
<b>Liabilities</b>	<u>0</u>
<b>Net Position</b>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**Danville Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Custodial Fund*  
*For the Fiscal Year Ended June 30, 2020*

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**Additions**

Miscellaneous	\$2,303
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**Deductions**

Distributions to Other Organizations	<u>2,303</u>
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<i>Change in Net Position</i>	0
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<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>0</u>
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<i>Net Position End of Year</i>	<u><u>\$0</u></u>
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See accompanying notes to the basic financial statements

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 – Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and Federal guidelines. This Board of Education controls the School District's 2 instructional facilities and 1 administrative building staffed by 35 noncertified employees and 61 certified full-time teaching personnel who provide services to 613 students and other community members.

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

***Primary Government***

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

***Component Units***

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

***Other Organizations***

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

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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 the following two categories: governmental and fiduciary.

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



**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's fiduciary fund is a custodial fund. A custodial fund is used to account for assets held by the School District as fiscal agent for other organizations.

***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 custodial 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.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

***Cash and Cash Equivalents***

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

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

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

During fiscal year 2020, investments were limited to STAR Ohio, the State Treasurer’s Investment Pool. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2020 amounted to \$135,008, of which \$5,897 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.

***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, 2020*

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***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

***Pensions/Other Postemployment Benefits (OPEB)***

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

***Long-Term Obligations***

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

***Net Position***

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

***Fund Balance***

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

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

***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.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2021 budget.

**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 – Change in Accounting Principle and Restatement of Fund Balances and Net Position**

#### ***Change in Accounting Principle***

For fiscal year 2020, the School District implemented GASB Statement No. 84, *Fiduciary Activities*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. At June 30, 2019, the School District's agency funds reported assets and liabilities of \$68,759. The School District reviewed its fiduciary funds and one fund will be reported in the new fiduciary fund classification of custodial fund, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

#### ***Restatement of Fund Balances and Net Position***

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

	Governmental Funds		
	General	Nonmajor	Total
Fund Balances, June 30, 2019	\$7,507,233	\$226,448	\$7,733,681
Adjustments:			
GASB 84	0	69,858	69,858
Restated Fund Balances, June 30, 2019	\$7,507,233	\$296,306	\$7,803,539

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2019:

	Governmental Activities
Net Position, June 30, 2019	\$7,733,681
Adjustments:	
GASB 84	69,858
Restated Net Position, June 30, 2019	\$7,803,539

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of June 30, 2019:

	Private Purpose Trust Fund
Net Position, June 30, 2019	\$1,099
Adjustments:	
GASB 84	(1,099)
Restated Net Position, June 30, 2019	\$0

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$0. Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds; at June 30, 2019, agency funds reported assets and liabilities of \$68,759.

**Note 4 – Compliance and Accountability**

*Compliance*

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Accountability**

As of June 30, 2020, the following funds had negative cash fund balances:

	<u>Amount</u>
<i>Special Revenue:</i>	
Early Childhood Education	\$39,771
Vocational Education	801
Title VI-B	10,106
Title I School Improvement	15,472
Title I	10,664
Title II-A	1,458

These cash deficits are the result of monies being expended with the expectation that the School District will be reimbursed during fiscal year 2020.

**Note 5 – 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 \$816,702. Also, the public school support fund is included with the general fund on the statement of assets and fund balances, as it does not have a committed or restricted receipt source. The net change in fund balance for the public school support fund was \$6,557.

**Note 6 – Deposits and Investments**

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

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

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

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.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

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

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

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

**Investments**

As of June 30, 2020, the School District only had an investment in STAR Ohio, the State Treasurer's Investment Pool. This investment of \$3,130,666 has an average maturity of 41.5 days.

