



Dave Yost • Auditor of State

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio (the School District), as of and for the year ended June 30, 2015, 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Danville Local School District, Knox County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

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 February 9, 2016, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016

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Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

This discussion and analysis of the Danville Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015, 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 2015 are as follows:

The School District's receipts are primarily from grants and entitlements not restricted to specific programs (primarily State foundation), property taxes, School District income taxes, and from operating grants and contributions program receipts. These receipts represent \$7,177,433 or over 87 percent of the total cash received for the School District. Property taxes increased \$133,284 from the previous fiscal year. School District income tax revenue increased \$78,169 due to a favorable economy. Grants and entitlements not restricted to specific programs increased \$270,864 from fiscal year 2014. State Foundation increased only 0.8 percent with the funding formula calculation report referred to as the School Finance Payment Report (SFPR) for the 2014-2015 biennial budget. Another major source of revenue is generated by open enrollment which accounts for about 9 percent of general fund revenue. Overall, fiscal year 2015 receipts increased by \$363,357 as compared to fiscal year 2014. This increase is mainly attributable to increases in grants and entitlements receipts and property tax receipts.

The School District salary schedule increased 2 percent for teachers' salaries and non-certified and supplemental salaries for fiscal year 2015. Health insurance costs are significant, and employees share in the overall cost, paying 15-20 percent of the premium. Benefits are 37.6 percent of salaries. Together, salaries and benefits compose 75 percent of general fund expenditures.

The majority of capital outlay purchases for the School District during fiscal year 2015 were in the technology, transportation and maintenance areas. Major purchases included \$80,084 for a new bus with camera; \$80,711 for technology equipment; \$66,550 for new high school bleachers; \$26,500 for a security system at the K-8 building; and \$3,470 for a new custodial floor machine. Used weight machines costing \$2,500 and new music instruments costing \$7,595 were also purchased. Encumbrances at year end include amounts for a major roof repair/replacement at the high school for nearly \$300,000 and a new bus for \$81,648.

Utility costs increased slightly for fiscal year 2015 with the increase in electric offset by the decrease in the cost for natural gas. Fuel costs for our buses were the lowest they have been in four fiscal years. The School District is part of an agreement through Metropolitan Educational Technology Association and American Electric Power to help contain the cost of electric utility through May 2017.

Increased receipts, partly offset by increased disbursements, netted an increase of \$784,841 in the general fund carryover balance.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014 on a cash basis:

(Table 1)
Net Position
Governmental Activities

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$4,611,548</u>	<u>\$3,941,885</u>	<u>\$669,663</u>
Net Position			
Restricted for:			
Debt Service	\$158,540	\$164,092	(\$5,552)
Other Purposes	188,255	297,881	(109,626)
Unrestricted	<u>4,264,753</u>	<u>3,479,912</u>	<u>784,841</u>
Total Net Position	<u>\$4,611,548</u>	<u>\$3,941,885</u>	<u>\$669,663</u>

Net position of the governmental activities increased during fiscal year 2015. With the increase in disbursements being largely offset by an increase in receipts, total receipts exceeded disbursements for the fiscal year, resulting in the increase in net position. The increase in receipts was mainly seen in an increase in grants and entitlements not restricted to specific programs receipts, as well as a smaller increase in property taxes receipts. Disbursements increased mainly due to increases in disbursements for operation and maintenance of plant, instructional staff, and pupil support services.

Table 2 reflects the change in net position for fiscal years 2015 and 2014 on a cash basis.

