



OHIO AUDITOR OF STATE
KEITH FABER



**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY
JUNE 30, 2021**

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**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, Ohio (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

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

Other Matters

Supplementary Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 March 10, 2022 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 10, 2022

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Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
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, 2021, 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 2021 are as follows:

- The School District's receipts are primarily from grants and entitlements not restricted to specific programs (primarily State Foundation), property taxes, operating grants, contributions and interest program receipts, School District income taxes, and charges for services program receipts (primarily open enrollment). These receipts represent a significant portion of the total cash received for the School District. Grants and entitlements not restricted to specific programs increased slightly from fiscal year 2020. State Foundation increased approximately 1 percent with the funding formula calculation report referred to as the School Finance Payment Report (SFPR) for fiscal year 2021; this comes after a 2.6 percent reduction in fiscal year 2020 mainly due to a decrease in the government mandated reduction related to COVID-19. Another major source of receipts is open enrollment which accounts for about 7.3 percent of general fund receipts.
- Overall, fiscal year 2021 receipts increased from the prior fiscal year. The increase in operating grants, contributions and interest was mainly related to the Elementary and Secondary School Emergency Relief (ESSER) and Coronavirus Relief Fund (CRF) grants, as well as increases in State funding for student wellness and success, program reimbursements for food services, and Early Childhood Education grant draws, with the remainder of the FY2020 grant funds being drawn down in FY2021.
- The School District salary schedule increased 1.5 percent for teachers' salaries and non-certified and supplemental salaries for fiscal year 2021. Health insurance costs are significant, and employees share in the overall cost, paying 15 to 20 percent of the premium. Dental insurance was implemented for the first time in January 2017. The Board and employees share in the premium 75 percent and 25 percent, respectively. An eyeglasses reimbursement program was also implemented to allow for reimbursement up to \$100 every two years. In fiscal year 2021, vision insurance was offered to staff eligible for benefits at a cost of 100 percent to the staff. Salaries and benefits were 66 percent of general fund disbursements in fiscal year 2021.
- The majority of capital outlay purchases for the School District during fiscal year 2021 were in building and maintenance areas due to COVID monies received. Major purchases included renovation of the High School Building to add additional classes and a kitchen to make the building a 7-12 building. The total cost of the project that was paid during fiscal year 2021 was \$929,242.
- Combined utility costs for electric, water, and natural gas increased less than 1 percent from fiscal year 2020, mainly due to remote education in March through May 2020, and lower gas prices early in the year. Although electric rates have risen, the School District has benefited from the LED light replacement project by using less power. Fuel costs for buses decreased approximately

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

12 percent; however, the overall costs for supplies in the general fund decreased around 7.2 percent due to being able to use COVID relief funding for some cleaning and disinfecting products. The School District is part of an agreement through Metropolitan Educational Technology Association (META) and American Electric Power to help contain the costs of electric utility through June of 2021. The School District replaced the phone system in the School District and installed phones in classrooms in the high school in 2020. This helps provide safety and security for students, and the School District saw a reduction in phone bills of 24 percent.

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 2021, 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

Danville Local School District
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services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2021 compared to fiscal year 2020 on a cash basis.

(Table 1)
Net Position
Governmental Activities

	2021	2020	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,216,111	\$7,842,100	(\$625,989)
Net Position			
Restricted	\$639,662	\$454,195	\$185,467
Unrestricted	6,576,449	7,387,905	(811,456)
Total Net Position	\$7,216,111	\$7,842,100	(\$625,989)

Net position of the governmental activities decreased during fiscal year 2021 due to the increase in disbursements, which was partly offset by a smaller increase in receipts. The increase in disbursements was primarily due to increases in operation and maintenance of plant support services and capital outlay. These increases were mainly the result of the purchase of disinfecting machines and water bottle filling stations for both of the instructional buildings to help reduce the spread of COVID, as well as several major capital disbursements for the completion of a high school renovation project to create a warming kitchen and to create extra classrooms to move the 7th and 8th grade students to the high school. The increase in total receipts was primarily due to an increase in program receipts, mainly operating grants, contributions and interest. The increase in operating grants, contributions and interest was mainly related to the Elementary and Secondary School Emergency Relief (ESSER) and Coronavirus Relief Fund (CRF) grants, as well as increases in State funding for student wellness and success, program reimbursements for food services, and Early Childhood Education grant draws, with the remainder of the FY2020 grant funds being drawn down in FY2021.

