

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008***

**SHANE E. BAUMGARDNER, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Danbury Local School District  
9451 E Harbor Road  
Lakeside-Marblehead, Ohio 43440

We have reviewed the *Independent Auditor's Report* of the Danbury Local School District, Ottawa County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Danbury Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 19, 2009

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**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Danbury Local School District  
9451 E. Harbor Road  
Lakeside-Marblehead, OH 43440

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Danbury Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Danbury Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Danbury Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

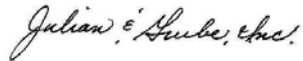
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of Danbury Local School District, Ottawa County, Ohio, as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2009 on our consideration of Danbury Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Danbury Local School District  
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Julian & Grube, Inc.  
February 20, 2009



**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Danbury Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$872,879 which represents a 10.11% increase from 2007.
- General revenues accounted for \$9,043,907 in revenue or 91.16% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$876,956 or 8.84% of total revenues of \$9,920,863.
- The District had \$9,047,984 in expenses related to governmental activities; \$876,956 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,043,907 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,269,987 in revenues and \$8,440,038 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$829,949 from a balance of \$2,566,701 to \$3,396,650.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the only governmental fund reported as a major fund is the general fund.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

*Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Assets</u></b>		
Current and other assets	\$ 11,330,700	\$ 9,822,067
Capital assets, net	<u>5,757,402</u>	<u>5,780,601</u>
Total assets	<u>17,088,102</u>	<u>15,602,668</u>
<b><u>Liabilities</u></b>		
Current liabilities	7,097,268	6,461,428
Long-term liabilities	<u>484,369</u>	<u>507,654</u>
Total liabilities	<u>7,581,637</u>	<u>6,969,082</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	5,755,689	5,772,368
Restricted	645,447	632,924
Unrestricted	<u>3,105,329</u>	<u>2,228,294</u>
Total net assets	<u>\$ 9,506,465</u>	<u>\$ 8,633,586</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$9,506,465. Of this total, \$3,105,329 is unrestricted in use.

At year-end, capital assets represented 33.69% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt, to acquire the assets at June 30, 2008, were \$5,755,689. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

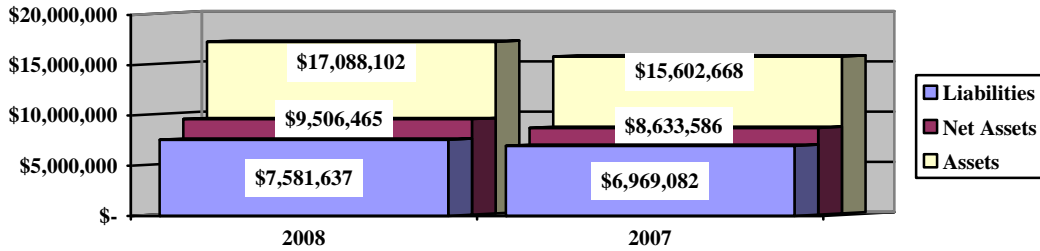
A portion of the District's net assets, \$645,447, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,105,329 may be used to meet the District's ongoing obligations to the students and creditors.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2008 and 2007.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 494,233	\$ 435,815
Operating grants and contributions	377,041	347,730
Capital grants and contributions	5,682	3,488
General revenues:		
Property taxes	7,241,126	6,734,113
Grants and entitlements	1,604,510	1,494,625
Investment earnings	171,841	167,280
Other	<u>26,430</u>	<u>23,606</u>
Total revenues	<u>9,920,863</u>	<u>9,206,657</u>

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Change in Net Assets**

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,131,437	\$ 3,876,508
Special	662,467	674,534
Adult/continuing	51,056	53,072
Other	48,140	16,949
Support services:		
Pupil	346,264	370,353
Instructional staff	533,607	553,760
Board of education	87,334	77,252
Administration	736,488	724,966
Fiscal	367,729	370,532
Operations and maintenance	1,057,200	1,089,035
Pupil transportation	424,398	383,683
Central	8,706	10,424
Operations of non-instructional services:		
Food service operations	291,212	284,388
Other non-instructional services	5,891	-
Extracurricular activities	295,632	278,612
Interest and fiscal charges	<u>423</u>	<u>923</u>
Total expenses	<u>9,047,984</u>	<u>8,764,991</u>
Change in net assets	872,879	441,666
Net assets at beginning of year	<u>8,633,586</u>	<u>8,191,920</u>
Net assets at end of year	<u>\$ 9,506,465</u>	<u>\$ 8,633,586</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$872,879. Total governmental expenses of \$9,047,984 were offset by program revenues of \$876,956 and general revenues of \$9,043,907. Program revenues supported 9.69% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements not restricted to specific programs. These revenue sources represent 89.16% of total governmental revenue.