(Table 2)
Changes in Net Position
Governmental Activities

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Receipts:			
<i>Program Receipts</i>			
Charges for Services and Sales	\$895,217	\$985,934	(\$90,717)
Operating Grants and Contributions	<u>1,133,753</u>	<u>1,171,567</u>	<u>(37,814)</u>
<i>Total Program Receipts</i>	<u>\$2,028,970</u>	<u>\$2,157,501</u>	<u>(\$128,531)</u>

(continued)

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

(Table 2)

Changes in Net Position

Governmental Activities (continued)

	2015	2014	Change
Receipts:			
General Receipts			
Property Taxes	\$1,534,612	\$1,401,328	\$133,284
Income Taxes	1,111,491	1,033,322	78,169
Grants and Entitlements Not Restricted to Specific Programs	3,397,577	3,126,713	270,864
Unrestricted Contributions and Donations	1,539	1,200	339
Interest	38,629	34,981	3,648
Miscellaneous	96,827	91,243	5,584
<i>Total General Receipts</i>	<u>6,180,675</u>	<u>5,688,787</u>	<u>491,888</u>
<i>Total Receipts</i>	<u>8,209,645</u>	<u>7,846,288</u>	<u>363,357</u>
Disbursements:			
Instruction:			
Regular	2,781,488	2,715,633	(65,855)
Special	1,119,320	1,078,600	(40,720)
Vocational	111,164	144,268	33,104
Student Intervention Services	3,450	4,762	1,312
Support Services:			
Pupil	427,128	340,447	(86,681)
Instructional Staff	347,352	259,450	(87,902)
Board of Education	25,960	24,735	(1,225)
Administration	667,121	633,591	(33,530)
Fiscal	235,839	208,871	(26,968)
Operation and Maintenance of Plant	868,425	766,622	(101,803)
Pupil Transportation	355,131	288,449	(66,682)
Central	4,265	7,514	3,249
Operation of Non-Instructional Services	257,697	267,276	9,579
Extracurricular Activities	185,329	186,960	1,631
Debt Service	150,313	150,588	275
<i>Total Disbursements</i>	<u>7,539,982</u>	<u>7,077,766</u>	<u>(462,216)</u>
Change in Net Position	669,663	768,522	(98,859)
Net Position Beginning of Year	<u>3,941,885</u>	<u>3,173,363</u>	<u>768,522</u>
Net Position End of Year	<u>\$4,611,548</u>	<u>\$3,941,885</u>	<u>\$669,663</u>

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

Total program receipts represent less than 25 percent of total receipts and are primarily composed of operating grants and contributions.

General receipts represent more than 75 percent of the School District's total governmental receipts, and of this amount, the majority is grants and entitlements not restricted to specific programs. The next largest portion is made up of local taxes, both property and income tax. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The School District was responsible for providing educational services to 686 students. Instructional services are the largest cost to the School District. Regular educational disbursements were the majority of instructional services and special education costs were also a significant cost to the School District. The remainder of instructional costs are made up of vocational instruction and student intervention services.

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

Governmental Activities

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

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

(Table 3)

Governmental Activities

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements:				
Instruction:				
Regular	\$2,781,488	(\$2,012,286)	\$2,715,633	(\$1,861,286)
Special	1,119,320	(313,162)	1,078,600	(287,724)
Vocational	111,164	(63,270)	144,268	(117,953)
Student Intervention Services	3,450	(3,450)	4,762	(4,762)
Support Services:				
Pupil	427,128	(424,366)	340,447	(300,447)
Instructional Staff	347,352	(323,646)	259,450	(251,063)
Board of Education	25,960	(25,960)	24,735	(24,735)
Administration	667,121	(655,031)	633,591	(633,591)
Fiscal	235,839	(235,839)	208,871	(189,302)
Operation and Maintenance of Plant	868,425	(835,073)	766,622	(749,221)
Pupil Transportation	355,131	(349,327)	288,449	(282,237)
Central	4,265	(4,265)	7,514	(7,514)
Operation of Non-Instructional Services	257,697	2,335	267,276	11,192
Extracurricular Activities	185,329	(117,359)	186,960	(71,034)
Debt Service	150,313	(150,313)	150,588	(150,588)
<i>Total Disbursements</i>	<u>\$7,539,982</u>	<u>(\$5,511,012)</u>	<u>\$7,077,766</u>	<u>(\$4,920,265)</u>

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

The School District's Funds

Total governmental funds had receipts of \$8,209,645 and disbursements of \$7,539,982. The greatest increase in fund balance occurred within the general fund. This increase in fund balance is due to the fact that the general fund had an increase in receipts, despite a smaller increase in disbursements, from fiscal year 2014, causing the School District to spend less than it received.