Table 2 reflects the change in net position for fiscal years 2021 and 2020 on a cash basis.

(Table 2)
Changes in Net Position
Governmental Activities

	2021	2020	Change
Receipts			
<i>Program Receipts</i>			
Charges for Services and Sales	\$923,301	\$1,248,321	(\$325,020)
Operating Grants, Contributions and Interest	1,564,520	1,140,242	424,278
<i>Total Program Receipts</i>	\$2,487,821	\$2,388,563	\$99,258

(continued)

Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

(Table 2)
Changes in Net Position
 Governmental Activities

	2021	2020	Change
Receipts (continued)			
General Receipts			
Property Taxes	\$1,856,649	\$1,749,287	\$107,362
Income Taxes	1,107,419	1,158,532	(51,113)
Grants and Entitlements Not Restricted to Specific Programs	3,879,541	3,870,425	9,116
Interest	46,894	135,008	(88,114)
Miscellaneous	95,459	70,131	25,328
<i>Total General Receipts</i>	<u>6,985,962</u>	<u>6,983,383</u>	<u>2,579</u>
<i>Total Receipts</i>	<u>9,473,783</u>	<u>9,371,946</u>	<u>101,837</u>
Disbursements			
Instruction:			
Regular	3,237,529	3,199,720	(37,809)
Special	1,305,604	1,457,493	151,889
Vocational	142,165	141,363	(802)
Student Intervention Services	300	2,262	1,962
Support Services:			
Pupil	661,389	672,476	11,087
Instructional Staff	465,845	425,082	(40,763)
Board of Education	26,685	26,675	(10)
Administration	742,644	729,769	(12,875)
Fiscal	253,714	255,608	1,894
Operation and Maintenance of Plant	1,263,799	771,548	(492,251)
Pupil Transportation	354,318	354,918	600
Central	15,093	14,402	(691)
Operation of Non-Instructional Services	318,666	311,200	(7,466)
Extracurricular Activities	225,054	314,496	89,442
Capital Outlay	929,242	496,635	(432,607)
Debt Service	157,725	159,738	2,013
<i>Total Disbursements</i>	<u>10,099,772</u>	<u>9,333,385</u>	<u>(766,387)</u>
Change in Net Position	(625,989)	38,561	(664,550)
Net Position Beginning of Year	<u>7,842,100</u>	<u>7,803,539</u>	<u>38,561</u>
Net Position End of Year	<u><u>\$7,216,111</u></u>	<u><u>\$7,842,100</u></u>	<u><u>(\$625,989)</u></u>

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

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

Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The School District was responsible for providing educational services to 604 students. Instructional services are the largest cost to the School District. Regular educational disbursements were the majority of instructional services, and special education costs were also a significant cost to the School District. The remainder of instructional costs are made up of vocational instruction and student intervention services.

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

Governmental Activities

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

(Table 3)

	Governmental Activities			
	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements				
Instruction:				
Regular	\$3,237,529	(\$2,388,413)	\$3,199,720	(\$2,155,601)
Special	1,305,604	(713,847)	1,457,493	(923,497)
Vocational	142,165	(117,089)	141,363	(115,616)
Student Intervention Services	300	(300)	2,262	(2,262)
Support Services:				
Pupil	661,389	(373,758)	672,476	(458,566)
Instructional Staff	465,845	(367,694)	425,082	(351,167)
Board of Education	26,685	(26,685)	26,675	(26,675)
Administration	742,644	(734,954)	729,769	(719,766)
Fiscal	253,714	(253,714)	255,608	(255,608)
Operation and Maintenance of Plant	1,263,799	(1,070,612)	771,548	(737,318)
Pupil Transportation	354,318	(312,248)	354,918	(354,918)
Central	15,093	(15,093)	14,402	(14,402)
Operation of Non-Instructional Services	318,666	(19,515)	311,200	(32,565)
Extracurricular Activities	225,054	(131,062)	314,496	(140,488)
Capital Outlay	929,242	(929,242)	496,635	(496,635)
Debt Service	157,725	(157,725)	159,738	(159,738)
<i>Total Disbursements</i>	<u>\$10,099,772</u>	<u>(\$7,611,951)</u>	<u>\$9,333,385</u>	<u>(\$6,944,822)</u>

Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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 a decrease in fund balance due to the increase in disbursements, which was partly offset by an increase in receipts from the prior fiscal year. The increase in disbursements was primarily due to increases in operation and maintenance of plant support services and capital outlay, for reasons discussed previously. The increase in receipts was mainly related to the increase in intergovernmental receipts discussed previously, as well as a smaller increase in property taxes due to an increase in assessed values.