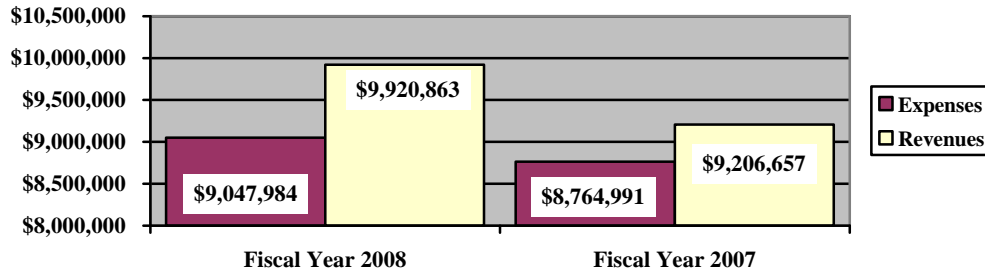
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,893,100 or 54.08% of total governmental expenses for fiscal year 2008.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,131,437	\$ 3,924,671	\$ 3,876,508	\$ 3,702,508
Special	662,467	598,508	674,534	629,070
Adult/continuing	51,056	39,398	53,072	39,923
Other	48,140	40,187	16,949	16,949
Support services:				
Pupil	346,264	290,920	370,353	294,147
Instructional staff	533,607	413,046	553,760	420,929
Board of education	87,334	87,334	77,252	77,252
Administration	736,488	731,742	724,966	719,890
Fiscal	367,729	367,729	370,532	370,532
Operations and maintenance	1,057,200	1,057,200	1,089,035	1,089,035
Pupil transportation	424,398	383,874	383,683	380,195
Central	8,706	3,706	10,424	5,424
Operations of non-instructional services:				
Food service operations	291,212	33,283	284,388	60,881
Other non-instructional services	5,891	5,891	-	-
Extracurricular activities	295,632	193,116	278,612	170,300
Interest and fiscal charges	423	423	923	923
<b>Total expenses</b>	<u>\$ 9,047,984</u>	<u>\$ 8,171,028</u>	<u>\$ 8,764,991</u>	<u>\$ 7,977,958</u>

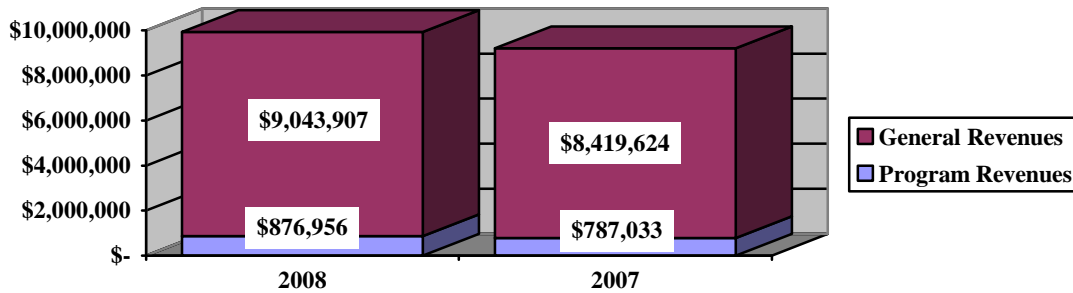
**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The dependence upon tax and other general revenues for governmental activities is apparent, 94.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.31%. The District's taxpayers, and grants and entitlements not restricted to specific programs, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,033,386, which is higher than last year's balance of \$3,181,934. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase	Percentage Change
General	\$ 3,396,650	\$ 2,566,701	\$ 829,949	32.34%
Other Governmental	<u>636,736</u>	<u>615,233</u>	<u>21,503</u>	3.50%
Total	<u>\$ 4,033,386</u>	<u>\$ 3,181,934</u>	<u>\$ 851,452</u>	26.76%

