

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

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2019***



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Board of Education
Danbury Local School District
9451 East 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, 2018 through June 30, 2019. 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

Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2020

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Danbury Local School District
Ottawa County
9451 E. Harbor Road
Lakeside-Marblehead, OH 43440

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Danbury Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Danbury Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Danbury Local School District, Ottawa County, Ohio, as of June 30, 2019, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matter

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019, on our consideration of the Danbury Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Danbury Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 11, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 year ended June 30, 2019, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- The total net position of the District decreased \$139,934 or 3.85% from fiscal year 2018.
- General receipts accounted for \$11,067,411 or 87.93% of total governmental activities receipts. Program specific receipts accounted for \$1,519,547 or 12.07% of total governmental activities receipts.
- The District had \$12,726,892 in disbursements related to governmental activities; \$1,519,547 of these disbursements were offset by program specific charges for services, grants or contributions.
- The District's major funds are the general fund and permanent improvement fund. The general fund had receipts of \$11,280,289 in fiscal year 2019. The disbursements and other financing uses of the general fund totaled \$11,540,364 in fiscal year 2019. The general fund's cash balance decreased \$260,075 or 8.01% from 2018 to 2019.
- The permanent improvement fund had receipts of \$625,530 and cash disbursements of \$519,572 in fiscal year 2019. The permanent improvement fund's cash balance increased \$105,958 from \$309,029 in fiscal year 2018 to \$414,987 in fiscal year 2019.

Using the Basic Financial Statements (BFS)

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis 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, there are two major governmental funds which are the general fund, and the permanent improvement fund.

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2019?" These statements include *only net cash* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net position and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis 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, mandated federal and state programs and other factors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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 funds are the general fund and permanent improvement 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 the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position cash basis and changes in fiduciary net position cash basis. 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, 2019**

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

	Net Position	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 3,491,445	\$ 3,631,379
Total assets	<u>3,491,445</u>	<u>3,631,379</u>
<u>Net Position</u>		
Restricted	510,294	386,426
Unrestricted	<u>2,981,151</u>	<u>3,244,953</u>
Total net position	<u>\$ 3,491,445</u>	<u>\$ 3,631,379</u>

The total net position of the District decreased \$139,934 which represents an 3.85% decrease from fiscal year 2018. The balance of government-wide unrestricted net position of \$2,981,151 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table that follows shows the changes in net position for fiscal year 2019 and 2018.

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2019</u>	<u>2018</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 998,357	\$ 948,117
Operating grants and contributions	<u>521,190</u>	<u>448,340</u>
Total program receipts	<u>1,519,547</u>	<u>1,396,457</u>
General receipts:		
Property and other taxes	9,263,811	9,183,569
Unrestricted grants:		
Operating	1,686,406	1,649,334
Investment earnings	90,650	59,004
Other	<u>26,544</u>	<u>36,367</u>
Total general receipts	<u>11,067,411</u>	<u>10,928,274</u>
Total receipts	<u>\$ 12,586,958</u>	<u>\$ 12,324,731</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Change in Net Position (Continued)

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
Disbursements:		
Instruction:		
Regular	\$ 4,491,043	\$ 4,400,058
Special	1,379,022	1,313,057
Adult	-	82
Other	37,670	38,394
Support services:		
Pupil	618,905	628,908
Instructional staff	234,772	215,764
Board of education	177,450	177,800
Administration	858,358	815,333
Fiscal	493,201	474,539
Operations and maintenance	1,067,400	932,296
Pupil transportation	511,000	440,652
Central	51,049	36,836
Operation of non instructional services	141,514	107,416
Food service operations	367,976	363,930
Extracurricular	428,887	447,063
Facilities acquisition and construction	1,483,028	2,562,292
Debt service:		
Principal retirement	355,000	345,000
Interest and fiscal charges	<u>30,617</u>	<u>37,974</u>
Total disbursements	<u>12,726,892</u>	<u>13,337,394</u>
Change in net position	(139,934)	(1,012,663)
Net position at beginning of year	<u>3,631,379</u>	<u>4,644,042</u>
Net position at end of year	<u>\$ 3,491,445</u>	<u>\$ 3,631,379</u>