The general fund had a decrease in fund balance due to a decrease in receipts and an increase in disbursements. The decrease in receipts was primarily related to the decrease in tuition and fees due to less open enrollment. The increase in disbursements was primarily related to the increase in capital outlay for the renovation of the high school to include a warming kitchen and classroom space for the 7th and 8th grade students.

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 2021, the School District amended its general fund budget a few times to reflect changing circumstances. Final budgeted receipts were lower than original budgeted receipts due to decreases in estimated income taxes and tuition and fees receipts. Final budgeted disbursements were less than original budgeted disbursements due mainly to decreases in special instruction and capital outlay. Actual disbursements were less than final budgeted disbursements because the School District did not spend what it anticipated in every disbursement category due to conservative spending and due to operational savings due to COVID-19.

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, 2021, the School District's outstanding debt included \$468,917 in general obligation bonds issued for school improvement. The School District's overall legal debt margin was \$7,772,981 with an unvoted debt margin of \$90,346. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Current Issues

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

Many could argue the School District Report Card is not a true measure of a school district and how it prepares its students for the future. During the 2020-2021 school year, no student was retained for failure to pass the 3rd grade reading guarantee. Reports show our students who choose to take it have steadily improved over history on the ACT test. Our drama students continue to put on a major production each year. Our Mock Trial and MOOT trial team continue to participate in the State competition. The varsity team was part of the Sweet Sixteen in the State tournament run. For those students who find the traditional classroom a challenge, we offer an equine therapy program. Danville School District has a plethora of accomplishments when it comes to our students, and our community embraces each and every one of those endeavors.

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

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

Assuring the School District's financial welfare is a challenge. Effective internal controls and careful budgeting have created positive cash flow for the last few years and placed the School District on firm financial footing from which we can do some needed capital improvement projects and repairs. The State of Ohio will be changing the funding formula for school districts in fiscal year 2022. We are still studying how our School District will be affected by this change.

Danville Local School District is forced to rely heavily on local taxpayers to support our programs. The School District's property tax rate is currently at the 20-mill floor. The taxpayers, in an incredible show of support for our children's future, renewed their trust in the School District by passing a 1.25 percent income tax levy for ten years which the Board reduced to 1 percent in fiscal year 2015. When added to the already 0.5 percent continuing levy, the income tax rate totals 1.5 percent.

During fiscal year 2020, the School District began a major renovation project at the high school to educate grades 7 through 12 at the high school building and Pre-K through grade 6 at the elementary building, and the project was finished during fiscal year 2021. Previously there was only one cafeteria in the School District, and there were many children that were transient between the high school and the elementary. This renovation, which includes a warming kitchen, eating area and additional classrooms, stops most of this foot traffic between buildings and will help with the safety and security of the children.

Over the next year, the School District will be using COVID funding to increase air quality and ventilation at the High School. We will be doing this by replacing windows and adding HVAC in highly used areas in the building.

Danville Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
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 Tonya Mickley, Treasurer at Danville Local School District, 405 South Market Street, Danville, Ohio 43014, tonya.mickley@danvilleschools.org.

Danville Local School District
Statement of Net Position - Cash Basis
June 30, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,216,111
 Net Position	
Restricted for:	
Debt Service	\$101,852
Food Service Operations	63,942
Classroom Maintenance	116,687
Student Activities	100,800
Student Wellness and Success	248,221
Other Purposes	8,160
Unrestricted	6,576,449
<i>Total Net Position</i>	\$7,216,111

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2021

	Cash Disbursements	Program Receipts		Net Receipts (Disbursements) and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$3,237,529	\$801,478	\$47,638	(\$2,388,413)
Special	1,305,604	0	591,757	(713,847)
Vocational	142,165	0	25,076	(117,089)
Student Intervention Services	300	0	0	(300)
Support Services:				
Pupil	661,389	0	287,631	(373,758)
Instructional Staff	465,845	0	98,151	(367,694)
Board of Education	26,685	0	0	(26,685)
Administration	742,644	0	7,690	(734,954)
Fiscal	253,714	0	0	(253,714)
Operation and Maintenance of Plant	1,263,799	0	193,187	(1,070,612)
Pupil Transportation	354,318	0	42,070	(312,248)
Central	15,093	0	0	(15,093)
Operation of Non-Instructional Services	318,666	27,933	271,218	(19,515)
Extracurricular Activities	225,054	93,890	102	(131,062)
Capital Outlay	929,242	0	0	(929,242)
Debt Service	157,725	0	0	(157,725)
Total	\$10,099,772	\$923,301	\$1,564,520	(7,611,951)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,688,393
Debt Service				143,872
Classroom Maintenance				24,384
Income Taxes Levied for General Purposes				1,107,419
Grants and Entitlements not Restricted to Specific Programs				3,879,541
Interest				46,894
Miscellaneous				95,459
<i>Total General Receipts</i>				<u>6,985,962</u>
Change in Net Position				(625,989)
<i>Net Position Beginning of Year</i>				<u>7,842,100</u>
<i>Net Position End of Year</i>				<u><u>\$7,216,111</u></u>