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 2015, 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 the School District's receiving slightly higher receipts in all receipt classifications than originally anticipated.

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
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Original budgeted disbursements were less than final budgeted disbursements due mainly to an increase in the budgeted disbursements for capital outlay. Actual disbursements were \$81,326 less than final budgeted disbursements.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2015, the School District's outstanding debt included \$1,141,989 in general obligation bonds issued for school improvement. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

Current Issues

The Danville Local School District's motto is *Excellence from All - Shaping Quality Graduates*. The School District Continuous Improvement Plan (CIP) is based on the primary goal of *Increasing Achievement for All Students*. The 2013-2014 School District Report Card indicates that there is a lot of work to do as we progress in the fifth year of the Ohio Improvement Process.

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

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

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

Danville Local School District is forced to rely heavily on local taxpayers to support our programs. The School District's property tax rate is currently at the 20 mill floor. The taxpayers, in an incredible show of support for our children's future, have renewed their trust in the School District by passing a 1.25 percent income tax levy for ten years which when added to the already .5 percent continuing levy totals 1.75 percent. Hopefully, the School District will not have to go to the voters again for a renewal or possible increase until 2024. State Foundation increased noticeably with the shift to the Kasich administration

Danville Local School District
Management's Discussion and Analysis
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Unaudited

School Finance Payment Report (SFPR) school funding model for the 2014-2015 biennial budget which estimates our increases in State funding to be 8.5 percent in the first year and 0.8 percent in the second year.

The Danville Elementary and Middle School building project was completed in 2003. Built through the Ohio School Facilities Commission, the 3.1 mill local share was approved by the voters and amounted to 20 percent of construction costs. The local share bonded indebtedness, originally \$1,656,000, was refinanced in fiscal year 2007 in order to save \$132,721 for the taxpayers for the life of the issue. A one-half mill levy was passed that helps offset maintenance costs but only raises about \$39,000 annually. The modern systems included in the Elementary and Middle School building are expensive to operate and maintain. We are looking at major repairs or replacement of the chillers and climate control system for the coming school year. The cost could easily exceed \$150,000.

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

Other factors of concern in maintaining the fiscal integrity of the School District are numerous. State bus purchase allowance has ended. School safety issues are forcing upgrade of security and response systems. The Federal Affordable Health Care Act will be implemented with no guarantees of a positive effect in reducing the cost of health care. All school districts are subject to a School Employees Retirement System catch up over a five-year period. It costs the School District \$9,608 per year. No Child Left Behind legislation has forced long overdue changes in American public education, even as it has wrought perhaps the largest set of under-funded and unfunded mandates imaginable. An influx of non-English speaking students has forced the School District to provide non-reimbursable services. The Common Core legislation is under fire while the amount of testing required continues to increase for which technology upgrades are necessitated. Yet, the State legislators have passed legislation to allow the number of days students are in school to be reduced significantly by implementing a minimum number of hours instead of days per school year. The increased costs of harvesting and applying data, training existing staff and recruiting new teachers, and retooling systems and classrooms, among others, has greatly taxed financial resources.

Open enrollment accounts for nearly 8.8 percent of School District general fund revenue. Unfortunately, this too is a mixed blessing since the State's formula for reimbursing the educating school district is based on the fiscal year 2009 foundation amount – far less than the actual cost of educating the average student in fiscal year 2015. Also, interest on investments has decreased substantially since fiscal year 2008 as rates of return are at all-time lows.