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

**Note 7 – 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 fund and all other governmental funds are presented as follows:

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<b>Restricted for:</b>			
Debt Service	\$0	\$99,042	\$99,042
Food Service Operations	0	81,975	81,975
Classroom Maintenance	0	81,728	81,728
Student Activities	0	88,070	88,070
Student Wellness and Success	0	99,854	99,854
Other Purposes:			
Instructional Enhancements	0	2,803	2,803
Scholarships	0	723	723
<b>Total Restricted</b>	<b>0</b>	<b>454,195</b>	<b>454,195</b>
<b>Committed to:</b>			
Purchases on Order:			
High School Renovations	798,810	0	798,810
<b>Assigned to:</b>			
Purchases on Order:			
Student Instruction	9,245	0	9,245
Support Services	8,647	0	8,647
Fiscal Year 2021 Operations	1,796,642	0	1,796,642
Public School Support	19,567	0	19,567
<b>Total Assigned</b>	<b>1,834,101</b>	<b>0</b>	<b>1,834,101</b>
<b>Unassigned (Deficit)</b>	<b>4,833,266</b>	<b>(78,272)</b>	<b>4,754,994</b>
<b>Total Fund Balances</b>	<b>\$7,466,177</b>	<b>\$375,923</b>	<b>\$7,842,100</b>



**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Knox and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2020, are available to finance fiscal year 2021 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 2020 taxes were collected are as follows:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential and Agricultural	\$73,224,780	88.99 %	\$76,245,300	89.13 %
Commercial and Industrial	5,367,230	6.52	5,215,780	6.10
Public Utility Personal	3,693,510	4.49	4,084,820	4.78
Total	\$82,285,520	100.00 %	\$85,545,900	100.00 %

Tax rate per \$1,000 of assessed valuation	\$43.41	\$43.28
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During fiscal year 2020, the tax rate decreased due to the increase in assessed values so that the bond levy would meet its collection amount.

**Note 9 – Income Tax**

In November 1989, the School District voted a tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. From January 1, 2005, through December 31, 2010, an additional 1.5 percent tax was collected. On January 1, 2011, it

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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was replaced with a 1.25 percent tax. In the spring of 2014, voters approved the renewal of the 1.25 percent tax to be collected for the next ten years. In November of 2015, the Board passed a resolution lowering the 1.25 percent voted tax .25 percent effective January 1, 2016, making the total to be collected 1.5 percent. The 0.5 percent is continuing and the 1 percent is in effect for the remainder of the 10 years through December 2024. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**Note 10 – Defined Benefit Pension Plans**

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

*Net Pension Liability/Net OPEB Liability (Asset)*

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

The net pension/OPEB liability (asset) represent the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

***Plan Description – School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$142,047 for fiscal year 2020.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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***Plan Description – State Teachers Retirement System (STRS)***

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be 5 years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rates of 14 percent were equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$476,893 for fiscal year 2020.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.02960060%	0.02857144%	
Current Measurement Date	<u>0.02997190%</u>	<u>0.02862986%</u>	
Change in Proportionate Share	<u>0.00037130%</u>	<u>0.00005842%</u>	
Proportionate Share of the Net Pension Liability	\$1,793,271	\$6,331,321	\$8,124,592

***Actuarial Assumptions – SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented as follows:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,513,014	\$1,793,271	\$1,189,677

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,252,521	\$6,331,321	\$3,858,376



**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 11 – Defined Benefit OPEB Plans**

See Note 10 for a description of the net OPEB liability (asset).

***Plan Description – School Employees Retirement System (SERS)***

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$19,837.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$19,837 for fiscal year 2020.

***Plan Description – State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to postemployment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.02996510%	0.02857144%	
Current Measurement Date	<u>0.03072030%</u>	<u>0.02862986%</u>	
Change in Proportionate Share	<u>0.00075520%</u>	<u>0.00005842%</u>	
 Proportionate Share of the:			
Net OPEB Liability	\$772,551	\$0	\$772,551
Net OPEB Asset	0	474,179	474,179

***Actuarial Assumptions – SERS***

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

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

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented as follows:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability, what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's Proportionate Share of the Net OPEB Liability	\$937,730	\$772,551	\$641,214

  

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$618,970	\$772,551	\$976,316

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented as follows:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

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

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the School District's proportionate share of the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	\$404,618	\$474,179	\$532,664
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$537,697	\$474,179	\$396,385

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**Note 12 – Debt**

Changes in long-term obligations of the School District during fiscal year 2020 were as follows:

	Amount Outstanding 6/30/19	Additions	Deletions	Amount Outstanding 6/30/20	Amounts Due in One Year
<b>Governmental Activities</b>					
2006 Classroom Facilities Improvement:					
\$1,175,000 5.25%-5.50% Serial Bonds	\$715,000	\$0	\$125,000	\$590,000	\$130,000
Unamortized Premium	48,121	0	9,636	38,485	0
Unamortized Loss on Refunding	(33,180)	0	(6,624)	(26,556)	0
<b>Total Governmental Activities</b>	<b>\$729,941</b>	<b>\$0</b>	<b>\$128,012</b>	<b>\$601,929</b>	<b>\$130,000</b>

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

The School District's overall legal debt margin was \$7,208,173 with an unvoted debt margin of \$85,546 at June 30, 2020.