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,063,639	\$152,472	\$7,216,111
Fund Balances			
Restricted	\$0	\$639,662	\$639,662
Assigned	302,957	0	302,957
Unassigned (Deficit)	6,760,682	(487,190)	6,273,492
<i>Total Fund Balances</i>	\$7,063,639	\$152,472	\$7,216,111

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property Taxes	\$1,688,393	\$168,256	\$1,856,649
Income Taxes	1,107,419	0	1,107,419
Intergovernmental	4,091,427	1,352,341	5,443,768
Interest	46,894	293	47,187
Tuition and Fees	799,268	0	799,268
Extracurricular Activities	0	93,890	93,890
Charges for Services	0	27,933	27,933
Rentals	2,210	0	2,210
Miscellaneous	93,720	1,739	95,459
<i>Total Receipts</i>	<u>7,829,331</u>	<u>1,644,452</u>	<u>9,473,783</u>
Disbursements			
Current:			
Instruction:			
Regular	3,191,950	45,579	3,237,529
Special	935,599	370,005	1,305,604
Vocational	139,540	2,625	142,165
Student Intervention Services	300	0	300
Support Services:			
Pupil	522,110	139,279	661,389
Instructional Staff	326,365	139,480	465,845
Board of Education	26,685	0	26,685
Administration	732,418	10,226	742,644
Fiscal	251,172	2,542	253,714
Operation and Maintenance of Plant	705,612	558,187	1,263,799
Pupil Transportation	312,248	42,070	354,318
Central	15,093	0	15,093
Operation of Non-Instructional Services	0	318,666	318,666
Extracurricular Activities	143,535	81,519	225,054
Capital Outlay	929,242	0	929,242
Debt Service:			
Principal Retirement	0	130,000	130,000
Interest and Fiscal Charges	0	27,725	27,725
<i>Total Disbursements</i>	<u>8,231,869</u>	<u>1,867,903</u>	<u>10,099,772</u>
<i>Net Change in Fund Balances</i>	(402,538)	(223,451)	(625,989)
<i>Fund Balances Beginning of Year</i>	<u>7,466,177</u>	<u>375,923</u>	<u>7,842,100</u>
<i>Fund Balances End of Year</i>	<u><u>\$7,063,639</u></u>	<u><u>\$152,472</u></u>	<u><u>\$7,216,111</u></u>

See accompanying notes to the basic financial statements

Danville Local School District
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,570,977	\$1,570,977	\$1,688,393	\$117,416
Income Taxes	1,127,591	1,077,591	1,107,419	29,828
Intergovernmental	3,890,000	3,890,000	4,091,427	201,427
Interest	115,000	115,000	46,894	(68,106)
Tuition and Fees	1,006,000	906,000	799,268	(106,732)
Contributions and Donations	10,000	10,000	0	(10,000)
Rentals	2,040	2,040	2,210	170
Miscellaneous	41,500	44,193	90,037	45,844
<i>Total Receipts</i>	7,763,108	7,615,801	7,825,648	209,847
Disbursements				
Current:				
Instruction:				
Regular	3,327,381	3,294,506	3,198,270	96,236
Special	1,741,007	1,090,286	935,452	154,834
Vocational	187,644	160,875	140,843	20,032
Student Intervention Services	2,779	374	300	74
Support Services:				
Pupil	693,720	585,232	522,110	63,122
Instructional Staff	453,113	395,031	327,315	67,716
Board of Education	35,687	31,705	26,685	5,020
Administration	889,647	786,894	727,246	59,648
Fiscal	309,299	284,640	253,462	31,178
Operation and Maintenance of Plant	1,040,374	863,141	705,612	157,529
Pupil Transportation	519,871	410,758	312,248	98,510
Central	18,413	16,200	15,093	1,107
Extracurricular Activities	182,926	162,968	143,535	19,433
Capital Outlay	1,673,597	1,002,310	929,242	73,068
<i>Total Disbursements</i>	11,075,458	9,084,920	8,237,413	847,507
<i>Net Change in Fund Balance</i>	(3,312,350)	(1,469,119)	(411,765)	1,057,354
<i>Fund Balance Beginning of Year</i>	6,629,908	6,629,908	6,629,908	0
Prior Year Encumbrances Appropriated	816,702	816,702	816,702	0
<i>Fund Balance End of Year</i>	\$4,134,260	\$5,977,491	\$7,034,845	\$1,057,354