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

Danville Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

Contacting the School District's Financial Management

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

Danville Local School District
Statement of Net Position - Cash Basis
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,611,548</u>
Net Position	
Restricted for:	
Debt Service	\$158,540
Other Purposes	188,255
Unrestricted	<u>4,264,753</u>
<i>Total Net Position</i>	<u>\$4,611,548</u>

See accompanying notes to the basic financial statements
See accountants' compilation report

Danville Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$2,781,488	\$730,811	\$38,391	(\$2,012,286)
Special	1,119,320	0	806,158	(313,162)
Vocational	111,164	0	47,894	(63,270)
Student Intervention Services	3,450	0	0	(3,450)
Support Services:				
Pupil	427,128	0	2,762	(424,366)
Instructional Staff	347,352	0	23,706	(323,646)
Board of Education	25,960	0	0	(25,960)
Administration	667,121	0	12,090	(655,031)
Fiscal	235,839	0	0	(235,839)
Operation and Maintenance of Plant	868,425	0	33,352	(835,073)
Pupil Transportation	355,131	0	5,804	(349,327)
Central	4,265	0	0	(4,265)
Operation of Non-Instructional Services	257,697	96,436	163,596	2,335
Extracurricular Activities	185,329	67,970	0	(117,359)
Debt Service	150,313	0	0	(150,313)
Totals	\$7,539,982	\$895,217	\$1,133,753	(5,511,012)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,383,984
Debt Service				128,975
Classroom Maintenance				21,653
Income Taxes Levied for General Purposes				1,111,491
Grants and Entitlements not Restricted to Specific Programs				3,397,577
Unrestricted Contributions and Donations				1,539
Interest				38,629
Miscellaneous				96,827
Total General Receipts				6,180,675
Change in Net Position				669,663
Net Position Beginning of Year				3,941,885
Net Position End of Year				\$4,611,548

See accompanying notes to the basic financial statements
See accountants' compilation report

Danville Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,264,753	\$346,795	\$4,611,548
Fund Balances			
Restricted	\$0	\$346,795	\$346,795
Committed	380,648	0	380,648
Assigned	23,404	0	23,404
Unassigned	3,860,701	0	3,860,701
<i>Total Fund Balances</i>	\$4,264,753	\$346,795	\$4,611,548

See accompanying notes to the basic financial statements
See accountants' compilation report

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$1,383,984	\$150,628	\$1,534,612
Income Tax	1,111,491	0	1,111,491
Intergovernmental	3,811,471	699,859	4,511,330
Interest	38,299	330	38,629
Tuition and Fees	728,552	0	728,552
Extracurricular Activities	0	67,970	67,970
Contributions and Donations	1,539	20,000	21,539
Charges for Services	0	96,436	96,436
Rentals	2,259	0	2,259
Miscellaneous	93,178	3,649	96,827
<i>Total Receipts</i>	<u>7,170,773</u>	<u>1,038,872</u>	<u>8,209,645</u>
Disbursements			
Current:			
Instruction:			
Regular	2,742,621	38,867	2,781,488
Special	681,536	437,784	1,119,320
Vocational	111,164	0	111,164
Student Intervention Services	3,450	0	3,450
Support Services:			
Pupil	420,976	6,152	427,128
Instructional Staff	317,942	29,410	347,352
Board of Education	25,960	0	25,960
Administration	648,560	18,561	667,121
Fiscal	232,224	3,615	235,839
Operation and Maintenance of Plant	723,235	145,190	868,425
Pupil Transportation	354,507	624	355,131
Central	4,265	0	4,265
Operation of Non-Instructional Services	0	257,697	257,697
Extracurricular Activities	105,140	80,189	185,329
Debt Service:			
Principal Retirement	0	14,514	14,514
Interest and Fiscal Charges	0	60,313	60,313
Capital Appreciation Bonds Interest	0	75,486	75,486
<i>Total Disbursements</i>	<u>6,371,580</u>	<u>1,168,402</u>	<u>7,539,982</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>799,193</u>	<u>(129,530)</u>	<u>669,663</u>
Other Financing Sources (Uses)			
Advances In	650	15,002	15,652
Advances Out	(15,002)	(650)	(15,652)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,352)</u>	<u>14,352</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	784,841	(115,178)	669,663
<i>Fund Balances Beginning of Year</i>	<u>3,479,912</u>	<u>461,973</u>	<u>3,941,885</u>
<i>Fund Balances End of Year</i>	<u>\$4,264,753</u>	<u>\$346,795</u>	<u>\$4,611,548</u>

