



**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Danbury Local School District
Ottawa County
9451 East Harbor Road
Lakeside Marblehead, Ohio 43440-1300

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Danbury Local School District, Ottawa County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Danbury Local School District, Ottawa County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 18, 2001

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**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$2,168,023	\$99,547	\$1,046,398	\$62,845
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Investments				
Cash with fiscal agent		1,749		
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	3,606,337		511,073	65,121
Accounts	662	140		
Accrued interest	5,931			
Due from other governments		424		
Prepayments	7,864			
Interfund loan receivable	84,209			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	64,966			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	<u>\$5,937,992</u>	<u>\$101,860</u>	<u>\$1,557,471</u>	<u>\$127,966</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$36,795	\$299	\$37,965			\$3,451,872
		23,522			23,522
		74,508			74,508
					1,749
					4,182,531
					802
429					5,931
					853
					7,864
					84,209
2,963					2,963
					64,966
59,008			\$8,369,777		8,428,785
				\$1,117,120	1,117,120
				2,993,794	2,993,794
\$99,195	\$299	\$135,995	\$8,369,777	\$4,110,914	\$20,441,469

(Continued)

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$24,237	\$1,854		
Accrued wages and benefits	361,691	180		
Compensated absences payable	6,898			
Pension obligation payable	73,690			
Interfund loan payable				\$76,709
Deferred revenue	3,148,520		\$440,351	59,103
Due to other governments	13,954			
Due to students				
General obligation bonds payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,628,990	2,034	440,351	135,812
Equity and other credits:				
Investment in fixed assets				
Contributed capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	267,778	10,416		51,664
Reserved for prepayments	7,864			
Reserved for tax revenue unavailable for appropriation	457,817		70,722	6,018
Reserved for debt service			1,046,398	
Reserved for principal endowment				
Reserved for budget stabilization	64,966			
Designated for budget stabilization	235,034			
Unreserved-undesignated	1,275,543	89,410		(65,528)
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	2,309,002	99,826	1,117,120	(7,846)
Total liabilities, equity and other credits	<u>\$5,937,992</u>	<u>\$101,860</u>	<u>\$1,557,471</u>	<u>\$127,966</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$481		\$6,350			\$32,922
13,761					375,632
6,673				\$275,019	288,590
7,875				30,895	112,460
2,000		5,500			84,209
785					3,648,759
122					14,076
		21,733			21,733
				3,805,000	3,805,000
<u>31,697</u>		<u>33,583</u>		<u>4,110,914</u>	<u>8,383,381</u>
			\$8,369,777		8,369,777
18,641					18,641
48,857	\$299				49,156
		425			330,283
					7,864
					534,557
					1,046,398
		94,030			94,030
					64,966
					235,034
		7,957			1,307,382
<u>67,498</u>	<u>299</u>	<u>102,412</u>	<u>8,369,777</u>		<u>12,058,088</u>
<u>\$99,195</u>	<u>\$299</u>	<u>\$135,995</u>	<u>\$8,369,777</u>	<u>\$4,110,914</u>	<u>\$20,441,469</u>

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
From local sources:		
Taxes	\$3,974,827	
Earnings on investments	205,521	
Other local revenues	18,554	\$94,367
Other revenues		210
Intergovernmental - State	1,068,947	44,179
Intergovernmental - Federal		191,669
	<hr/>	<hr/>
Total revenue	5,267,849	330,425
	<hr/>	<hr/>
Expenditures:		
Current:		
Instruction:		
Regular	2,438,076	180
Special	307,750	45,437
Other	4,253	
Support services:		
Pupil	250,032	58,380
Instructional staff	216,535	105,615
Board of education	39,222	
Administration	413,470	3,348
Fiscal	185,411	
Operations and maintenance	734,192	
Pupil transportation	204,229	
Central	5,000	6,233
Community services		
Extracurricular activities	118,329	88,772
Facilities acquisition and construction	83,756	
Debt service:		
Principal retirement		
Interest and fiscal charges		
	<hr/>	<hr/>
Total expenditures	5,000,255	307,965
	<hr/>	<hr/>
Excess of revenues over (under) expenditures	267,594	22,460
	<hr/>	<hr/>
Other financing sources (uses):		
Operating transfers in		88
Operating transfers out	(49,090)	
	<hr/>	<hr/>
Total other financing sources (uses)	(49,090)	88
	<hr/>	<hr/>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	218,504	22,548
Fund balances, July 1 (restated)	2,090,498	77,278
	<hr/>	<hr/>
Fund balances, June 30	\$2,309,002	\$99,826
	<hr/> <hr/>	<hr/> <hr/>