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Fiduciary Net Position - Cash Basis
Custodial Fund
June 30, 2021

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

See accompanying notes to the basic financial statements

Danville Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Custodial Fund
For the Fiscal Year Ended June 30, 2021

Additions

Other Amounts Collected for Distribution	\$695
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Deductions

Distributions to Other Organizations	<u>695</u>
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<i>Change in Net Position</i>	0
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<i>Net Position Beginning of Year</i>	<u>0</u>
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<i>Net Position End of Year</i>	<u><u>\$0</u></u>
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See accompanying notes to the basic financial statements

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 – Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and Federal guidelines. This Board of Education controls the School District's 2 instructional facilities and 1 administrative building staffed by 35 noncertified employees and 60 certified full-time teaching personnel who provide services to 604 students and other community members.

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

Primary Government

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

Component Units

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

Other Organizations

The School District participates in two jointly governed organizations and one insurance pool. These organizations are the Metropolitan Educational Technology Association, Knox County Career Center, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 14 and 15 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, 2021

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Cash and Cash Equivalents

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

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

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

During fiscal year 2021, investments were limited to STAR Ohio, the State Treasurer’s Investment Pool. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2021 amounted to \$46,894, of which \$704 was assigned from other School District funds.

Inventory and Prepaid Items

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

Capital Assets

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Pensions/Other Postemployment Benefits (OPEB)

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

Long-Term Obligations

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

Net Position

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

Fund Balance

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

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

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

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2022 budget.

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

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

Note 3 – Compliance and Accountability

Compliance

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

Accountability

As of June 30, 2021, the following funds had negative cash fund balances:

	<u>Amount</u>
<i>Special Revenue:</i>	
Early Childhood Education	\$59,377
Elementary and Secondary School Emergency Relief (ESSER)	421,471
Coronavirus Relief Fund (CRF)	870
Title VI-B	112
Title I	5,360

These cash deficits are the result of monies being expended with the expectation that the School District will be reimbursed during fiscal year 2022.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 \$10,943. Also, the public school support fund is included with the general fund on the statement of assets and fund balances, as it does not have a committed or restricted receipt source. The net change in fund balance for the public school support fund was (\$1,716).

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.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

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

Investments

As of June 30, 2021, the School District only had an investment in STAR Ohio, the State Treasurer's Investment Pool. This investment of \$5,186,514 has an average maturity of 54.4 days.

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 fund and all other governmental funds are presented as follows:

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<i>Restricted for:</i>			
Debt Service	\$0	\$101,852	\$101,852
Food Service Operations	0	63,942	63,942
Classroom Maintenance	0	116,687	116,687
Student Activities	0	100,800	100,800
Student Wellness and Success	0	248,221	248,221
<i>Other Purposes:</i>			
Instructional Enhancements	0	4,237	4,237
Network Connectivity	0	3,600	3,600
Scholarships	0	323	323
<i>Total Restricted</i>	0	639,662	639,662
<i>Assigned to:</i>			
<i>Purchases on Order:</i>			
Student Instruction	7,703	0	7,703
Support Services	3,240	0	3,240
Fiscal Year 2022 Operations	274,163	0	274,163
Public School Support	17,851	0	17,851
<i>Total Assigned</i>	302,957	0	302,957
<i>Unassigned (Deficit)</i>	6,760,682	(487,190)	6,273,492
<i>Total Fund Balances</i>	\$7,063,639	\$152,472	\$7,216,111

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 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, 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.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Knox and Holmes Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2021, are available to finance fiscal year 2022 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 2021 taxes were collected are as follows:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential and Agricultural	\$76,245,300	89.13 %	\$80,238,960	88.81 %
Commercial and Industrial	5,215,780	6.10	5,794,060	6.41
Public Utility Personal	4,084,820	4.77	4,312,860	4.77
Total	\$85,545,900	100.00 %	\$90,345,880	100.00 %

Tax rate per \$1,000 of assessed valuation	\$43.28	\$43.32
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During fiscal year 2021, the tax rate increased so that the bond levy would meet its collection amount.