See accompanying notes to the basic financial statements
See accountants' compilation report

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, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$1,315,325	\$1,383,984	\$1,383,984	\$0
Income Tax	1,056,350	1,111,491	1,111,491	0
Intergovernmental	3,622,384	3,811,471	3,811,471	0
Interest	36,399	38,299	38,299	0
Tuition and Fees	692,395	728,538	728,538	0
Contributions and Donations	1,463	1,539	1,539	0
Rentals	2,147	2,259	2,259	0
Miscellaneous	59,176	62,266	62,266	0
<i>Total Receipts</i>	<u>6,785,639</u>	<u>7,139,847</u>	<u>7,139,847</u>	<u>0</u>
Disbursements				
Current:				
Instruction:				
Regular	2,750,341	2,750,407	2,747,144	3,263
Special	692,147	692,570	681,536	11,034
Vocational	121,198	117,963	111,164	6,799
Student Intervention Services	3,135	3,484	3,450	34
Support Services:				
Pupil	360,072	423,823	421,180	2,643
Instructional Staff	314,640	326,248	318,282	7,966
Board of Education	29,599	29,554	25,960	3,594
Administration	629,261	622,703	618,816	3,887
Fiscal	215,560	237,581	232,224	5,357
Operation and Maintenance of Plant	779,303	734,772	723,235	11,537
Pupil Transportation	369,760	449,775	436,155	13,620
Central	10,000	10,000	4,265	5,735
Extracurricular Activities	108,943	110,997	105,140	5,857
Capital Outlay	0	299,000	299,000	0
<i>Total Disbursements</i>	<u>6,383,959</u>	<u>6,808,877</u>	<u>6,727,551</u>	<u>81,326</u>
<i>Excess of Receipts Over Disbursements</i>	<u>401,680</u>	<u>330,970</u>	<u>412,296</u>	<u>81,326</u>
Other Financing Sources (Uses)				
Advances In	650	650	650	0
Advances Out	(2,300)	(15,002)	(15,002)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,650)</u>	<u>(14,352)</u>	<u>(14,352)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	400,030	316,618	397,944	81,326
<i>Fund Balance Beginning of Year</i>	3,443,686	3,443,686	3,443,686	0
Prior Year Encumbrances Appropriated	12,169	12,169	12,169	0
<i>Fund Balance End of Year</i>	<u>\$3,855,885</u>	<u>\$3,772,473</u>	<u>\$3,853,799</u>	<u>\$81,326</u>

See accompanying notes to the basic financial statements
See accountants' compilation report

Danville Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015

	Private Purpose Trust Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$2,199	\$49,319
Liabilities		
Due to Students	0	\$49,319
Net Position		
Held in Trust for Scholarships	\$2,199	

See accompanying notes to the basic financial statements
See accountants' compilation report

Danville Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Scholarship
Additions	
Contributions and Donations	\$1,300
Deductions	
	0
<i>Change in Net Position</i>	1,300
<i>Net Position Beginning of Year</i>	899
<i>Net Position End of Year</i>	\$2,199

See accompanying notes to the basic financial statements
See accountants' compilation report

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Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 – Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's two instructional facilities and one administrative building staffed by 34 noncertified employees and 59 certified full-time teaching personnel who provide services to 686 students and other community members.

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

Primary Government

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

Component Units

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

Other Organizations

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Cash and Investments

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

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

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

During fiscal year 2015, investments were limited to STAROhio, the State Treasurer’s Investment Pool. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s net asset value per share which is the price the investment could be sold for at June 30, 2015.

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 2015 was \$38,299, of which \$2,970 was assigned from other School District funds.

Inventory and Prepaid Items

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

Interfund Receivables/Payables

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

Capital Assets

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

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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Pensions

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

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

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

Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, uniform school supplies, summer school and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

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

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Note 3 – Accountability

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

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$385,780. Also, the uniform school supplies and public school support funds are included with the general fund on the statement of assets and fund balances, as they do not have a committed or restricted revenue source. The balances of these funds are \$6,902 and \$18,272, respectively

Note 5 – Deposits and Investments

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$4,288,086 of the School District's bank balance of \$4,788,086 was uninsured. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Investments

As of June 30, 2015, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$9 has an average maturity of 53.4 days.