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$535,376	\$83,810		\$4,594,013
3,243			208,764
		\$5,136	118,057
			210
63,010	31,735		1,207,871
			191,669
<u>601,629</u>	<u>115,545</u>	<u>5,136</u>	<u>6,320,584</u>
			2,438,256
			353,187
			4,253
	5,461		313,873
			322,150
			39,222
			416,818
11,227	2,392		199,030
	16,370		734,192
			220,599
			11,233
		6,889	6,889
			207,101
	202,026		285,782
135,000			135,000
210,263			210,263
<u>356,490</u>	<u>226,249</u>	<u>6,889</u>	<u>5,897,848</u>
<u>245,139</u>	<u>(110,704)</u>	<u>(1,753)</u>	<u>422,736</u>
			88
			(49,090)
			(49,002)
245,139	(110,704)	(1,753)	373,734
871,981	102,858	10,135	3,152,750
<u>\$1,117,120</u>	<u>(\$7,846)</u>	<u>\$8,382</u>	<u>\$3,526,484</u>

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,2000**

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
From local sources:			
Taxes	\$4,075,300	\$4,128,328	\$53,028
Earnings on investments	202,545	205,181	2,636
Other local revenues	9,397	9,519	122
Other revenue			
Intergovernmental - State	1,055,217	1,068,948	13,731
Intergovernmental - Federal			
Total revenues	5,342,459	5,411,976	69,517
Expenditures:			
Current:			
Instruction:			
Regular	2,532,604	2,513,357	19,247
Special	316,669	287,421	29,248
Other	9,000	4,253	4,747
Support services:			
Pupil	255,473	247,546	7,927
Instructional staff	278,209	234,948	43,261
Board of Education	58,055	48,319	9,736
Administration	447,754	424,980	22,774
Fiscal	220,621	189,333	31,288
Operations and maintenance	853,607	799,002	54,605
Pupil transportation	251,854	234,188	17,666
Central	5,000	5,000	
Extracurricular activities	149,600	118,354	31,246
Facilities acquisition and construction	166,002	163,030	2,972
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	5,544,448	5,269,731	274,717
Excess of revenues over (under) expenditures	(201,989)	142,245	344,234
Other financing sources (uses):			
Refund of prior year's expenditures	8,515	8,626	111
Operating transfers in			
Operating transfers (out)	(200,000)	(49,090)	150,910
Advances in	50,839	51,501	662
Advances (out)	(100,000)	(84,209)	15,791
Total other financing sources (uses)	(240,646)	(73,172)	167,474
Excess of revenues and other sources over (under) expenditures and other (uses)	(442,635)	69,073	511,708
Fund balances, July 1	1,703,741	1,703,741	
Prior year encumbrances appropriated	160,301	160,301	
Fund balances, June 30	\$1,421,407	\$1,933,115	\$511,708

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$556,326	\$556,616	\$290
			3,241	3,243	2
\$80,055	\$93,926	\$13,871			
180	211	31			
37,656	44,180	6,524	62,977	63,010	33
176,674	207,287	30,613			
<u>294,565</u>	<u>345,604</u>	<u>51,039</u>	<u>622,544</u>	<u>622,869</u>	<u>325</u>
182	180	2			
45,451	45,451				
64,215	58,835	5,380			
146,612	102,093	44,519			
3,700	3,348	352	12,000	11,227	773
12,977	6,309	6,668			
107,490	99,656	7,834			
			135,000	135,000	
			235,000	210,263	24,737
<u>380,627</u>	<u>315,872</u>	<u>64,755</u>	<u>382,000</u>	<u>356,490</u>	<u>25,510</u>
<u>(86,062)</u>	<u>29,732</u>	<u>115,794</u>	<u>240,544</u>	<u>266,379</u>	<u>25,835</u>
256	300	44			
75	88	13			
<u>(51,501)</u>	<u>(51,501)</u>				
<u>(51,170)</u>	<u>(51,113)</u>	<u>57</u>			
(137,232)	(21,381)	115,851	240,544	266,379	25,835
35,455	35,455		780,019	780,019	
74,513	74,513				
<u>(\$27,264)</u>	<u>\$88,587</u>	<u>\$115,851</u>	<u>\$1,020,563</u>	<u>\$1,046,398</u>	<u>\$25,835</u>

(Continued)

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,2000
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
From local sources:			
Taxes	\$86,549	\$86,945	\$396
Earnings on investments			
Other local revenues			
Other revenue			
Intergovernmental - State	31,591	31,735	144
Intergovernmental - Federal			
Total revenues	<u>118,140</u>	<u>118,680</u>	<u>540</u>
Expenditures:			
Current:			
Instruction:			
Regular	2		2
Special			
Other			
Support services:			
Pupil	5,462	5,462	
Instructional staff			
Board of Education			
Administration			
Fiscal	3,000	2,390	610
Operations and maintenance			
Pupil transportation	16,369	16,369	
Central			
Extracurricular activities			
Facilities acquisition and construction	256,242	254,152	2,090
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>281,075</u>	<u>278,373</u>	<u>2,702</u>
Excess of revenues over (under) expenditures	<u>(162,935)</u>	<u>(159,693)</u>	<u>3,242</u>
Other financing sources (uses):			
Refund of prior year's expenditures			
Operating transfers in			
Operating transfers (out)			
Advances in	76,360	76,709	349
Advances (out)			
Total other financing sources (uses)	<u>76,360</u>	<u>76,709</u>	<u>349</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(86,575)	(82,984)	3,591
Fund balances, July 1	16,092	16,092	
Prior year encumbrances appropriated	<u>78,073</u>	<u>78,073</u>	
Fund balances, June 30	<u><u>\$7,590</u></u>	<u><u>\$11,181</u></u>	<u><u>\$3,591</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Total (Memorandum only)

Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$4,718,175	\$4,771,889	\$53,714
205,786	208,424	2,638
89,452	103,445	13,993
180	211	31
1,187,441	1,207,873	20,432
176,674	207,287	30,613
6,377,708	6,499,129	121,421
2,532,788	2,513,537	19,251
362,120	332,872	29,248
9,000	4,253	4,747
325,150	311,843	13,307
424,821	337,041	87,780
58,055	48,319	9,736
451,454	428,328	23,126
235,621	202,950	32,671
853,607	799,002	54,605
268,223	250,557	17,666
17,977	11,309	6,668
257,090	218,010	39,080
422,244	417,182	5,062
135,000	135,000	
235,000	210,263	24,737
6,588,150	6,220,466	367,684
(210,442)	278,663	489,105
8,771	8,926	155
75	88	13
(200,000)	(49,090)	150,910
127,199	128,210	1,011
(151,501)	(135,710)	15,791
(215,456)	(47,576)	167,880
(425,898)	231,087	656,985
2,535,307	2,535,307	
312,887	312,887	
\$2,422,296	\$3,079,281	\$656,985

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	\$32,915			\$32,915
Sales/charges for services	139,158	\$13,324		152,482
Interest revenue			\$4,574	4,574
Total operating revenues	<u>172,073</u>	<u>13,324</u>	<u>4,574</u>	<u>189,971</u>
Operating expenses:				
Personal services	130,050			130,050
Contract services	8,068	13,311		21,379
Materials and supplies	114,983			114,983
Depreciation	4,390			4,390
Other operating expenses	192		7,100	7,292
Total operating expenses	<u>257,683</u>	<u>13,311</u>	<u>7,100</u>	<u>278,094</u>
Operating income (loss)	<u>(85,610)</u>	<u>13</u>	<u>(2,526)</u>	<u>(88,123)</u>
Nonoperating revenues:				
Operating grants	39,919			39,919
Federal commodities	4,902			4,902
Other nonoperating revenues	3	100		103
Total nonoperating revenues	<u>44,824</u>	<u>100</u>		<u>44,924</u>
Net income (loss) before operating transfers	(40,786)	113	(2,526)	(43,199)
Operating transfers in	49,002			49,002
Net income (loss)	8,216	113	(2,526)	5,803
Retained earnings/fund balance, July 1	40,641	186	96,556	137,383
Retained earnings/fund balance, June 30	<u>\$48,857</u>	<u>\$299</u>	<u>\$94,030</u>	<u>\$143,186</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from tuition and fees	\$33,776	\$13,324		\$47,100
Cash received from sales/service charges	139,158			139,158
Cash payments for personal services	(133,942)			(133,942)
Cash payments for contract services	(8,215)	(13,311)		(21,526)
Cash payments for materials and supplies	(112,031)			(112,031)
Cash payments for other expenses	(192)		(\$8,100)	(8,292)
Net cash provided (used) by operating activities	(81,446)	13	(8,100)	(89,533)
Cash flows from noncapital financing activities:				
Cash received from operating grants	43,872			43,872
Cash received from interfund loans	2,000			2,000
Transfers in from other funds	49,002			49,002
Cash received from other noncapital financing activities	3	100		103
Net cash provided (used) by noncapital financing activities	94,877	100		94,977
Cash flows from investing activities:				
Interest received			4,487	4,487
Net increase (decrease) in cash and cash equivalents	13,431	113	(3,613)	9,931
Cash and cash equivalents at beginning of year	23,364	186	27,135	50,685
Cash and cash equivalents at end of year	\$36,795	\$299	\$23,522	\$60,616

(Continued)

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$85,610)	\$13	(\$2,526)	(\$88,123)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	4,390			4,390
Federal donated commodities	4,902			4,902
Interest reported as operating income			(4,574)	(4,574)
Changes in assets and liabilities:				
Increase in materials and supplies inventory	(924)			(924)
Decrease in accounts receivable	861			861
Decrease in accounts payable	(1,447)		(1,000)	(2,447)
Decrease in accrued wages and benefits	(1,457)			(1,457)
Decrease in compensated absences payable	(1,833)			(1,833)
Increase in due to other governments	122			122
Decrease in pension obligation payable	(602)			(602)
Increase in deferred revenue	152			152
Net cash provided (used) by operating activities	<u>(\$81,446)</u>	<u>\$13</u>	<u>(\$8,100)</u>	<u>(\$89,533)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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1. DESCRIPTION OF THE SCHOOL DISTRICT

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 one elementary school, one middle school and one comprehensive high school. The District employs 29 non-certified and 52 certified (including administrative) full-time and part-time employees to provide services to approximately 629 students in grades K through 12 and various community groups. The District ranks 586th of the 660 public and community school districts in Ohio and is the fourth largest of the seven districts in Ottawa County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity." When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

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Jointly Governed Organizations

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. During fiscal year 2000, the District paid \$11,675 in assessments to the consortium. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

EHOVE Joint Vocational School

This vocational school district 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 school 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.

Public Entity Risk Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

The San-Ott School Employees Welfare Benefit Association

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Council 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.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability

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for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

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3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a nonexpendable trust fund, an expendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in the same manner as proprietary funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund are determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes (to the extent they are intended to finance the current fiscal year), interest, intergovernmental grants (to the extent they are intended to finance the current fiscal year) and accounts (student fees and tuition). Current property taxes and delinquent property taxes

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measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed 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.
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 is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

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4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (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 and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions 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 departments/functions and 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. Supplemental appropriations were legally enacted by the Board during fiscal year 2000, however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the enterprise funds at fiscal year end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

During fiscal year 2000, investments were limited to Federal Agency Securities, nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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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 share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$205,521, which includes \$76,536 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	15-20

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when

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measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

Reimbursable Grants

Proprietary Funds

National School Lunch Program

National School Milk Program

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development

Raising the Bar Grant

Management Information Systems

Title VI-B

Title I

Title VI

Drug Free Grant

SchoolNet Professional Development

Ohio Reads

Safe Schools Help line

Title VI-R

Capital Projects Funds

Permanent Improvement

Power Up

Proprietary Funds

Food Distribution Program

Grants and entitlements amounted to approximately 22% of the District's operating revenue during the fiscal year 2000.

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees

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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 age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age 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 the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned.

J. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligation is reported in the general long-term obligations account group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Balance Reserves/Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Designated fund balance is not legally restricted by State statute. Fund balances are reserved for encumbrances, budget stabilization, debt service, principal endowment, prepayments and tax revenue unavailable for appropriation. Fund balance is designated for budget stabilization to the extent that monies have been set-aside above the legal requirement (See Note 17). The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

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M. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable." The District had short-term interfund loans receivable and payable at June 30, 2000.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 17 for detail of statutory reserves.

O. Estimates

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

P. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, since prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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Q. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$146
 <u>Capital Projects Funds</u>	
Power Up	44,819

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the Title I fund is a result of accruing wage obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues not recognized at June 30.

The deficit fund balance in the Power Up fund is caused by the reporting of an "advance in" as a liability rather than as an "other financing source." This deficit will be eliminated as resources are provided for the repayment of the interfund loan.

B. Agency Fund

The following are accruals for agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>Assets</u>	
Accounts receivable	\$840
 <u>Liabilities</u>	
Accounts payable	\$4,508

4. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents" and "Investments." Statutes require the classification of monies held by the District into three categories:

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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 the Board of Education has identified as not required for use within the current two 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 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 accounts, including passbook accounts.

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.

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

- 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 or interest by the United States;
- 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;
- 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio);
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on hand: At fiscal year end, the District had \$1,670 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

Cash with fiscal agent: The District had \$1,749 in cash held by the Erie-Ottawa-Huron Educational Service Center which is included on the combined balance sheet as "Cash with Fiscal Agent." The money is held in a pooled amount which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$243,765 and the bank balance, including non-negotiable certificates of deposit, was \$314,672. Of the bank balance:

1. \$158,845 was covered by federal depository insurance.
2. \$155,827 was covered by collateral held by a qualified third party trustee in the name of the District. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the District's name. Investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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	<u>Category 2</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Federal Agency Securities	\$74,508	\$74,508	\$74,508
Investment in STAR Ohio		3,294,925	3,294,925
Total	<u>\$74,508</u>	<u>\$3,369,433</u>	<u>\$3,369,433</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$3,542,109	\$74,508
Investments of the cash management pool:		
Investment in STAR Ohio	(3,294,925)	3,294,925
Cash with fiscal agent	(1,749)	
Cash on hand	(1,670)	
GASB Statement No. 3	<u>\$243,765</u>	<u>\$3,369,433</u>

5. INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		49,090
Special Revenue Funds:		
Miscellaneous State Grants	\$88	
Enterprise Funds:		
Food Service	27,000	
Adult Education	22,002	
Totals	<u>\$49,090</u>	<u>\$49,090</u>

B. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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	Interfund Receivable	Interfund Payable
General Fund	\$84,209	
Capital Projects Funds:		
Permanent Improvement		\$31,000
Power Up		45,709
Enterprise Funds:		
Adult Education		2,000
Agency Fund:		
Student Managed Activities		5,500
Totals	\$84,209	\$84,209

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$195,427,027. Agricultural/residential and public utility/minerals real estate represented 75.75% or \$148,039,750 of this total; Commercial & industrial real estate represented 15.5% or \$30,303,820 of this total, public utility tangible represented 4.88% or \$9,536,100 of this total and general tangible property represented 3.87% or \$7,547,357 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$43.40 per \$1,000.00 of assessed valuation for operations, \$3.10 per \$1,000.00 of assessed valuation for debt service and \$2.00 per \$1,000.00 of assessed valuation for permanent improvements.

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.

The District receives property taxes from Ottawa County. The County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances)

**DANBURY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$534,577 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, accrued interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. 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 fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund:	
Taxes - Current and Delinquent	\$3,606,337
Accrued interest	5,931
Debt Service Fund:	
Taxes - Current and Delinquent	511,073
Capital Projects Fund:	
Taxes - Current and Delinquent	65,121

8. FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance at 7/1/99	Increase	Decrease	Balance at 6/30/00
Land / improvements	\$462,730	\$75,141		\$537,871
Buildings / improvements	6,658,497	8,897		6,667,394
Furniture / equipment	693,509	127,510		821,019
Vehicles	350,056	59,769	66,332	343,493
Total General Fixed Assets	\$8,164,792	\$271,317	\$66,332	\$8,369,777

There was no significant construction in progress at June 30, 2000.

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$109,861
Less: accumulated depreciation	50,853
Net fixed assets	\$59,008

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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9. CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2000 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 1999	\$18,641
Current contributions	
Contributed capital, June 30, 2000	<u>\$18,641</u>

10. LONG-TERM OBLIGATIONS

- A. All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 3.1 mill bonded debt tax levy.

The following is a description of the District's bonds outstanding as of June 30, 2000:

Purpose	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding 7/1/99	Retired in Fiscal 2000	Bonds Outstanding 6/30/00
School Improvement Bond	5.48%	7/01/93	12/01/16	<u>\$3,940,000</u>	<u>\$135,000</u>	<u>\$3,805,000</u>

- B. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30	Principal on Bonds	Interest on Bonds	Total
2001	\$145,000	\$202,420	\$347,420
2002	150,000	195,928	345,928
2003	160,000	188,833	348,833
2004	165,000	181,111	346,111
2005	175,000	172,735	347,735
2006-2010	1,025,000	709,562	1,734,562
2011-2015	1,340,000	379,681	1,719,681
2016-2017	645,000	36,866	681,866
Total	<u>\$3,805,000</u>	<u>\$2,067,136</u>	<u>\$5,872,136</u>

- C. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation payable will be paid from the fund in which the employee was paid.

**DANBURY LOCAL SCHOOL DISTRICT
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	Balance at 7/1/99	Increase	Decrease	Balance at 6/30/00
Compensated absences	\$236,294	\$38,725		\$275,019
Pension obligation payable	29,059	30,895	29,059	30,895
Bonds payable	3,940,000		135,000	3,805,000
Total	<u>\$4,205,353</u>	<u>\$69,620</u>	<u>\$164,059</u>	<u>\$4,110,914</u>

D. 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 effects of these debt limitations at June 30, 2000 are a voted debt margin of \$10,635,698 (including available funds of \$1,117,120) and an unvoted debt margin of \$148,040.

11. 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 90% coinsured. The following is a description of the District's insurance coverage:

Coverage	Insurer	Limits of Coverage	Deductible
General liability:	Harcum-Hyre		
Each occurrence		\$1,000,000	\$0
Aggregate		\$5,000,000	\$0
Property	Utica Insurance Co.	\$13,322,784	\$1,000
Fleet:	Nationwide/Harcum-Hyre		
Comprehensive		\$1,000,000	\$1,000
Collision		\$1,000,000	\$1,000
Umbrella liability	Harcum-Hyre	\$2,000,000	\$0

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. OSBA Group Workers Compensation Rating Program

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings

**DANBURY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Group Health Insurance

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit 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 \$100,000 and aggregate claims in excess of 120 percent of expected claims. Employee deductibles are paid by the District through Mutual Health Services.

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$139,158	\$19,672	\$13,243	\$172,073
Operating expenses before depreciation	207,335	20,809	25,149	253,293
Depreciation	4,390			4,390
Operating loss	(72,567)	(1,137)	(11,906)	(85,610)
Operating grants	39,919			39,919
Federal commodities	4,902			4,902
Net income (loss)	(746)	(1,137)	10,099	8,216
Net working capital	(5,755)	11,779	9,139	15,163
Total assets	71,858	13,801	13,536	99,195
Total liabilities	23,656	2,022	6,019	31,697
Contributed capital	18,641			18,641
Total equity	48,202	11,779	7,517	67,498
Encumbrances at June 30, 2000	6,498	13,471	495	20,464

**DANBURY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$114,957, \$104,364, and \$97,879, respectively; 58 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$48,762, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$414,927, \$377,610, and \$360,986, respectively; 86 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$59,696, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**DANBURY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The District's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$237,101 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$74,541 during the 2000 fiscal year.

**DANBURY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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15. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$69,073	(\$21,381)	\$266,379	(\$82,984)
Net adjustment for revenue accruals	(144,127)	(15,179)	(21,240)	(3,135)
Net adjustment for expenditure accruals	(30,398)	(3,053)		460
Net adjustment for other financing sources/(uses)	24,082	51,201		(76,709)
Encumbrances (budget basis)	299,874	10,960		51,664
GAAP Basis	\$218,504	\$22,548	\$245,139	(\$110,704)

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is not currently a party to any legal proceedings.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$625,831 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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, 2000, the reserve activity was as follows:

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1999			\$64,458
Current year set-aside requirement	\$119,091	119,091	
Current year set-aside required for workers' compensation refund			508
Current year offsets		(74,184)	
Qualifying disbursements	<u>(119,103)</u>	<u>(74,856)</u>	
Total	<u>(\$12)</u>	<u>(\$29,949)</u>	<u>\$64,966</u>
Carried Forward to FY 2001	<u>(\$12)</u>		<u>\$64,966</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years except for textbooks. Therefore, only the textbook negative amount is presented as carried forward to the next fiscal year.

The District has elected to set-aside \$235,034 in excess of the statutory requirement for budget stabilization. This amount is reported as designated fund balance on the combined balance sheet.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$64,966</u>
Total Restricted Assets	<u>\$64,966</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Danbury Local School District
Ottawa County
9451 East Harbor Road
Lakeside Marblehead, Ohio 43440-1300

To the Board of Education:

We have audited the financial statements of Danbury Local School District, Ottawa County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 18, 2001.

Danbury Local School District
Ottawa County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
FEBRUARY 13, 2001**