Note 8 – Income Tax

In November 1989, the School District voted a tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. From January 1, 2005, through December 31, 2010, an additional 1.5 percent tax was collected. On January 1, 2011, it was replaced with a 1.25 percent tax. In the spring of 2014, voters approved the renewal of the 1.25 percent tax to be collected for the next ten years. In November of 2015, the Board passed a resolution lowering the 1.25 percent voted tax .25 percent effective January 1, 2016, making the total to be collected 1.5 percent. The 0.5 percent is continuing and the 1 percent is in effect for the remainder of the 10 years through December 2024. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 9 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Danville Local School District
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Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent COLA for eligible retirees and beneficiaries in 2021.

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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$145,330 for fiscal year 2021.

Plan Description – State Teachers Retirement System (STRS)

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

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.

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rates of 14 percent were equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$473,175 for fiscal year 2021.

Danville Local School District
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Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.02997190%	0.02862986%	
Current Measurement Date	0.02940940%	0.02814365%	
Change in Proportionate Share	-0.00056250%	-0.00048621%	
Proportionate Share of the Net Pension Liability	\$1,945,200	\$6,809,762	\$8,754,962

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, 2020, are presented as follows:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,664,686	\$1,945,200	\$1,341,537

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, are presented as follows:

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

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

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

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

Danville Local School District
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Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,695,915	\$6,809,762	\$4,363,987

Note 10 – Defined Benefit OPEB Plans

See Note 9 for a description of the net OPEB liability (asset).

Plan Description – School Employees Retirement System (SERS)

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

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

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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. 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 2021, the School District’s surcharge obligation was \$20,173.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$20,173 for fiscal year 2021.

Plan Description – State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to postemployment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.03072030%	0.02862986%	
Current Measurement Date	0.03056120%	0.02814365%	
Change in Proportionate Share	-0.00015910%	-0.00048621%	
Proportionate Share of the:			
Net OPEB Liability	\$664,195	\$0	\$664,195
Net OPEB Asset	0	494,624	494,624

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Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented as follows:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption:	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

Danville Local School District
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For the Fiscal Year Ended June 30, 2021

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District's proportionate share of the net OPEB liability, what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the School District's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's Proportionate Share of the Net OPEB Liability	\$812,958	\$664,195	\$545,928

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$523,003	\$664,195	\$853,005

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented as follows:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District's proportionate share of the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	\$430,355	\$494,624	\$549,154

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$545,769	\$494,624	\$432,322

Note 11 – Debt

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

	Amount Outstanding 6/30/20	Additions	Deletions	Amount Outstanding 6/30/21	Amounts Due in One Year
Governmental Activities					
2006 Classroom Facilities Improvement:					
\$1,175,000 5.25%-5.50% Serial Bonds	\$590,000	\$0	\$130,000	\$460,000	\$145,000
Unamortized Premium	38,485	0	9,636	28,849	0
Unamortized Loss on Refunding	(26,556)	0	(6,624)	(19,932)	0
Total Governmental Activities	\$601,929	\$0	\$133,012	\$468,917	\$145,000

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

The School District's overall legal debt margin was \$7,772,981 with an unvoted debt margin of \$90,346 at June 30, 2021.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Principal and interest requirements to retire the classroom facilities improvement bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Serial	
	Principal	Interest
2022	\$145,000	\$20,344
2023	155,000	12,469
2024	160,000	4,200
Total	\$460,000	\$37,013

Note 12 – 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 2021, the School District contracted with Schools of Ohio Risk Sharing Authority for general liability coverage with a \$15,000,000 single occurrence limit and \$17,000,000 annual aggregate and no deductible. Professional liability is protected at the level of \$15,000,000 for single occurrence and aggregate limit and no deductible. Vehicles have no deductible for both comprehensive and collision and are covered for automobile liability insurance in the amount of \$15,000,000.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$33,187,993 limit, subject to a \$350,000,000 pool limit for any one occurrence, and a \$500 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 13 – 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, 2021, if applicable, cannot be determined at this time.

School Foundation

In fiscal year 2021, School District Foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the fiscal year 2021 review, the School District is owed \$582.60. This amount has not been included in the financial statements.