Governmental Activities

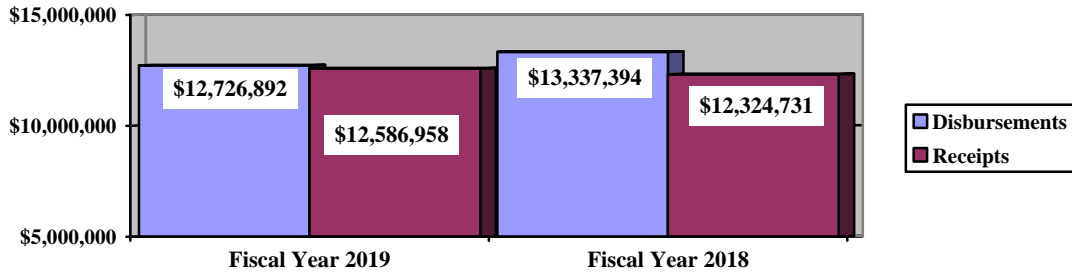
Governmental net position decreased by \$139,934 in fiscal year 2019 from fiscal year 2018. Total governmental disbursements of \$12,726,892 were offset by program receipts of \$1,519,547 and general receipts of \$11,067,411. Program receipts supported 11.94% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 87.00% of total governmental receipts. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Governmental Activities - Total Receipts vs. Total Disbursements



Governmental Activities

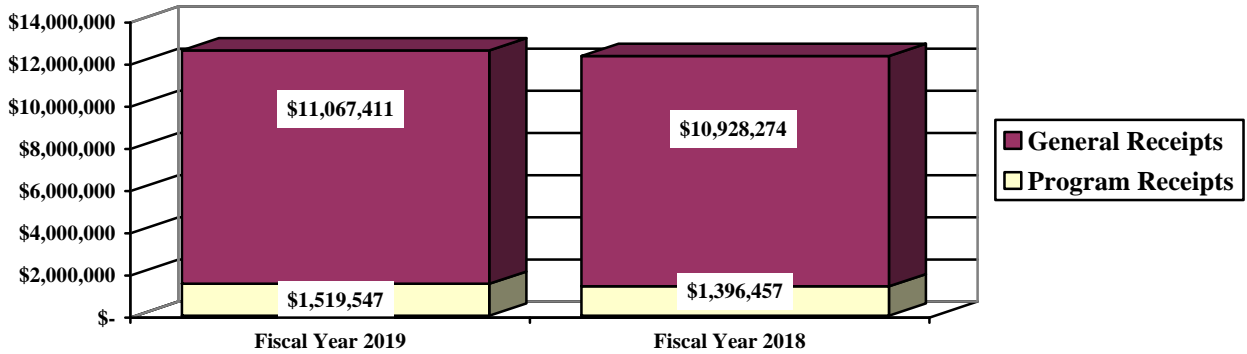
	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
Disbursements:				
Instruction:				
Regular	\$ 4,491,043	\$ 3,630,360	\$ 4,400,058	\$ 3,634,990
Special	1,379,022	1,099,478	1,313,057	1,069,384
Adult	-	(390)	82	(308)
Other	37,670	23,518	38,394	15,888
Support services:				
Pupil	618,905	615,086	628,908	611,515
Instructional staff	234,772	202,604	215,764	190,190
Board of education	177,450	177,450	177,800	177,800
Administration	858,358	858,358	815,333	815,333
Fiscal	493,201	493,201	474,539	474,539
Operations and maintenance	1,067,400	1,066,050	932,296	926,246
Pupil transportation	511,000	501,647	440,652	431,867
Central	51,049	51,049	36,836	36,836
Operation of non instructional services	141,514	141,514	107,416	107,416
Food service operations	367,976	163,745	363,930	155,147
Extracurricular	428,887	315,030	447,063	348,828
Facilities acquisition and construction	1,483,028	1,483,028	2,562,292	2,562,292
Debt service:				
Principal retirement	355,000	355,000	345,000	345,000
Interest and fiscal charges	<u>30,617</u>	<u>30,617</u>	<u>37,974</u>	<u>37,974</u>
Total	<u>\$ 12,726,892</u>	<u>\$ 11,207,345</u>	<u>\$ 13,337,394</u>	<u>\$ 11,940,937</u>

The dependence upon general cash receipts for governmental activities is apparent; with only 11.94% of cash disbursements supported through program cash receipts during fiscal year 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Governmental Activities - General and Program Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund balance of \$3,491,445, which is \$139,934 lower than last year's total of \$3,631,379. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and June 30, 2018, for all major and nonmajor governmental funds.