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

Note 6 – Fund Balance

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

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Restricted for</i>			
Food Service Operations	\$0	\$148,002	\$148,002
Classroom Maintenance	0	21,938	21,938
Athletics and Music	0	11,880	11,880
Debt Service Payments	0	158,540	158,540
Other Purposes	0	6,435	6,435
<i>Total Restricted</i>	0	346,795	346,795
<i>Committed to</i>			
Roof Replacement	299,000	0	299,000
Bus Purchase	81,648	0	81,648
<i>Total Committed</i>	380,648	0	380,648
<i>Assigned to</i>			
Purchases on Order:			
Student Instruction	4,588	0	4,588
Support Services	544	0	544
Public School Support	18,272	0	18,272
<i>Total Assigned</i>	23,404	0	23,404
<i>Unassigned</i>	3,860,701	0	3,860,701
<i>Total Fund Balances</i>	\$4,264,753	\$346,795	\$4,611,548

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Knox and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are as follows:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential and Agricultural	\$60,995,100	89.23 %	\$71,799,640	90.54 %
Commercial and Industrial	5,003,890	7.32	5,104,390	6.43
Public Utility Personal	2,360,010	3.45	2,400,500	3.03
Total	<u>\$68,359,000</u>	<u>100.00 %</u>	<u>\$79,304,530</u>	<u>100.00 %</u>

Tax rate per \$1,000 of assessed valuation	\$43.72	\$43.26
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Note 8 – Income Tax

The School District levies a voted tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. From January 1, 2005 through December 31, 2010, an additional 1.5 percent tax was collected. On January 1, 2011, it was replaced with a 1.25 percent tax. In the spring of 2014, voters approved the renewal of the 1.25 percent tax to be collected for the next ten years. 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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 – Interfund Transactions

At June 30, 2015, the general fund had an unpaid interfund cash advance in the amount of \$15,002, for a short-term loan made to a nonmajor fund. This loan was made to support programs and projects in the special revenue fund pending the receipt of grant money that will be used to repay the loan. This loan is expected to be repaid in one year.

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description – School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year 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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$115,672 for fiscal year 2015.

Plan Description – State Teachers Retirement System (STRS)

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$389,557 for fiscal year 2015.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Net Pension Liability

The net pension liability was measured as of June 30, 2014, 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 projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,472,734	\$6,409,227	\$7,881,961
Proportion of the Net Pension Liability	0.029100%	0.02634998%	

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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent, net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,101,154	\$1,472,734	\$944,179

Danville Local School District
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For the Fiscal Year Ended June 30, 2015

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and not set back for age 90 and above. Females younger than age 80 are set back four years, set back one year from age 80 through 89, and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 7.75 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 (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$9,175,507	\$6,409,227	\$4,069,885

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 11 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description – The School District contributes to the School Employees Retirement System (SERS) Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

\$20,450. 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 2015, the School District's surcharge obligation was \$17,553.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$24,749, \$18,095, and \$17,684, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$27,278, and \$29,211, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

Note 12 – Debt

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deletions	Amount Outstanding 6/30/15	Amounts Due in One Year
Governmental Activities					
2000 Classroom Facilities Improvement \$46,000 4.85%-5.75%					
Capital Appreciation Bonds	\$9,514	\$0	\$9,514	\$0	\$0
Accretion on Capital Appreciation Bonds	69,539	5,947	75,486	0	0
Total 2000 Classroom Facilities Improvement Bonds	<u>79,053</u>	<u>5,947</u>	<u>85,000</u>	<u>0</u>	<u>0</u>
2006 Classroom Facilities Improvement \$1,175,000 5.25%-5.50% Serial Bonds					
Unamortized Premium	1,120,000	0	5,000	1,115,000	85,000
Unamortized Loss on Refunding	96,301	0	9,636	86,665	0
	<u>(66,300)</u>	<u>0</u>	<u>(6,624)</u>	<u>(59,676)</u>	<u>0</u>
Total 2006 Classroom Facilities Improvement Bonds	<u>1,150,001</u>	<u>0</u>	<u>8,012</u>	<u>1,141,989</u>	<u>85,000</u>
Total Governmental Activities	<u><u>\$1,229,054</u></u>	<u><u>\$5,947</u></u>	<u><u>\$93,012</u></u>	<u><u>\$1,141,989</u></u>	<u><u>\$85,000</u></u>