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Serial	
	Principal	Interest
2021	\$130,000	\$27,725
2022	145,000	20,344
2023	155,000	12,469
2024	160,000	4,200
<b>Total</b>	<b>\$590,000</b>	<b>\$64,738</b>

**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 2020, the School District contracted with Schools of Ohio Risk Sharing Authority for general liability coverage with a \$15,000,000 single occurrence limit and \$17,000,000 annual aggregate and no deductible. Professional liability is protected at the level of \$15,000,000 for single occurrence and aggregate limit and no deductible. Vehicles have no deductible for both comprehensive and collision and are covered for automobile liability insurance in the amount of \$15,000,000.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$32,477,560 limit, subject to a \$350,000,000 pool limit for any one occurrence, and a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

## **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, 2020, if applicable, cannot be determined at this time.

### ***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the FTE adjustments, the School District will receive in fiscal year 2021 an additional \$4,237.

### ***Litigation***

As of June 30, 2020, the School District was not party to any legal proceedings.

## **Note 15 – Jointly Governed Organizations**

### ***Metropolitan Educational Technology Association***

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The School District paid \$20,296 to META during fiscal year 2020 for services. Financial information can be obtained from the Ashley Widby, CFO, 100 Executive Drive, Marion, Ohio 43302.

**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

***Knox County Career Center***

The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District did not make any payments to the Career Center during fiscal year 2020. To obtain financial information, write to the Knox County Career Center, Tracy Elliott, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

**Note 16 – Insurance Pool**

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 121 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, electronic data processing, boiler and machinery, crime, general liability, automobile liability and physical damage, and school board errors and omissions insurance coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

**Note 17 – Set-Aside Requirements**

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

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2019	\$0
Current Year Set-Aside Requirement	110,878
Current Year Offsets	(26,447)
Qualifying Disbursements	(262,112)
Totals	(\$177,681)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Reserve Balance as of June 30, 2020	\$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.



**Danville Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**Note 18 – Significant Commitments**

*Contractual Commitments*

The School District had the following contractual commitments outstanding at June 30, 2020:

Project	Contract Amount	Amount Paid	Remaining on Contract
High School Renovations - Design	\$102,500	\$83,133	\$19,367
High School Renovations - Asbestos	66,530	14,282	52,248
High School Renovations - Contractors	753,680	28,711	724,969
Total	<u>\$922,710</u>	<u>\$126,126</u>	<u>\$796,584</u>

All of the remaining commitment amounts were encumbered at fiscal year end.

*Encumbrances*

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

General	\$816,702
Other Governmental Funds	<u>8,824</u>
Total	<u>\$825,526</u>

**Note 19 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that may be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either Federal or State, cannot be estimated.

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# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215-3506  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 11, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the Government adopted new accounting guidance in Governmental Accounting Standards Board Statement 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 2020-001.

***School District's Response to Findings***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

January 11, 2021

**DANVILLE LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2020**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Noncompliance – Annual Financial Reporting**

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

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

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

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# Danville Local Schools

**Administration**

Jason Snively  
Superintendent

Tonya Mickley  
Treasurer

**P.O. Box 30**

Danville, Ohio 43014  
740-599-6116 • Fax 740-599-5417  
[www.danvilleschools.org](http://www.danvilleschools.org)

**Board of Education**

Carolyn Addair  
Charles Bratton  
David Dusthimer  
Darrel Severns  
Paul Stover

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001 2018-001 2017-001	Ohio Rev. Code §117.38 – Annual Financial Report not prepared in accordance with generally accepted accounting principles  Finding initially issued during FY 2009 Audit.	Not Corrected – the Board of Education feels the costs outweighs the benefits of a GAAP audit.	School District officials made the financial decision to not report on a GAAP basis. Finding reissued as 2020-001

# OHIO AUDITOR OF STATE KEITH FABER



**DANVILLE LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/4/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)