	Fund Balance <u>June 30, 2019</u>	Fund Balance <u>June 30, 2018</u>	<u>Change</u>
General	\$ 2,984,878	\$ 3,244,953	\$ (260,075)
Permanent Improvement	414,987	309,029	105,958
Other nonmajor governmental funds	<u>91,580</u>	<u>77,397</u>	<u>14,183</u>
Total	<u>\$ 3,491,445</u>	<u>\$ 3,631,379</u>	<u>\$ (139,934)</u>

General Fund

The general fund had receipts of \$11,280,289 in fiscal year 2019. The disbursements and other financing uses of the general fund totaled \$11,540,364 in fiscal year 2019. The general fund's balance decreased \$260,075 or 8.01% from fiscal year 2018 to fiscal year 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The table that follows assists in illustrating the receipts of the general fund.

	2019 <u>Amount</u>	2018 <u>Amount</u>	Percentage <u>Change</u>
<u>Receipts:</u>			
Taxes	\$ 8,645,489	\$ 8,537,217	1.27 %
Tuition	780,506	720,769	8.29 %
Earnings on investments	90,650	59,004	53.63 %
Extracurricular	12,294	12,565	(2.16) %
Other local revenues	39,992	57,486	(30.43) %
Intergovernmental	<u>1,711,358</u>	<u>1,678,966</u>	1.93 %
Total	<u>\$ 11,280,289</u>	<u>\$ 11,066,007</u>	1.94 %

Overall, general fund receipts remained consistent with prior year, with an increase of 1.94%. The increase in earnings on investments of \$31,646 is due to the District investing more of its funds. The increase in tuition revenues of 8.29% was due to an increase in open enrollment. Other local revenues decreased by \$17,494 primarily due to a decrease in rental income and miscellaneous receipts. All other receipts remained consistent with the prior year.

The table that follows assists in illustrating the expenditures of the general fund.

	2019 <u>Amount</u>	2018 <u>Amount</u>	Percentage <u>Change</u>
<u>Disbursements:</u>			
Instruction	\$ 5,563,897	\$ 5,501,275	1.14 %
Support services	3,850,149	3,610,641	6.63 %
Operation of non instruction	141,514	107,416	31.74 %
Extracurricular	337,776	362,517	(6.82) %
Facilities acquisition and construction	<u>1,483,028</u>	<u>2,527,834</u>	(41.33) %
Total	<u>\$ 11,376,364</u>	<u>\$ 12,109,683</u>	(6.06) %

The decrease in facilities acquisition and construction expenditures of \$1,044,806 was due to a large nonrecurring expenditure on various capital improvements that took place in fiscal year 2018.

Permanent Improvement Fund

The permanent improvement fund had \$625,530 in receipts and \$519,572 in disbursements. During fiscal year 2019, the permanent improvement fund's balance increased \$105,958 from \$309,029 to \$414,987.

Budgeting Highlights - General Fund

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

For the general fund, final budgetary basis receipts and other financing sources of \$11,210,720 were \$170,481 higher than original budget estimates and other financing sources of \$11,040,239. Actual receipts and other financing sources of \$11,219,316 were higher than final budget estimates and other financing sources by \$8,596.

The final budgetary basis disbursements and other financing uses of \$12,097,814 were \$1,142,879 lower than original budgetary basis disbursements and other financing uses of \$13,240,693. The actual budgetary basis disbursements and other financing uses of \$12,079,221 were \$18,593 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$1,483,028 during fiscal year 2019.

Debt Administration

At June 30, 2019, the District had \$1,325,931 long term debt outstanding at June 30, 2019. Of this total \$360,000 is due within one year and \$965,931 is due in more than one year. The following table summarizes the obligations outstanding.

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
Energy Conservation Improvement Bonds	\$ 430,931	\$ 500,931
Tax anticipation notes	<u>895,000</u>	<u>1,180,000</u>
Total long-term obligations	<u>\$ 1,325,931</u>	<u>\$ 1,680,931</u>

Refer to Note 7 to the basic financial statements for further detail.

Current Financial Related Activities

The District is heavily dependent on general property tax (residential real estate) and is currently at the 20-mil floor. The District realized a 10.90% residential property valuation growth for the revaluation tax year 2018 and 1.40% of new residential construction growth.

The District anticipates a continued lowering of the level of “guarantee” foundation per pupil funding from the State of Ohio.

Resident student enrollment for the District is slightly declining but being supplemented by open enrollment. Much of the new construction and development within the District is not primary family dwellings but instead vacation homes. Development of the interior of the peninsula is somewhat restricted while the quarry operations are still active. Affordable housing and year-round full-time employment opportunities in the area continue to have a significant effect on the District’s enrollment.

The District remains the single largest full-time employer within the District and pays a competitive wage. Staffing levels have been reduced and will continue to be reduced through attrition in an attempt to “right size” the District, considering enrollment and reductions in some revenue sources. The percentage increases related to health care costs continue to outpace any and all percentage increases to all lines of District revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

For fiscal year 2019 the District experienced low staff turnover, lowering severance obligation pay outs and staffing differential gains in personnel expenditures.

Purchased service expenditures for fiscal year 2019 includes increased payments to community schools, special needs scholarship students, college credit plus payments and excess cost for special needs open enrolled out students.

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. Many of these needs are funded from the General Fund in fiscal year 2018 and fiscal year 2019.

Fiscal year 2019 capital improvements included the completion of the development of the District's west campus and stadium 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.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019

	Governmental Activities
Assets	
Equity in pooled cash and investments.	\$ 3,491,445
 Total assets.	 \$ 3,491,445
 Net position	
Restricted for:	
Capital projects.	\$ 414,987
State funded programs.	2,514
Federally funded programs	2,580
Student activities.	88,848
Other purposes	1,365
Unrestricted	2,981,151
Total net position	\$ 3,491,445

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Current:				
Instruction:				
Regular	\$ 4,491,043	\$ 806,098	\$ 54,585	\$ (3,630,360)
Special	1,379,022	-	279,544	(1,099,478)
Adult/continuing.	-	-	390	390
Other	37,670	-	14,152	(23,518)
Support services:				
Pupil.	618,905	-	3,819	(615,086)
Instructional staff	234,772	-	32,168	(202,604)
Board of education	177,450	-	-	(177,450)
Administration.	858,358	-	-	(858,358)
Fiscal.	493,201	-	-	(493,201)
Operations and maintenance	1,067,400	150	1,200	(1,066,050)
Pupil transportation	511,000	-	9,353	(501,647)
Central	51,049	-	-	(51,049)
Operation of non-instructional Services:				
Other non-instructional services . .	141,514	-	-	(141,514)
Food service operations	367,976	111,430	92,801	(163,745)
Extracurricular activities.	428,887	80,679	33,178	(315,030)
Facilities acquisition and construction .	1,483,028	-	-	(1,483,028)
Debt service:				
Principal retirement	355,000	-	-	(355,000)
Interest and fiscal charges	30,617	-	-	(30,617)
Total	\$ 12,726,892	\$ 998,357	\$ 521,190	(11,207,345)
General Receipts:				
Property taxes levied for:				
General purposes				8,645,489
Capital outlay.				618,322
Grants and entitlements not restricted to specific programs				1,686,406
Investment earnings.				90,650
Miscellaneous				26,544
Total general receipts				11,067,411
Change in net position				(139,934)
Net position beginning of year				3,631,379
Net position end of year				\$ 3,491,445

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 2,984,878	\$ 414,987	\$ 91,580	\$ 3,491,445
Total assets	<u>\$ 2,984,878</u>	<u>\$ 414,987</u>	<u>\$ 91,580</u>	<u>\$ 3,491,445</u>
Fund Balances:				
Restricted:				
Capital improvements	\$ -	\$ 414,987	\$ -	\$ 414,987
Food service operations	-	-	1,365	1,365
Special education	-	-	2,580	2,580
Extracurricular.	-	-	88,848	88,848
Other purposes.	-	-	2,514	2,514
Assigned:				
Student instruction	68,204	-	-	68,204
Student and staff support.	218,058	-	-	218,058
Facilities acquisition and construction . . .	317,853	-	-	317,853
Other purposes	2,689	-	-	2,689
Unassigned (deficit)	2,378,074	-	(3,727)	2,374,347
Total fund balances	<u>\$ 2,984,878</u>	<u>\$ 414,987</u>	<u>\$ 91,580</u>	<u>\$ 3,491,445</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
From local sources:				
Property taxes	\$ 8,645,489	\$ 618,322	\$ -	\$ 9,263,811
Tuition	780,506	-	-	780,506
Earnings on investments	90,650	-	-	90,650
Charges for services	-	-	111,430	111,430
Extracurricular.	12,294	-	80,679	92,973
Classroom materials and fees.	13,298	-	-	13,298
Rental income.	150	-	-	150
Contributions and donations	13,044	-	33,047	46,091
Other local revenues	13,500	-	2,032	15,532
Intergovernmental - state	1,627,628	7,208	10,419	1,645,255
Intergovernmental - federal	83,730	-	443,532	527,262
Total receipts	<u>11,280,289</u>	<u>625,530</u>	<u>681,139</u>	<u>12,586,958</u>
Disbursements:				
Current:				
Instruction:				
Regular.	4,429,738	6,720	54,585	4,491,043
Special	1,111,584	-	267,438	1,379,022
Other	22,575	-	15,095	37,670
Support services:				
Pupil	616,999	-	1,906	618,905
Instructional staff	202,526	-	32,246	234,772
Board of education	177,450	-	-	177,450
Administration	858,358	-	-	858,358
Fiscal	480,569	12,632	-	493,201
Operations and maintenance	1,066,801	-	599	1,067,400
Pupil transportation	396,397	114,603	-	511,000
Central	51,049	-	-	51,049
Operation of non-instructional services:				
Other operation of non-instructional	141,514	-	-	141,514
Food service operations.	-	-	367,976	367,976
Extracurricular activities	337,776	-	91,111	428,887
Facilities acquisition and construction	1,483,028	-	-	1,483,028
Debt service:				
Principal retirement.	-	355,000	-	355,000
Interest and fiscal charges	-	30,617	-	30,617
Total disbursements	<u>11,376,364</u>	<u>519,572</u>	<u>830,956</u>	<u>12,726,892</u>
Excess (deficiency) of receipts over (under) disbursements.	<u>(96,075)</u>	<u>105,958</u>	<u>(149,817)</u>	<u>(139,934)</u>
Other financing sources (uses):				
Transfers in.	-	-	164,000	164,000
Transfers (out)	(164,000)	-	-	(164,000)
Total other financing sources (uses)	<u>(164,000)</u>	<u>-</u>	<u>164,000</u>	<u>-</u>
Net change in fund balances	(260,075)	105,958	14,183	(139,934)
Fund balances beginning of year.	<u>3,244,953</u>	<u>309,029</u>	<u>77,397</u>	<u>3,631,379</u>
Fund balances end of year	<u>\$ 2,984,878</u>	<u>\$ 414,987</u>	<u>\$ 91,580</u>	<u>\$ 3,491,445</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From local sources:				
Property taxes	\$ 8,537,215	\$ 8,668,387	\$ 8,645,489	\$ (22,898)
Tuition	695,631	706,550	719,653	13,103
Earnings on investments	59,004	60,379	90,650	30,271
Extracurricular	1,240	1,258	1,190	(68)
Classroom materials and fees	15,069	15,271	13,298	(1,973)
Rental income	5	5	-	(5)
Contributions and donations	4,027	4,042	1,012	(3,030)
Other local revenues	24,398	24,496	6,455	(18,041)
Intergovernmental - state	1,622,664	1,647,358	1,627,628	(19,730)
Intergovernmental - federal	56,303	57,573	83,730	26,157
Total receipts	<u>11,015,556</u>	<u>11,185,319</u>	<u>11,189,105</u>	<u>3,786</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,293,255	3,922,677	4,526,256	(603,579)
Special	1,139,666	1,041,296	1,169,312	(128,016)
Other	16,758	15,312	22,575	(7,263)
Support services:				
Pupil	577,658	527,797	614,114	(86,317)
Instructional staff	184,734	168,789	204,571	(35,782)
Board of education	202,172	184,721	198,746	(14,025)
Administration	794,403	725,834	863,416	(137,582)
Fiscal	455,031	415,755	485,973	(70,218)
Operations and maintenance	996,556	910,538	1,188,028	(277,490)
Pupil transportation	404,455	369,544	408,761	(39,217)
Central	37,276	34,058	75,813	(41,755)
Extracurricular activities	352,547	322,117	337,776	(15,659)
Facilities acquisition and construction	3,624,944	3,312,055	1,800,880	1,511,175
Total disbursements	<u>13,079,455</u>	<u>11,950,493</u>	<u>11,896,221</u>	<u>54,272</u>
Excess of disbursements over receipts	<u>(2,063,899)</u>	<u>(765,174)</u>	<u>(707,116)</u>	<u>58,058</u>
Other financing sources (uses):				
Refund of prior year's expenditures	21,426	22,144	30,211	8,067
Transfers (out)	(161,238)	(147,321)	(183,000)	(35,679)
Advances in	3,257	3,257	-	(3,257)
Total other financing sources (uses)	<u>(136,555)</u>	<u>(121,920)</u>	<u>(152,789)</u>	<u>(30,869)</u>
Net change in fund balance	(2,200,454)	(887,094)	(859,905)	27,189
Unencumbered fund balance beginning of year.	1,802,090	1,802,090	1,802,090	-
Prior year encumbrances appropriated	1,435,889	1,435,889	1,435,889	-
Unencumbered fund balance end of year	<u>\$ 1,037,525</u>	<u>\$ 2,350,885</u>	<u>\$ 2,378,074</u>	<u>\$ 27,189</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 43,990	\$ 32,498
Net position:		
Held in trust for scholarships	\$ 43,990	\$ -
Held in trust for student activities	-	32,498
Total net position	\$ 43,990	\$ 32,498

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 120
Gifts and contributions.	20,101
Total additions.	20,221
 Deductions:	
Scholarships awarded	29,794
Change in net position	(9,573)
Net position beginning of year.	53,563
Net position end of year	\$ 43,990

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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. With its 48 certified and 35 classified staff members, the District provides services to approximately 543 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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, food 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 2019, the District paid \$30,590 for services to NOECA. Financial information can be obtained from Matthew Bauer, Treasurer for the North Point Educational Service Center, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

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 CompManagement, 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 10.B. for more information on this group rating plan.

The San-Ott Insurance Consortium (the "Consortium")

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Consortium 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, Paul Lockwood, Treasurer, 301 Sunset Avenue, Gibsonburg, Ohio 43431.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency Inc., 246 East Sycamore Street, Columbus, Ohio 43205.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. 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. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Permanent Improvement fund - The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements to the District's premises.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 net position) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

D. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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.

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 2019 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.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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 July 1, 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 receipts 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 2019.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of disbursements, the District has elected to present the general fund budgetary statement comparison at the fund and function level. 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 disbursements 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, 2019. 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. 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 investments" on the basic financial statements.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

During fiscal year 2019, the District's investments consisted of STAR Ohio, Federal Home Loan Mortgage Corporation (FHLMC) securities, Negotiable certificates of deposits, and US Government money market accounts.

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$90,650, which includes \$13,369 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 and Prepaid Items

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

H. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

I. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

J. Long-Term Obligations

Long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

K. 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 2019.

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

M. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The amount restricted for other purposes includes amounts restricted for food service.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

N. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

O. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

B. Compliance

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

C. Deficit Cash Balance

Cash balances at June 30, 2019 included the following deficit cash balance:

<u>Nonmajor fund</u>	<u>Deficit</u>
Title I	\$ 3,727

This deficit cash balance resulted from a lag between disbursements made by the District and reimbursements from grantors and is allowable under Ohio Revised Code Section 3315.20. The general fund is liable for any deficit in this fund and provides transfers when cash is required.

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;

**DANBURY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
3. Written repurchase agreements in the securities listed above provided that the fair 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 fiscal year end, the District had \$218 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**DANBURY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was \$1,010,813 and the bank balance of all District deposits was \$1,061,304. Of the bank balance, \$250,495 was covered by the FDIC and \$810,809 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2019, certain District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS.

C. Investments

As of June 30, 2019, the District had the following investments and maturities:

Measurement/ Investment Type	Carrying Value	Investment Maturities		
		6 months or less	7 to 12 months	24 to 60 months
STAR Ohio	\$ 798,195	\$ 798,195	\$ -	\$ -
U.S. Government Mutual Fund	50,532	50,532	-	-
Negotiable CDs	659,000	-	494,000	165,000
FHLMC	1,049,175	-	-	1,049,175
Total	\$ 2,556,902	\$ 848,727	\$ 494,000	\$ 1,214,175

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: The District's investments in federal securities were rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. STAR Ohio and the U.S. Government mutual fund carry 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 rating service. The negotiable CD's are fully covered by the FDIC. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 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, 2019:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 798,195	31.22
U.S. Government mutual fund	50,532	1.98
Negotiable CD's	659,000	25.77
FHLMC	<u>1,049,175</u>	<u>41.03</u>
Total	<u>\$ 2,556,902</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,010,813
Investments	2,556,902
Cash on hand	<u>218</u>
Total	<u>\$ 3,567,933</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,491,445
Private-purpose trust	43,990
Agency fund	<u>32,498</u>
Total	<u>\$ 3,567,933</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers

Interfund transfers for the fiscal year ended June 30, 2019, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	<u>\$ 164,000</u>

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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.

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

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 property and public utility property. Real property tax receipts received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 receipts received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 426,512,730	97.59	\$ 474,500,720	97.75
Public utility personal	<u>10,519,170</u>	<u>2.41</u>	<u>10,939,420</u>	<u>2.25</u>
Total	<u>\$ 437,031,900</u>	<u>100.00</u>	<u>\$ 485,440,140</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$44.90		\$44.90	

**DANBURY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2019, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/18</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/19</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Energy conservation improvement bonds	\$ 500,931	\$ -	\$ (70,000)	\$ 430,931	\$ 70,000
Tax anticipation notes	<u>1,180,000</u>	<u>-</u>	<u>(285,000)</u>	<u>895,000</u>	<u>290,000</u>
Total long-term obligations, governmental activities	<u>\$ 1,680,931</u>	<u>\$ -</u>	<u>\$ (355,000)</u>	<u>\$ 1,325,931</u>	<u>\$ 360,000</u>

Energy Conservation Improvement Bonds - On February 10, 2010, the District issued Energy Conservation Improvement Bonds (Qualified School Construction Bonds), Series 2010 to provide long-term financing of installations, modifications and remodeling of school buildings to conserve energy. The \$1,005,931 issuance is made up of current interest bonds and bear interest at a rate of 1.65 percent annually. Principal and interest is paid from the Permanent Improvement Fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2024.

Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2019, are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 70,000	\$ 6,533	\$ 76,533
2021	70,000	5,378	75,378
2022	70,000	4,223	74,223
2023	70,000	3,068	73,068
2024	75,000	1,871	76,871
2025	<u>75,931</u>	<u>626</u>	<u>76,557</u>
Total	<u>\$ 430,931</u>	<u>\$ 21,699</u>	<u>\$ 452,630</u>

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, 2019, are a voted debt margin of \$43,689,613 and an unvoted debt margin of \$485,440.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - TAX ANTICIPATION NOTES

On August 28, 2014, the District issued \$2,000,000 in tax anticipation notes to fund capital expenditures. The notes will be repaid with future tax receipts. The notes have a 3.5% interest rate and a final maturity date of December 31, 2021. Principal and interest is paid from the Permanent Improvement Fund.

The following is a summary of the future tax anticipation notes outstanding:

Fiscal Year Ended June 30,	<u>2015 Tax Anticipation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 290,000	\$ 16,575	\$ 306,575
2021	300,000	10,055	310,055
2022	<u>305,000</u>	<u>3,370</u>	<u>308,370</u>
Total	<u>\$ 895,000</u>	<u>\$ 30,000</u>	<u>\$ 925,000</u>

NOTE 9 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 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 accumulate without limit for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 58 days for classified employees and 66 days for certified/teacher staff.

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**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - 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		\$ 3,000,000	\$ 0
Aggregate		5,000,000	0
Errors and Omissions			
Each occurrence		3,000,000	2,500
Aggregate		5,000,000	
Employee Practices			
Each occurrence		3,000,000	2,500
Aggregate		5,000,000	
Property	Ohio School Plan	36,498,784	1,000
Fleet: Nationwide/ Comprehensive	Ohio School Plan	2,000,000	1,000 buses/250 other
Collision		2,000,000	1,000 buses/500 other
Umbrella liability:	Ohio School Plan		
Each Accident		N/A	
Aggregate		N/A	

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 2019, 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.

Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. Comp Management provides administrative, cost control and actuarial services to the Plan.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - RISK MANAGEMENT - (Continued)

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 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$237,970 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$609,331 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04588180%	0.03661382%	
Proportion of the net pension liability current measurement date	<u>0.04881260%</u>	<u>0.03672061%</u>	
Change in proportionate share	<u>0.00293080%</u>	<u>0.00010679%</u>	
Proportionate share of the net pension liability	\$ 2,795,588	\$ 8,074,038	\$ 10,869,626

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation COLA or ad hoc COLA	3.50% to 18.20%
Investment rate of return	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Actuarial cost method	7.50% net of investments expense, including inflation Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,937,797	\$ 2,795,588	\$ 1,837,923

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 11,791,069	\$ 8,074,038	\$ 4,928,075

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$26,164.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$34,978 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.04668280%	0.03661382%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.04940220%</u>	<u>0.03672061%</u>	
Change in proportionate share	<u>0.00271940%</u>	<u>0.00010679%</u>	
Proportionate share of the net OPEB liability	\$ 1,370,550	\$ -	\$ 1,370,550
Proportionate share of the net OPEB asset	\$ -	\$ (590,063)	\$ (590,063)

Actuarial Assumptions - SERS

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

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

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

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 1,663,055	\$ 1,370,550	\$ 1,138,941
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 1,105,783	\$ 1,370,550	\$ 1,721,150

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
	District's proportionate share of the net OPEB asset	\$ 505,739	\$ 590,063

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 656,932	\$ 590,063

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (859,905)
Funds budgeted elsewhere **	7,126
Adjustment for encumbrances	<u>592,704</u>
Cash basis	<u>\$ (260,075)</u>

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and the recreation fund.

NOTE 14 - 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.

**DANBURY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - SET-ASIDES

The District is required by State law to set-aside certain general fund receipt amounts, as defined by statute, into various set-asides. These set-asides are calculated and presented on a cash basis. During the fiscal year ended June 30, 2019, the set-aside activity was as follows:

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	90,060
Current year qualifying disbursements	(126,021)
Excess qualified disbursements from prior years	<u>-</u>
Total	<u>\$ (35,961)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u><u>\$ -</u></u>

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero. The qualifying disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2010, the District issued \$1,005,931 in capital related qualified school construction bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$1,005,931 at June 30, 2019.

NOTE 16 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 594,757
Permanent improvement	119,606
Other nonmajor governmental	<u>12,280</u>
Total	<u>\$ 726,643</u>

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Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Danbury Local School District
Ottawa County
9451 E. Harbor Road
Lakeside-Marblehead, OH 43440

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Danbury Local School District, Ottawa County, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Danbury Local School District's basic financial statements and have issued our report thereon dated October 11, 2019, wherein we noted the Danbury Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Danbury Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2019-001.

Danbury Local School District's Response to Finding

The 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 subject the Danbury Local School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Julian & Grube, Inc.
October 11, 2019

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2019-001

Ohio Rev. Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38. Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The District is aware of the requirements to file financial statements in accordance with GAAP; however, after performing a cost-benefit analysis, the District has elected to prepare its financial statements utilizing the cash basis of accounting.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-001	2011	<u>Noncompliance</u> : Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the District to prepare its annual financial report in accordance with GAAP; however, the District prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	Not Corrected	Finding repeated as 2019-001 as the District did not prepare its annual report in accordance with generally accepted accounting principles.

OHIO AUDITOR OF STATE KEITH FABER



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 27, 2020**