**General Fund**

The District's general fund balance increased \$829,949. The increase in fund balance can be attributed to increasing tax revenue and earnings on investments.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase /</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 7,210,449	\$ 6,683,518	\$ 526,931	7.88%
Earnings on investments	171,841	167,280	4,561	2.73%
Intergovernmental	1,645,034	1,518,743	126,291	8.32%
Other revenues	<u>242,663</u>	<u>165,480</u>	<u>77,183</u>	46.64%
 Total	 <u>\$ 9,269,987</u>	 <u>\$ 8,535,021</u>	 <u>\$ 734,966</u>	 8.61%
<b><u>Expenditures</u></b>				
Instruction	\$ 4,633,066	\$ 4,277,031	\$ 356,035	8.32%
Support services	3,282,586	3,304,724	(22,138)	-0.67%
Non-instructional services	10,130	9,881	249	2.52%
Extracurricular activities	192,875	176,135	16,740	9.50%
Facilities acquisition and construction	234,438	112,884	121,554	107.68%
Debt service	<u>6,943</u>	<u>6,944</u>	<u>(1)</u>	-0.01%
 Total	 <u>\$ 8,360,038</u>	 <u>\$ 7,887,599</u>	 <u>\$ 472,439</u>	 5.99%

Revenue increased 8.61% over prior year. The increase in tax revenue can be attributed to the increase in residential and agricultural tax valuations. Other revenues consist of rental income, contributions and donations, tuition and miscellaneous receipts. The District collected more of these revenue items in 2008 compared to 2007. All other revenues remained comparable to prior year. Instruction expenditures increased 8.32% primarily due to normal and customary wage and benefit increases. Items such as facilities acquisition and construction and debt service have variances from the prior year; however, the total expenditures in these categories are not considered material.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,347,252 and final budgeted revenues and other financing sources were \$9,347,252. Actual revenues and other financing sources for fiscal year 2008 was \$9,344,616. This represents a \$2,636 decrease from final budgeted revenues. The decrease is primarily due to a conservative original resources budget.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,732,392 and final appropriations (appropriated expenditures including other financing uses) totaled \$8,735,773. The actual budget basis expenditures for fiscal year 2008 totaled \$8,705,598 which is \$30,175 below the final budget appropriations.



**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2008, the District had \$5,757,402 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. See Note 8 to the basic financial statements for further detail. The following table shows fiscal year 2008 balances compared to 2007:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 148,136	\$ 148,136
Land improvements	448,128	454,049
Building and improvements	4,424,636	4,356,396
Furniture and equipment	559,964	594,921
Vehicles	176,538	227,099
Total	\$ 5,757,402	\$ 5,780,601

The overall decrease in capital assets of \$23,199 is primarily due to depreciation expense of \$407,651 exceeding capital outlays of \$384,452 in the fiscal year.

*Debt Administration*

At June 30, 2008, the District had \$1,713 in capital lease obligations outstanding. All of this total, \$1,713 is due within one year. See Note 10 to the basic financial statements for additional information. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2008	2007
Capital lease obligation	\$ 1,713	\$ 8,233
Total	\$ 1,713	\$ 8,233

At June 30, 2008, the District's overall legal debt margin was \$33,685,298, and an unvoted debt margin of \$374,281.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Current Financial Related Activities**

The District is heavily dependent on general property tax (real estate) and is currently at the 20-mil floor. The District is projecting a slightly lower than historical average growth and anticipation of a pending exemption application.

Personal tangible property tax receipts are continually being reduced as mandated by the passage of House Bill 66 by the State legislature.

The district maintains its current level of "guarantee" foundation funding from the state for this line of revenue that provides at least the same level of per pupil funding that the District has received in previous years.

Enrollment for the District is currently stagnant. Much of the new construction is not designed for family dwellings but instead vacation homes. Development of the interior of the peninsula is somewhat restricted while the quarry operations are still active.

The District remains the single largest full-time employer within the District, and pays a competitive wage. Staffing levels may need to be reduced through attrition considering stagnant enrollment. Modifications to negotiated contracts for fiscal years 2008, 2009 and 2010 have led to expected larger than normal future severance and early retirement incentive amounts.

Purchased services costs continue to rise, especially in the areas of special needs contracted services and transportation.

The District is proactive in maintaining the communities' investments in the school's building, grounds and infrastructure while taking a measured approach with capital outlay for equipment and improvements.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Shane E. Baumgardner, Treasurer, Danbury Local School District, 9451 E. Harbor Road, Lakeside, Ohio 43440.