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Litigation

As of June 30, 2021, the School District was not party to any legal proceedings.

Note 14 – Jointly Governed Organizations

Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The School District paid \$18,333 to META during fiscal year 2021 for services. Financial information can be obtained from the Ashley Widby, 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 did not make any payments to the Career Center during fiscal year 2021. 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 15 – Insurance Pool

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

Note 16 – Set-Aside Requirements

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

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2020	\$0
Current Year Set-Aside Requirement	114,477
Current Year Offsets	(27,442)
Qualifying Disbursements	(190,895)
Totals	(\$103,860)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Reserve Balance as of June 30, 2021	\$0

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

Note 17 – Significant Commitments

Contractual Commitments

The School District had the following contractual commitments outstanding at June 30, 2021:

Project	Contract Amount	Amount Paid	Remaining on Contract
Elementary Parking Lot Sealing	\$24,873	\$0	\$24,873
Elementary Roof Repair	39,400	0	39,400
Total	\$64,273	\$0	\$64,273

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

Encumbrances

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

General	\$10,943
Other Governmental Funds	48,958
Total	\$59,901

Danville Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 18 – Subsequent Event

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$131,451 in receipts and disbursements related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s State core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Note 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance			
National School Lunch Program - Commodities	10.555		\$ 20,576
Cash Assistance			
National School Breakfast Program	10.553		74,462
COVID-19 National School Breakfast Program	10.553		19,332
National School Lunch Program	10.555		150,025
COVID-19 National School Lunch Program	10.555		24,389
Total Child Nutrition Cluster			<u>288,784</u>
Total U.S. Department of Agriculture			<u>288,784</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster:			
Special Education--Grants to States	84.027		<u>145,738</u>
Total Special Education Cluster			<u>145,738</u>
Title I Grants to Local Educational Agencies	84.010		205,388
Improving Teacher Quality State Grants	84.367		28,761
Student Support and Academic Enrichment Program	84.424		15,000
COVID-19 Education Stabilization Fund	84.425D		<u>580,264</u>
Total Passed Through Ohio Department of Education			<u>975,151</u>
Direct Program			
Rural Education	84.358		<u>24,310</u>
Total U.S. Department of Education			<u>999,461</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through Brown Township, Knox County, Ohio			
COVID-19 Coronavirus Relief Fund	21.019		16,800
Passed Through Ohio Department of Education			
COVID-19 Coronavirus Relief Fund	21.019		<u>28,242</u>
Total COVID-19 Coronavirus Relief Fund			<u>45,042</u>
Total U.S. Department of Treasury			<u>45,042</u>
Total Expenditures of Federal Awards			<u><u>\$1,333,287</u></u>

The accompanying notes are an integral part of this schedule.

**DANVILLE LOCAL SCHOOL
KNOX COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Danville Local School (the School District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The School District did not provide funds to subrecipients for the year ended June 30, 2021.

NOTE E - 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 F – 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.

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2021 to 2022 programs:

Program Title	ALN Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	\$ 43,522
Special Education - Grants to States	84.027	\$ 9,721
Improving Teacher Quality State Grants	84.367	\$ 9,940

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Danville Local School District, Knox County, (the School District) as of and for the year ended June 30, 2021, 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 March 10, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

School District's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 10, 2022

OHIO AUDITOR OF STATE KEITH FABER



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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 THE UNIFORM GUIDANCE

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 Danville Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Danville Local School District's major federal program for the year ended June 30, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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.

Basis for Qualified Opinion on the Education Stabilization Fund

As described in finding 2021-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding Special Tests and Provisions - Wage Rate Requirements applicable to its 84.425D Education Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on the Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Education Stabilization Fund* paragraph, Danville Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Education Stabilization Fund* for the year ended June 30, 2021.

Other Matters

The School District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2021-002.