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

The capital appreciation bonds were originally sold at a discount of \$279,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2012 through 2015. The accretion recorded for fiscal year 2015 was \$5,947. The capital appreciation bonds were fully retired during fiscal year 2015.

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

The School District's overall legal debt margin was \$6,180,948 with an unvoted debt margin of \$79,305 at June 30, 2015.

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds	
	Serial	
	Principal	Interest
2016	\$85,000	\$57,838
2017	95,000	52,887
2018	105,000	47,388
2019	115,000	41,337
2020	125,000	34,738
2021-2024	590,000	64,738
Total	\$1,115,000	\$298,926

In 2006, the School District defeased a 2000 Classroom Facilities Improvement bond issue, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2015, \$1,180,000 of the defeased bonds are still outstanding.

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 2015, 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
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For the Fiscal Year Ended June 30, 2015

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$28,670,633 limit and a \$0 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

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, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, Foundation funding for the School District; therefore, any financial statement impact is not determinable at this time.

Litigation

As of June 30, 2015, 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

Danville Local School District
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For the Fiscal Year Ended June 30, 2015

operation of META including budgeting, appropriating, contracting, and designating management. The School District paid \$9,841 to META during fiscal year 2015 for services. Financial information can be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

Knox County Career Center

The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District paid \$0 to the Career Center during fiscal year 2015. 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, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan's business and affairs are conducted by a nine member board consisting of member schools' superintendents and treasurers. Financial information can be obtained from Schools of Ohio Risk Sharing Authority, Inc. 8050 North High Street, Suite 160, Columbus, Ohio, 43235-6483.

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, 2014	\$0
Current Year Set-aside Requirement	117,000
Current Year Offsets	(21,653)
Qualifying Disbursements	(260,334)
Totals	(\$164,987)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balance as of June 30, 2015	\$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, 2015

Note 18 – Encumbrances

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

General	\$385,780
Other Governmental Funds	<u>27,825</u>
Total	<u><u>\$413,605</u></u>

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**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 33,139	\$ 33,139
Cash Assistance:			
School Breakfast Program	10.553	24,396	24,396
National School Lunch Program	10.555	135,584	135,584
Cash Assistance Subtotal:		<u>159,980</u>	<u>159,980</u>
Total Child Nutrition Cluster		<u>193,119</u>	<u>193,119</u>
Total U.S. Department of Agriculture		<u>193,119</u>	<u>193,119</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	214,110	235,976
Special Education Grants to States	84.027	146,114	145,409
Rural Education	84.358	27,645	27,645
Improving Teacher Quality State Grants	84.367	28,344	28,344
<i>Total Passed Through Ohio Department of Education</i>		<u>416,213</u>	<u>437,374</u>
Total U.S. Department of Education		<u>416,213</u>	<u>437,374</u>
Total Federal Awards Receipts and Expenditures		<u>\$ 609,332</u>	<u>\$ 630,493</u>

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

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, (the School District) as of and for the year ended June 30, 2015, 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 February 9, 2016, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

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 audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Danville Local School District, Knox County, Ohio's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Danville Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Danville Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275

www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 9, 2016

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 – Title I Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

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

FINDING NUMBER 2015-001

Noncompliance – Annual Financial Report

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 Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

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

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

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

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	ORC 117.38 - Annual Financial Report	No	Not Corrected; Reissued as Finding 2015-001

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DANVILLE LOCAL SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2016**