BASIC  
FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 3,818,524
Receivables:	
Taxes . . . . .	7,479,681
Accounts . . . . .	5,056
Intergovernmental . . . . .	3,910
Prepayments . . . . .	23,529
Capital assets:	
Land . . . . .	148,136
Depreciable capital assets, net . . . . .	5,609,266
Capital assets, net . . . . .	5,757,402
 Total assets. . . . .	 17,088,102
<b>Liabilities:</b>	
Accounts payable. . . . .	40,436
Accrued wages and benefits . . . . .	587,117
Pension obligation payable. . . . .	120,016
Intergovernmental payable . . . . .	22,732
Unearned revenue. . . . .	6,326,967
Long-term liabilities:	
Due within one year. . . . .	22,980
Due in more than one year . . . . .	461,389
 Total liabilities . . . . .	 7,581,637
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	5,755,689
Restricted for:	
Capital projects . . . . .	573,040
State funded programs. . . . .	3,228
Federally funded programs. . . . .	48,105
Student activities. . . . .	16,004
Other purposes. . . . .	5,070
Unrestricted. . . . .	3,105,329
 Total net assets . . . . .	 \$ 9,506,465

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,131,437	\$ 201,279	\$ 1,387	\$ 4,100	\$ (3,924,671)
Special . . . . .	662,467	41,475	22,484	-	(598,508)
Adult/continuing . . . . .	51,056	11,658	-	-	(39,398)
Other . . . . .	48,140	-	7,953	-	(40,187)
Support services:					
Pupil . . . . .	346,264	-	55,344	-	(290,920)
Instructional staff . . . . .	533,607	-	120,561	-	(413,046)
Board of education . . . . .	87,334	-	-	-	(87,334)
Administration . . . . .	736,488	4,332	414	-	(731,742)
Fiscal . . . . .	367,729	-	-	-	(367,729)
Operations and maintenance . . . . .	1,057,200	-	-	-	(1,057,200)
Pupil transportation . . . . .	424,398	-	38,942	1,582	(383,874)
Central . . . . .	8,706	-	5,000	-	(3,706)
Operation of non-instructional services:					
Food service operations . . . . .	291,212	160,726	97,203	-	(33,283)
Other non-instructional services . . . . .	5,891	-	-	-	(5,891)
Extracurricular activities . . . . .	295,632	74,763	27,753	-	(193,116)
Interest and fiscal charges . . . . .	423	-	-	-	(423)
<b>Total governmental activities . . . . .</b>	<b>\$ 9,047,984</b>	<b>\$ 494,233</b>	<b>\$ 377,041</b>	<b>\$ 5,682</b>	<b>(8,171,028)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	7,241,126
Grants and entitlements not restricted	
to specific programs . . . . .	1,604,510
Investment earnings . . . . .	171,841
Miscellaneous . . . . .	26,430
<b>Total general revenues . . . . .</b>	<b>9,043,907</b>
Change in net assets . . . . .	872,879
<b>Net assets, beginning of year . . . . .</b>	<b>8,633,586</b>
<b>Net assets, end of year . . . . .</b>	<b>\$ 9,506,465</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 3,151,256	\$ 662,198	\$ 3,813,454
Receivables:			
Taxes. . . . .	7,479,681	-	7,479,681
Accounts . . . . .	4,381	675	5,056
Intergovernmental. . . . .	914	2,996	3,910
Prepayments . . . . .	23,529	-	23,529
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	5,070	-	5,070
Total assets . . . . .	<u>\$ 10,664,831</u>	<u>\$ 665,869</u>	<u>\$ 11,330,700</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 40,436	\$ -	\$ 40,436
Accrued wages and benefits . . . . .	563,978	23,139	587,117
Pension obligation payable. . . . .	114,776	5,240	120,016
Intergovernmental payable. . . . .	21,978	754	22,732
Deferred revenue. . . . .	200,046	-	200,046
Unearned revenue . . . . .	6,326,967	-	6,326,967
Total liabilities . . . . .	<u>7,268,181</u>	<u>29,133</u>	<u>7,297,314</u>
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	214,326	55,702	270,028
Reserved for prepayments . . . . .	23,529	-	23,529
Reserved for property tax unavailable for appropriation . . . . .	952,668	-	952,668
Reserved for school bus purchase . . . . .	5,070	-	5,070
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	2,201,057	-	2,201,057
Special revenue funds. . . . .	-	7,994	7,994
Capital projects funds. . . . .	-	573,040	573,040
Total fund balances . . . . .	<u>3,396,650</u>	<u>636,736</u>	<u>4,033,386</u>
Total liabilities and fund balances . . . . .	<u>\$ 10,664,831</u>	<u>\$ 665,869</u>	<u>\$ 11,330,700</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$	4,033,386
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,757,402
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			200,046
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	\$	482,656	
Capital lease obligation		<u>1,713</u>	
Total			<u>(484,369)</u>
<b>Net assets of governmental activities</b>		<u>\$</u>	<u>9,506,465</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 7,210,449	\$ -	\$ 7,210,449
Tuition. . . . .	207,101	11,558	218,659
Charges for services. . . . .	-	160,726	160,726
Earnings on investments. . . . .	171,841	-	171,841
Extracurricular. . . . .	6,857	78,583	85,440
Classroom materials and fees . . . . .	2,295	26,501	28,796
Other local revenues . . . . .	26,410	28,581	54,991
Intergovernmental - Intermediate. . . . .	-	218	218
Intergovernmental - State. . . . .	1,645,034	20,823	1,665,857
Intergovernmental - Federal . . . . .	-	293,209	293,209
Total revenues . . . . .	<u>9,269,987</u>	<u>620,199</u>	<u>9,890,186</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,946,604	32,605	3,979,209
Special. . . . .	642,524	23,883	666,407
Adult/continuing. . . . .	-	51,056	51,056
Other. . . . .	43,938	4,202	48,140
Support services:			
Pupil. . . . .	290,245	54,284	344,529
Instructional staff . . . . .	408,880	108,034	516,914
Board of education . . . . .	87,334	-	87,334
Administration. . . . .	726,129	5,211	731,340
Fiscal . . . . .	365,784	-	365,784
Operations and maintenance. . . . .	1,025,311	-	1,025,311
Pupil transportation . . . . .	377,081	-	377,081
Central. . . . .	1,822	6,884	8,706
Operation of non-instructional services:			
Food service operations . . . . .	-	285,424	285,424
Other non-instructional services . . . . .	10,130	-	10,130
Extracurricular activities. . . . .	192,875	107,113	299,988
Facilities acquisition and construction . . . . .	234,438	-	234,438
Debt service:			
Principal retirement . . . . .	6,520	-	6,520
Interest and fiscal charges . . . . .	423	-	423
Total expenditures . . . . .	<u>8,360,038</u>	<u>678,696</u>	<u>9,038,734</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>909,949</u>	<u>(58,497)</u>	<u>851,452</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	651,630	651,630
Transfers (out). . . . .	(80,000)	(571,630)	(651,630)
Total other financing sources (uses) . . . . .	<u>(80,000)</u>	<u>80,000</u>	<u>-</u>
Net change in fund balances . . . . .	829,949	21,503	851,452
<b>Fund balances at beginning of year . . . . .</b>	<u>2,566,701</u>	<u>615,233</u>	<u>3,181,934</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 3,396,650</u>	<u>\$ 636,736</u>	<u>\$ 4,033,386</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	851,452
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlays in the current period accordingly.		
Capital asset additions	\$ 384,452	
Current year depreciation	<u>(407,651)</u>	(23,199)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		30,677
 Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		6,520
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>7,429</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>872,879</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 7,279,635	\$ 7,279,635	\$ 7,279,635	\$ -
Tuition . . . . .	207,101	207,101	207,101	-
Earnings on investments . . . . .	175,000	175,000	171,841	(3,159)
Extracurricular . . . . .	6,857	6,857	6,857	-
Classroom materials and fees . . . . .	2,215	2,215	2,215	-
Other local revenues . . . . .	29,880	29,880	29,880	-
Intergovernmental - State . . . . .	1,644,119	1,644,119	1,644,119	-
<b>Total revenues . . . . .</b>	<b>9,344,807</b>	<b>9,344,807</b>	<b>9,341,648</b>	<b>(3,159)</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,803,295	3,804,783	4,027,627	(222,844)
Special . . . . .	683,821	684,089	647,409	36,680
Other . . . . .	12,571	12,576	43,862	(31,286)
Support services:				
Pupil . . . . .	315,323	315,446	295,924	19,522
Instructional staff . . . . .	420,064	420,228	434,198	(13,970)
Board of education . . . . .	110,051	110,094	88,495	21,599
Administration . . . . .	766,012	766,312	728,964	37,348
Fiscal . . . . .	391,707	391,860	391,768	92
Operations and maintenance . . . . .	1,171,268	1,171,726	1,122,773	48,953
Pupil transportation . . . . .	510,497	510,697	393,101	117,596
Central . . . . .	4,048	4,050	2,084	1,966
Other non-instructional services . . . . .	10,464	10,468	8,098	2,370
Extracurricular activities . . . . .	190,930	191,005	196,670	(5,665)
Facilities acquisition and construction . . . . .	249,351	249,449	243,625	5,824
<b>Total expenditures . . . . .</b>	<b>8,639,402</b>	<b>8,642,783</b>	<b>8,624,598</b>	<b>18,185</b>
Excess of revenues over expenditures . . . . .	705,405	702,024	717,050	15,026
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	1,906	1,906	1,906	-
Transfers (out) . . . . .	(91,875)	(91,875)	(80,000)	11,875
Advances in . . . . .	539	539	1,062	523
Advances (out) . . . . .	(1,115)	(1,115)	(1,000)	115
<b>Total other financing sources (uses) . . . . .</b>	<b>(90,545)</b>	<b>(90,545)</b>	<b>(78,032)</b>	<b>12,513</b>
Net change in fund balance . . . . .	614,860	611,479	639,018	27,539
<b>Fund balance at beginning of year . . . . .</b>	<b>1,982,039</b>	<b>1,982,039</b>	<b>1,982,039</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>280,099</b>	<b>280,099</b>	<b>280,099</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 2,876,998</b>	<b>\$ 2,873,617</b>	<b>\$ 2,901,156</b>	<b>\$ 27,539</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 33,549	\$ 40,839
Investments . . . . .	74,875	-
Total assets . . . . .	108,424	\$ 40,839
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 40,839
Total liabilities . . . . .	-	\$ 40,839
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	108,424	
Total net assets . . . . .	\$ 108,424	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 3,753
Gifts and contributions. . . . .	11,500
	15,253
Total additions. . . . .	15,253
<b>Deductions:</b>	
Scholarships awarded . . . . .	12,938
	2,315
Change in net assets . . . . .	2,315
<b>Net assets at beginning of year . . . . .</b>	<b>106,109</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 108,424</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Danbury Local School District (the "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 District is organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 38 non-certified and 56 certified (including administrative) full-time and part-time employees to provide services to approximately 561 students in grades K through 12 and various community groups. The District ranks 608 out of the 896 public and community school districts in Ohio and is the fourth largest of the seven districts in Ottawa County.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

EHOVE Career Center (the "Center")

The Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

Northern Ohio Educational Computer Association (NOECA)

NOECA is a joint venture among 38 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, the District does not have an equity interest in NOECA as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. During fiscal year 2008 the District paid \$23,465 for services to NOECA. Financial information can be obtained from Betty J. Schwiefert, Treasurer for the Erie-Huron-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870-5569.

*PUBLIC ENTITY RISK POOLS*

Ohio Association of School Business Officials

The District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program. See Note 12.B. for more information on this group rating plan.

The San-Ott School Employees Welfare Benefit Association (the "Association")

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, Jay Valasek, Treasurer of Vanguard-Sentinel Vocational Schools, at 1306 Cedar Street, Fremont, Ohio 43420.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

*General fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) the accumulation of resources for and payment of, general long-term debt principal and related costs; (c) food service operations; and (d) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.



**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except Agency funds). The specific timetable for fiscal year 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for tax rate determination.

**DANBURY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve (STAR Ohio) and treasury bonds and notes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

**DANBURY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District has invested funds in STAR Ohio during fiscal year 2008. STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$171,841, which includes \$39,090 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food. At June 30, 2008, the District had no materials and supplies inventory.

**H. Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund receivables or payables at June 30, 2008.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees at least 50 years of age with 10 years of service or any age with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees are paid.

**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability in the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, property tax revenue unavailable for appropriation and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 11,782
Adult education	3,751
Title VI-B	3,800

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**C. Noncompliance**

Ohio Revised Code Section 117.38 requires an annual GAAP report to be filed within one-hundred-fifty days after close of the fiscal year. The fiscal year 2008 GAAP report was not filed until February 16, 2009 with the Auditor of State.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;



**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) items and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Cash on Hand**

At year-end, the District had \$1,670 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$1,291,435. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,219,484 of the District's bank balance of \$1,511,655 was exposed to custodial risk as discussed below, while \$292,171 was covered by the Federal Deposit Insurance Corporation.

**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Treasury bonds and notes	\$ 74,875	\$ 74,875
STAR Ohio	<u>2,599,807</u>	<u>2,599,807</u>
Total	<u>\$ 2,674,682</u>	<u>\$ 2,674,682</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio and carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in Treasury bonds and notes were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The treasury bonds and notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Treasury bonds and notes	\$ 74,875	2.80
STAR Ohio	<u>2,599,807</u>	<u>97.20</u>
Total	<u>\$ 2,674,682</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 1,291,435	
Investments	2,674,682	
Cash on hand	<u>1,670</u>	
Total	<u>\$ 3,967,787</u>	
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 3,818,524	
Private-purpose trust	108,424	
Agency fund	<u>40,839</u>	
Total	<u>\$ 3,967,787</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 80,000
Nonmajor governmental funds	571,630

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The District petitioned the court and the petition was granted, to transfer the remaining fund balance in the amount of \$571,630 out of the bond retirement fund, (a nonmajor governmental fund), into the permanent improvement fund, (a nonmajor governmental fund).

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers made in fiscal year 2008 were in accordance with Ohio Revised Code Sections 5705.14, 5705.14 and 5705.16.

**DANBURY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The amount available as an advance at June 30, 2008 was \$952,668 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$1,021,854 in the general fund.

**DANBURY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 359,889,260	96.87	\$ 368,496,360	97.96
Public utility personal	6,741,050	1.81	5,955,390	1.58
Tangible personal property	<u>4,883,566</u>	<u>1.32</u>	<u>1,733,680</u>	<u>0.46</u>
Total	<u>\$ 371,513,876</u>	<u>100.00</u>	<u>\$ 376,185,430</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation :	\$47.35		\$47.35	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 7,479,681
Accounts	5,056
Intergovernmental	<u>3,910</u>
Total	<u>\$ 7,488,647</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance			Balance
	<u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/08</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 148,136	\$ -	\$ -	\$ 148,136
Total capital assets, not being depreciated	<u>148,136</u>	<u>-</u>	<u>-</u>	<u>148,136</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	768,525	34,668	-	803,193
Buildings and improvements	7,139,267	238,491	-	7,377,758
Furniture and equipment	2,033,520	111,293	-	2,144,813
Vehicles	536,186	-	-	536,186
Total capital assets, being depreciated	<u>10,477,498</u>	<u>384,452</u>	<u>-</u>	<u>10,861,950</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(314,476)	(40,589)	-	(355,065)
Buildings and improvements	(2,782,871)	(170,251)	-	(2,953,122)
Furniture and equipment	(1,438,599)	(146,250)	-	(1,584,849)
Vehicles	(309,087)	(50,561)	-	(359,648)
Total accumulated depreciation	<u>(4,845,033)</u>	<u>(407,651)</u>	<u>-</u>	<u>(5,252,684)</u>
Governmental activities capital assets, net	<u>\$ 5,780,601</u>	<u>\$ (23,199)</u>	<u>\$ -</u>	<u>\$ 5,757,402</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 252,732
<u>Support services:</u>	
Pupil	1,032
Instructional staff	16,092
Administration	3,467
Fiscal	1,426
Operations and maintenance	36,948
Pupil transportation	52,701
Extracurricular activities	36,469
Food service operations	<u>6,784</u>
Total depreciation expense	<u>\$ 407,651</u>

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In a prior year, the District entered into a capitalized lease for a vehicle. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of a vehicle have been capitalized in the amount of \$18,535. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$5,792, leaving a current book value of \$12,743. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2008 fiscal year totaled \$6,520 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 1,736
Total minimum lease payments	1,736
Less: amount representing interest	<u>(23)</u>
Total	<u>\$ 1,713</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 499,421	\$ 60,095	\$ (76,860)	\$ 482,656	\$ 21,267
Capital lease obligation	<u>8,233</u>	<u>-</u>	<u>(6,520)</u>	<u>1,713</u>	<u>1,713</u>
Total long-term obligations, governmental activities	<u>\$ 507,654</u>	<u>\$ 60,095</u>	<u>\$ (83,380)</u>	<u>\$ 484,369</u>	<u>\$ 22,980</u>

Compensated absences - Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District, are primarily the general fund and the food service fund (a nonmajor governmental fund).

Capital lease obligations - The capital lease obligation will be paid from the general fund (see Note 9 for detail).

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$33,685,298 and an unvoted debt margin of \$374,281.

**NOTE 11 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 55 days for all employees.



**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Limits of Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:	Ohio School Plan		
Each occurrence		\$ 1,000,000	\$ 0
Aggregate		3,000,000	0
Errors and Omissions			
Each occurrence		1,000,000	2,500
Aggregate		2,000,000	
Employee Practices			
Each occurrence		1,000,000	2,500
Aggregate		2,000,000	
Property	Ohio School Plan	16,232,896	5,000
Fleet: Nationwide/ Comprehensive	Ohio School Plan	1,000,000	1,000
Collision		1,000,000	1,000
Umbrella liability:	Ohio School Plan		
Each Accident		1,000,000	
Aggregate		1,000,000	

Settled claims have not exceeded this coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

**B. OASBO Group Workers' Compensation Rating Plan**

For fiscal year 2008, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - RISK MANAGEMENT - (Continued)**

A participant will then either receive money from or be required to contribute to the “equity pooling fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan’s selection criteria. The Sheakley Group provides administrative, cost control and actuarial services to the Plan.

**C. Group Health Insurance**

The District has joined together with other school districts in the area to form the San-Ott School Employees Welfare Benefit Association (the “Association”), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$200,000 and aggregate claims in excess of 120% of expected claims.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS’ Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$103,103, \$106,435 and \$107,091, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 13 - PENSION PLANS - (Continued)**

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

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$493,472, \$457,404 and \$450,187, respectively; 84.25 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$185 made by the District and \$185 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$67,904, \$56,191 and \$36,238, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,429, \$7,238 and \$8,524, respectively; 100 percent has been contributed for fiscal year 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$37,959, \$35,185 and \$34,630, respectively; 84.25 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 639,018
Net adjustment for revenue accruals	(71,661)
Net adjustment for expenditure accruals	9,390
Net adjustment for other sources/uses	(1,968)
Adjustment for encumbrances	<u>255,170</u>
GAAP basis	<u>\$ 829,949</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (595,703)	\$ -
Current year set-aside requirement	89,150	89,150
Qualifying disbursements	<u>(183,922)</u>	<u>(214,799)</u>
Total	<u>\$ (690,475)</u>	<u>\$ (125,649)</u>
Balance carried forward to FY 2009	<u>\$ (690,475)</u>	<u>\$ -</u>

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 17 - STATUTORY RESERVES - (Continued)**

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The amount of qualifying disbursement exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchases	<u>\$ 5,070</u>
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**Julian & Grube, Inc.**  
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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
Danbury Local School District  
9451 E. Harbor Road  
Lakeside-Marblehead, OH 43440

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Danbury Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Danbury Local School District's basic financial statements and have issued our report thereon dated February 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Danbury Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Danbury Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Danbury Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Danbury Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Danbury Local School District's financial statements that is more than inconsequential will not be prevented or detected by Danbury Local School District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2008-DLSD-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Danbury Local School District's internal control.



Board of Education  
Danbury Local School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

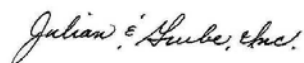
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Danbury Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2008-DLSD-001.

We noted a certain matter that we reported to the management of Danbury Local School District in a separate letter dated February 20, 2009.

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

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



Julian & Grube, Inc.  
February 20, 2009

**DANBURY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2008**

<b>1. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2008-DLSD-001

**Significant Deficiency/Noncompliance**

Ohio Revised Code Section 117.38 requires the annual GAAP report to be filed within one hundred fifty days of the fiscal year end. The District lacks certain controls over timely and accurate financial reports.

The District consults with a firm to prepare its financial statements; however, the fiscal year 2008 financial report was not filed until February 16, 2009 with the Auditor of State.

There were delays in receiving timely and current financial information and District response due to delays in receiving information regarding capital assets. This lack of controls over financial reporting could significantly impact management's ability to effectively guide the District.

We recommend the District management take a more active role in overseeing the timeliness of the financial reporting process. This may require providing information to the consultants shortly after fiscal year end in order to help facilitate a more timely and accurate financial report.

Client's Response: The Treasurer is aware of the requirements and is making an effort to be more timely for 2009.



Mary Taylor, CPA  
Auditor of State

DANBURY LOCAL SCHOOL DISTRICT

OTTAWA COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 31, 2009