The School District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Keith Faber
Auditor of State
Columbus, Ohio

March 10, 2022

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**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	Yes
(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	Qualified over Special Tests and Provisions - Wage Rate Requirements for the Education Stabilization Fund Unmodified over remaining requirements of the Education Stabilization Fund
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Education Stabilization Fund AL # 84.425D
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021
(Continued)**

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

FINDING NUMBER 2021-001

Annual Financial Report - Noncompliance

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

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

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

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

Officials' Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

Prevailing Wage Rates – Noncompliance/Material Weakness

Finding Number:	2021-002
AL Number and Title:	AL # 84.425D Education Stabilization Fund
Federal Award Identification Number / Year:	None/2021
Federal Agency:	US Department of Education
Compliance Requirement:	Special Tests and Provisions – Wage Rate Requirements
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Prevailing Wage Rates – Noncompliance/Material Weakness (Continued)

2 CFR § 3474.1 gives regulatory effect to the Department of Education for **Appendix II to 2 CFR § 200** which states that, in addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable:

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland "Anti-Kickback" Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

29 CFR § 5.5(a)(3)(ii)(A) states, in part, that a contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution shall require a clause that the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the appropriate agency if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the agency. Agencies which do not directly enter into such contracts shall promulgate the necessary regulations or procedures to require the recipient of the Federal assistance to insert in its contracts the provisions of § 5.5. 29 CFR § 5.6.

29 CFR § 5.6 further states, in part, that no payment, advance, grant, loan, or guarantee of funds shall be approved by the Federal agency unless the agency insures that the clauses required by § 5.5 and the appropriate wage determination of the Secretary of Labor are contained in such contracts.

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of federal information provided for federal reimbursement.

**DANVILLE LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Prevailing Wage Rates – Noncompliance/Material Weakness (Continued)

During Fiscal Year 2021, the School District entered into a contract with Control Concepts of Ohio for HVAC improvements and air quality measurements using Education Stabilization Funds with a total project cost of \$1,618,855. Work began on the project in June 2021. As a result of a lack of proper internal controls, the required clauses concerning prevailing wage rate and the requirement that the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the School District were not included in the contract. In fact, none of the required clauses of 29 CFR 5.5 were included in the contract. Additionally, while the contractor maintained weekly certified payrolls, these were not sent to the District weekly for each week during which contract work was performed during Fiscal Year 2021. Rather, certified payrolls were sent to the District when they were requested during the audit.

Without proper controls over wage rate requirements, there is an increased risk that the School District and its contractors and subcontractors are not in compliance with applicable federal regulations. Additionally, noncompliance could result in federal funding being reduced or taken away, or other sanctions imposed by the federal grantor agency.

The School District should establish (or perform existing) controls to include the required clauses of 29 CFR 5.5, particularly those concerning prevailing wage rate and the requirement that the contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to (or for transmission to, where applicable) the School District, in its construction contracts (and subcontracts) greater than \$2,000 that are covered by the wage rate requirements and take steps to ensure contractors (and subcontractors, if applicable) are in compliance with all labor standards by collecting the required certified payroll documentation in a timely manner. The District should obtain the necessary information from the contractor to document compliance with the program requirements and report all suspected or reported violations to the Federal awarding agency.

Officials' Response: See Corrective Action Plan

Danville Local Schools

Administration

Jason Snively
Superintendent

Tonya Mickley
Treasurer

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 Danville, Ohio 43014
 740-599-6116 • Fax 740-599-5417
 www.danvilleschools.org

Board of Education

Carolyn Addair
 Charles Bratton
 David Dusthimer
 Darrel Severns
 Paul Stover

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 2 CFR 200.511(b)
 June 30, 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001 2019-001 2018-001	Ohio Rev. Code §117.38 – Annual Financial Report not prepared in accordance with generally accepted accounting principles Finding initially issued during the FY 2009 Audit.	Not Corrected – the Board of Education feels the costs outweighs the benefits of a GAAP audit.	School District officials made the financial decision to not report on a GAAP basis. Finding reissued as 2021-001.

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Administration

Jason Snively
Superintendent

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2021

Finding Number:	2021-001
Planned Corrective Action:	This will be reassessed as needed. Currently, the Board of Education feels the costs of reporting on a GAAP basis outweighs the benefits.
Anticipated Completion Date:	Reassess Annually
Responsible Contact Person:	Tonya Mickley, Treasurer
Finding Number:	2021-002
Planned Corrective Action:	The District contracted with Energy Optimizers who bid out the HVAC and window projects. In the future, the District will work more closely with the contractor to ensure proper language is included in the bid documents and the contracts to ensure the District is in compliance with applicable federal regulations. The District has already requested that as the HVAC project starts to move forward again that we be sent the certified payrolls on a timely basis. The District will also ensure that we are proactive on getting this information if we contract and use federal funds for payment in the future.
Anticipated Completion Date:	Immediately
Responsible Contact Person:	Tonya Mickley, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



DANVILLE LOCAL SCHOOL DISTRICT

KNOX COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/5/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov