



Dave Yost • Auditor of State

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dawson-Bryant Local School District
Lawrence County
222 Lane Street
Coal Grove, Ohio 45638

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 12, 2012

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

The discussion and analysis of the Dawson-Bryant Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

- Net assets of governmental activities decreased \$821,647.
- General revenues accounted for \$9,550,682 in revenue or 70.7 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,965,305 or 29.3 percent of total revenues of \$13,515,987.
- Total assets of governmental activities increased \$1,364,705. This is primarily due to an increase in the amount of \$1,274,442 in cash and cash equivalents resulting from unspent debt proceeds.
- Total liabilities of governmental activities increased \$2,186,352. This is primarily due to increases in long-term liabilities and contracts payable in the amounts of \$1,516,675 and \$564,582, respectively. Both of which is the result of the School District's Energy Conservation Program.
- The School District had \$14,337,634 in expenses related to governmental activities; only \$3,965,305 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$9,550,682 were not adequate to cover the remaining expenses.

USING THE BASIC FINANCIAL STATEMENTS

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Energy Conservation Capital Projects Fund.

Governmental Funds All of the School 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 fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		
	2011	2010	Change
Assets			
Current and Other Assets	\$9,205,462	\$7,859,344	\$1,346,118
Capital Assets	30,488,064	30,469,477	18,587
Total Assets	39,693,526	38,328,821	1,364,705
Liabilities			
Long-Term Liabilities	3,152,273	1,635,598	1,516,675
Other Liabilities	3,087,825	2,418,148	669,677
Total Liabilities	6,240,098	4,053,746	2,186,352
Net Assets			
Invested in Capital Assets, Net of Related Debt	28,643,681	29,227,648	(583,967)
Restricted	2,027,255	1,202,738	824,517
Unrestricted	2,782,492	3,844,689	(1,062,197)
Total Net Assets	\$33,453,428	\$34,275,075	(\$821,647)

Total assets of governmental activities increased \$1,364,705. This is primarily due to an increase of \$1,274,442 in cash and cash equivalents. The increase noted in cash and cash equivalents are the result of unexpended proceeds from the School District's energy conservation program.

In total, liabilities increased \$2,186,352. This is due to increases in contracts payable in the amount of \$564,582 and long-term liabilities in the amount of \$1,516,675. The increase in contracts payable are also the result of the School District's energy conservation program. Long-term liabilities increased significantly due to the issuance of 2011 Qualified School Construction Bonds and Certificates of Participation. The Qualified School Construction Bonds and the Certificates of Participation, issued in the amounts of \$705,000 and \$940,000, are being used for energy conservation improvements at each of the School District's instructional facilities.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, and comparisons to fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,226,490	\$1,201,951	\$24,539
Operating Grants, Contributions and Interest	2,688,815	2,690,754	(1,939)
Capital Grants, Contributions and Interest	50,000	31	49,969
	<u>3,965,305</u>	<u>3,892,736</u>	<u>72,569</u>
General Revenues:			
Property Taxes	1,273,829	1,221,697	52,132
Grants and Entitlements	8,184,790	8,295,329	(110,539)
Investment Earnings	17,662	23,639	(5,977)
Insurance Recoveries	6,058	0	6,058
Donations	59,250	0	59,250
Miscellaneous	9,093	15,106	(6,013)
	<u>9,550,682</u>	<u>9,555,771</u>	<u>(5,089)</u>
Total Revenues	<u>13,515,987</u>	<u>13,448,507</u>	<u>67,480</u>
Program Expenses			
Instruction:			
Regular	7,709,407	6,982,511	(726,896)
Special	697,253	1,000,372	303,119
Vocational	203,331	128,688	(74,643)
Support Services:			
Pupils	528,997	590,996	61,999
Instructional Staff	326,797	296,550	(30,247)
Board of Education	36,935	38,331	1,396
Administration	856,344	911,228	54,884
Fiscal	444,927	435,008	(9,919)
Business	80,325	34,658	(45,667)
Operation and Maintenance of Plant	1,303,156	1,336,098	32,942
Pupil Transportation	782,490	810,592	28,102
Central	189,603	175,785	(13,818)
Operation of Non-Instructional Services:			
Food Service Operations	637,746	549,427	(88,319)
Community Services	13,442	89,304	75,862
Extracurricular Activities	464,205	491,604	27,399
Interest and Fiscal Charges	62,676	60,156	(2,520)
Total Expenses	<u>14,337,634</u>	<u>13,931,308</u>	<u>(406,326)</u>
Decrease in Net Assets	(821,647)	(482,801)	(338,846)
Net Assets at Beginning of Year	<u>34,275,075</u>	<u>34,757,876</u>	<u>(482,801)</u>
Net Assets at End of Year	<u>\$33,453,428</u>	<u>\$34,275,075</u>	<u>(\$821,647)</u>

Property taxes made up approximately 9.4 percent of revenues for governmental activities for the Dawson-Bryant Local School District. Of the remaining revenues, the School District receives 80.9 percent from state foundation, federal, and state grants; 9.0 percent from charges for services; and 0.7 percent from interest and local entities.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 9.4 percent of revenues for governmental activities for the School District in 2011. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 60.0 percent of the School District's budget is used to fund instructional expenses. Support services make up 31.8 percent of expenses and 8.2 percent is used for fiscal charges, extracurricular activities, and non-instructional services.

During the fiscal year, the School District experienced changes in the following: a 2.3 percent increase in employee insurance costs, a negotiated 3.2 percent salary increase, and increases in utility and fuel costs.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	2011 Total Cost of Services	2011 Net Cost of Services	2010 Total Cost of Services	2010 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,709,407	\$5,178,437	\$6,982,511	\$4,489,140
Special	697,253	288,242	1,000,372	647,023
Vocational	203,331	133,145	128,688	3,222
Support Services:				
Pupils	528,997	523,997	590,996	585,996
Instructional Staff	326,797	307,407	296,550	169,080
Board of Education	36,935	36,935	38,331	38,331
Administration	856,344	849,814	911,228	806,291
Fiscal	444,927	330,669	435,008	434,914
Business	80,325	80,325	34,658	34,658
Operation and Maintenance of Plant	1,303,156	1,245,085	1,336,098	1,331,528
Pupil Transportation	782,490	736,379	810,592	759,649
Central	189,603	189,603	175,785	175,785
Non-Instructional Services:				
Food Service Operations	637,746	101,819	549,427	32,663
Community Services	13,442	13,442	89,304	76,301
Extracurricular Activities	464,205	294,354	491,604	393,835
Interest and Fiscal Charges	62,676	62,676	60,156	60,156
Totals	\$14,337,634	\$10,372,329	\$13,931,308	\$10,038,572

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 72.5 percent of total expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds reported a combined fund balance of \$5,683,599, an increase of \$710,723 from fiscal year 2010. All governmental funds had total revenues of \$13,544,559 and expenditures of \$14,484,894.

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund's \$363,307 decrease in fund balance is due to expenditures and transfers to other funds outpacing revenues. The School District will monitor this more closely in future fiscal years. The Energy Conservation Capital Projects Fund's \$938,572 increase in fund balance is due to the proceeds from the Qualified School Construction Bonds and the Certificates of Participation.

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the School District did amend its General Fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$10,404,993, which represented only a modest change from original estimates of \$10,422,255. The final budget basis expenditure estimate of \$11,148,038 represented a 5.7 percent increase from the original estimates.

The School District's ending unobligated General Fund balance was \$3,505,087.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the School District had \$30,488,064 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2011	2010
Land	\$710,791	\$710,791
Construction in Progress	1,030,422	0
Land Improvements	706,982	760,289
Buildings and Improvements	27,366,809	28,380,663
Furniture, Fixtures, and Equipment	266,307	223,760
Vehicles	406,753	393,974
Totals	<u>\$30,488,064</u>	<u>\$30,469,477</u>

For additional information on capital assets, see Note 13 to the basic financial statements.

Debt

At June 30, 2011, the School District had outstanding a Classroom Facilities Improvements Refunding Bonds for \$1,145,654, Qualified School Construction Bonds in the amount of \$705,000, and a Certificate of Participation in the amount of \$940,000.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2011	2010
Superior Notes	\$0	\$6,000
2010 Classroom Facilities Improvements Refunding Bonds:		
Serial	415,000	535,000
Term	700,000	700,000
Bond Amortization of Premium	49,560	56,724
Deferred Amount on Refunding	(18,906)	(21,639)
2011 Qualified School Construction Bond	705,000	0
2011 Certificates of Participation	940,000	0
Totals	<u>\$2,790,654</u>	<u>\$1,276,085</u>

For additional information on debt, see Note 19 to the basic financial statements.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (approximately 81 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District continues to see a slight decline in student enrollment and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment has served to somewhat offset any increase in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (decreasing enrollment and higher insurance costs). In the long run, the fact remains that as long as the State avoids the complete systematic overhaul the Supreme Court ordered in its initial ruling, all schools in Ohio will be faced with the same problem in the future – either increasing its revenue (passing levies) or decreasing expenses (making budget cuts).

As the preceding information shows, the School District continues to depend upon its taxpayers. Although the School District has attempted to keep spending in line with revenues, and carefully watched financial planning, it must improve its revenue to expense ratios if the School District hopes to remain on firm financial footing.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Jim Tordiff, Treasurer at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Dawson - Bryant Local School District, Ohio

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,437,696
Cash and Cash Equivalents with Fiscal Agents	2,579
Materials and Supplies Inventory	7,405
Prepaid Items	35,576
Intergovernmental Receivable	277,547
Property Taxes Receivable	1,379,947
Accounts Receivable	3,851
Deferred Charges	60,861
Nondepreciable Capital Assets	1,741,213
Depreciable Capital Assets, Net	<u>28,746,851</u>
<i>Total Assets</i>	<u>39,693,526</u>
Liabilities	
Accounts Payable	119,343
Accrued Wages and Benefits Payable	916,134
Contracts Payable	564,582
Retainage Payable	2,579
Intergovernmental Payable	347,453
Accrued Interest Payable	6,993
Vacation Benefits Payable	29,147
Matured Compensated Absences Payable	12,653
Early Retirement Incentive Payable	30,000
Deferred Revenue	1,058,941
Long-Term Liabilities:	
Due within One Year	252,467
Due in More than One Year	<u>2,899,806</u>
<i>Total Liabilities</i>	<u>6,240,098</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	28,643,681
Restricted for:	
Debt Service	753,713
Capital Projects	770,459
Other Purposes	503,083
Unrestricted	<u>2,782,492</u>
<i>Total Net Assets</i>	<u><u>\$33,453,428</u></u>

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2011

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$7,709,407	\$915,221	\$1,590,868	\$24,881	(\$5,178,437)
Special	697,253	0	409,011	0	(288,242)
Vocational	203,331	0	70,186	0	(133,145)
Support Services:					
Pupils	528,997	0	5,000	0	(523,997)
Instructional Staff	326,797	0	19,390	0	(307,407)
Board of Education	36,935	0	0	0	(36,935)
Administration	856,344	0	6,530	0	(849,814)
Fiscal	444,927	0	108,034	6,224	(330,669)
Business	80,325	0	0	0	(80,325)
Operation and Maintenance of Plant	1,303,156	0	58,071	0	(1,245,085)
Pupil Transportation	782,490	0	27,216	18,895	(736,379)
Central	189,603	0	0	0	(189,603)
Operation of Non-Instructional Services:					
Food Service Operations	637,746	141,418	394,509	0	(101,819)
Community Services	13,442	0	0	0	(13,442)
Extracurricular Activities	464,205	169,851	0	0	(294,354)
Interest and Fiscal Charges	62,676	0	0	0	(62,676)
Totals	\$14,337,634	\$1,226,490	\$2,688,815	\$50,000	(10,372,329)

General Revenues

Property Taxes Levied for:	
General Purposes	1,139,359
Debt Service	112,501
Classroom Facilities Maintenance	21,969
Grants and Entitlements not Restricted to Specific Programs	8,184,790
Investment Earnings	17,662
Insurance Recoveries	6,058
Donations	59,250
Miscellaneous	9,093
Total General Revenues	9,550,682
Change in Net Assets	(821,647)
Net Assets at Beginning of Year	34,275,075
Net Assets at End of Year	\$33,453,428

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2011*

	General	Energy Conservation	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,684,478	\$1,180,048	\$2,573,170	\$7,437,696
Cash and Cash Equivalents with Fiscal Agents	0	0	2,579	2,579
Receivables:				
Property Taxes	1,272,401	0	107,546	1,379,947
Intergovernmental	104,961	0	172,586	277,547
Interfund	229,418	0	0	229,418
Accounts	1,286	0	2,565	3,851
Prepaid Items	35,576	0	0	35,576
Inventory Held for Resale	0	0	7,405	7,405
Total Assets	\$5,328,120	\$1,180,048	\$2,865,851	\$9,374,019
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$74,229	\$0	\$45,114	\$119,343
Accrued Wages and Benefits Payable	793,337	0	122,797	916,134
Contracts Payable	0	241,476	323,106	564,582
Retainage Payable	0	0	2,579	2,579
Interfund Payable	0	0	229,418	229,418
Intergovernmental Payable	312,403	0	35,050	347,453
Matured Compensated Absences Payable	12,653	0	0	12,653
Early Retirement Incentive Payable	30,000	0	0	30,000
Deferred Revenue	1,197,098	0	271,160	1,468,258
Total Liabilities	2,419,720	241,476	1,029,224	3,690,420
Fund Balances				
Nonspendable	35,576	0	0	35,576
Restricted	0	938,572	1,209,418	2,147,990
Committed	146,742	0	0	146,742
Assigned	176,802	0	688,691	865,493
Unassigned	2,549,280	0	(61,482)	2,487,798
Total Fund Balances	2,908,400	938,572	1,836,627	5,683,599
Total Liabilities and Fund Balances	\$5,328,120	\$1,180,048	\$2,865,851	\$9,374,019

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Fund Balances		\$5,683,599
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,488,064
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	224,008	
Accounts Receivable	14,051	
Grants	171,258	409,317
Unamortized issuance costs represent deferred charges which do not provide current financial resources, and therefore, are not reported in the funds.		60,861
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(1,145,654)	
Qualified School Construction Bonds	(705,000)	
Certificates of Participation	(940,000)	
Accrued Interest Payable	(6,993)	
Sick Leave Benefits Payable	(361,619)	
Vacation Benefits Payable	(29,147)	(3,188,413)
Net Assets of Governmental Activities		\$33,453,428

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Energy Conservation	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,139,193	\$0	\$120,962	\$1,260,155
Intergovernmental	8,339,748	0	2,622,303	10,962,051
Investment Earnings	17,662	0	0	17,662
Tuition and Fees	908,058	0	0	908,058
Charges for Services	0	0	141,418	141,418
Extracurricular	73,558	0	96,479	170,037
Rent	6,885	0	0	6,885
Donations	0	50,000	0	50,000
Miscellaneous	9,093	0	19,200	28,293
<i>Total Revenues</i>	<u>10,494,197</u>	<u>50,000</u>	<u>3,000,362</u>	<u>13,544,559</u>
Expenditures				
Current:				
Instruction:				
Regular	5,771,412	0	1,653,586	7,424,998
Special	286,559	0	397,029	683,588
Vocational	176,731	0	0	176,731
Support Services:				
Pupils	490,786	0	5,570	496,356
Instructional Staff	268,962	0	17,502	286,464
Board of Education	36,935	0	0	36,935
Administration	788,364	0	1,185	789,549
Fiscal	341,579	0	81,548	423,127
Business	80,325	0	0	80,325
Operation and Maintenance of Plant	1,239,426	0	20,871	1,260,297
Pupil Transportation	621,368	0	97,147	718,515
Central	175,570	0	0	175,570
Operation of Non-Instructional Services:				
Food Service Operations	0	0	545,770	545,770
Community Services	13,442	0	0	13,442
Extracurricular Activities	292,976	0	123,201	416,177
Capital Outlay	0	724,428	17,513	741,941
Debt Service:				
Principal Retirement	0	0	126,000	126,000
Interest and Fiscal Charges	0	0	57,109	57,109
Issuance Costs	0	32,000	0	32,000
<i>Total Expenditures</i>	<u>10,584,435</u>	<u>756,428</u>	<u>3,144,031</u>	<u>14,484,894</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(90,238)</u>	<u>(706,428)</u>	<u>(143,669)</u>	<u>(940,335)</u>
Other Financing Sources (Uses)				
Insurance Recoveries	6,058	0	0	6,058
General Obligation Bonds Issued	0	705,000	0	705,000
Certificates of Participation Issued	0	940,000	0	940,000
Transfers In	0	0	279,127	279,127
Transfers Out	(279,127)	0	0	(279,127)
<i>Total Other Financing Sources (Uses)</i>	<u>(273,069)</u>	<u>1,645,000</u>	<u>279,127</u>	<u>1,651,058</u>
<i>Net Change in Fund Balance</i>	<u>(363,307)</u>	<u>938,572</u>	<u>135,458</u>	<u>710,723</u>
<i>Fund Balances at Beginning of Year - Restated (See Note 3)</i>	<u>3,271,707</u>	<u>0</u>	<u>1,701,169</u>	<u>4,972,876</u>
<i>Fund Balances at End of Year</i>	<u>\$2,908,400</u>	<u>\$938,572</u>	<u>\$1,836,627</u>	<u>\$5,683,599</u>

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$710,723

***Amounts reported for governmental activities in the statement
of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	1,244,315	
Depreciation Expense	<u>(1,225,728)</u>	18,587

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Grants	(57,646)	
Extracurricular Revenue	(186)	
Tuition and Fees	278	
Delinquent Taxes	<u>13,674</u>	(43,880)

Repayment of principal and the refunding of debt is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the statement of net assets:

126,000

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities:

Qualified School Construction Bonds	(705,000)	
Certificates of Participation	<u>(940,000)</u>	(1,645,000)

Bond Issuance Costs are expenditures in governmental funds when paid, but are reported as deferred charges on the statement of net assets.

32,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statements of activities:

Accrued Interest Payable	(4,603)	
Amortization of Premium	7,164	
Amortization of Deferred Amount on Refunding	(2,733)	
Amortization of Issuance Costs	<u>(5,395)</u>	(5,567)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Sick Leave Benefits Payable	(2,106)	
Vacation Benefits Payable	<u>(12,404)</u>	(14,510)

Change in Net Assets of Governmental Activities (\$821,647)

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$1,186,314	\$1,185,023	\$1,185,023	\$0
Intergovernmental	8,227,189	8,218,236	8,339,748	121,512
Investment Earnings	17,019	17,000	17,662	662
Tuition and Fees	901,131	898,893	908,058	9,165
Extracurricular	63,727	63,658	73,573	9,915
Rent	6,755	6,744	6,885	141
Miscellaneous	20,120	15,439	15,799	360
<i>Total Revenues</i>	<u>10,422,255</u>	<u>10,404,993</u>	<u>10,546,748</u>	<u>141,755</u>
Expenditures				
Current:				
Instruction:				
Regular	5,599,628	5,921,549	5,707,010	214,539
Special	283,848	300,390	289,292	11,098
Vocational	162,486	172,130	165,603	6,527
Support Services:				
Pupils	581,005	611,490	589,014	22,476
Instructional Staff	281,362	297,149	286,759	10,390
Board of Education	41,438	43,662	42,233	1,429
Administration	767,469	812,051	782,190	29,861
Fiscal	375,688	396,505	382,894	13,611
Business	74,245	78,231	75,670	2,561
Operation and Maintenance of Plant	1,221,376	1,291,272	1,244,803	46,469
Pupil Transportation	682,945	721,712	696,045	25,667
Central	168,246	177,812	171,473	6,339
Operation of Non-Instructional Activities:				
Community Services	13,189	13,897	13,442	455
Extracurricular Activities	294,237	310,188	299,881	10,307
<i>Total Expenditures</i>	<u>10,547,162</u>	<u>11,148,038</u>	<u>10,746,309</u>	<u>401,729</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(124,907)</u>	<u>(743,045)</u>	<u>(199,561)</u>	<u>543,484</u>
Other Financing Sources (Uses)				
Transfers In	215,771	112,170	0	(112,170)
Advances In	0	215,537	215,537	0
Insurance Recoveries	0	5,920	6,058	138
Transfers Out	(289,516)	(288,573)	(279,127)	9,446
Advances Out	(237,957)	(237,181)	(229,418)	7,763
<i>Total Other Financing Sources (Uses)</i>	<u>(311,702)</u>	<u>(192,127)</u>	<u>(286,950)</u>	<u>(94,823)</u>
<i>Net Change in Fund Balance</i>	(436,609)	(935,172)	(486,511)	448,661
<i>Fund Balance at Beginning of Year (Restated - See Note 3)</i>	3,675,915	3,675,915	3,675,915	0
Prior Year Encumbrances Appropriated	<u>315,683</u>	<u>315,683</u>	<u>315,683</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$3,554,989</u></u>	<u><u>\$3,056,426</u></u>	<u><u>\$3,505,087</u></u>	<u><u>\$448,661</u></u>

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$16,337</u></u>
Liabilities	
Due to Others	\$2,848
Due to Students	<u>13,489</u>
Total Liabilities	<u><u>\$16,337</u></u>

See the accompanying notes to the basic financial statements.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 48 classified employees and 110 certified teaching and administrative personnel who provide services to 1,247 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in the South Central Ohio Computer Association and the Coalition of Rural and Appalachian Schools, which are defined as a jointly governed organizations, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan and the Lawrence County Schools Insurance Purchasing Consortium, which are defined as insurance purchasing pools. These organizations are presented in Notes 10 and 11.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Energy Conservation Capital Projects Fund The Energy Conservation Capital Projects Fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities for the purpose of energy conservation.

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net assets.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District has segregated bank accounts for monies retained by the School District which are being used during construction to insure satisfactory completion of the school facilities project. These accounts are presented on the balance sheet as "cash and cash equivalents with fiscal agents" since they are kept separate from the School District treasury.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$17,662, which includes \$7,004 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased food.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of ten thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-15 years
Vehicles	3-15 years

I. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used aren't eliminated.

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees with fifteen or more years of current service with the School District.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that are paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and notes are recognized as a liability on the governmental fund financial statements when due.

L. Bond Premiums, Gain/Losses on Refinancing and Issuance Costs

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition of the face amount of the bonds.

Any gain/loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the year the bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 the use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report deficit balances.

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

N. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

O. Estimates

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and state grants restricted for specific purposes.

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

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Q. 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.

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object levels.

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

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

Note 3 - Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which enhances the usefulness of fund balance information by providing clearer fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	General Fund	Other Governmental Funds
Fund Balance at June 30, 2010	\$3,211,100	\$1,761,776
Change in Fund Structure	<u>60,607</u>	<u>(60,607)</u>
Adjusted Fund Balance at June 30, 2010	<u><u>\$3,271,707</u></u>	<u><u>\$1,701,169</u></u>

These reclassifications had no effect on government-wide net assets.

As a result of the implementation of GASB Statement No. 54, the Principals' Fund and Elementary Latchkey Project Fund were combined with the General Fund. As a result, the June 30, 2010 General Fund Budget Basis fund balance of \$3,625,069 was restated to \$3,675,915, an increase of \$50,846.

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2011:

	<u>Deficit</u>
Special Revenue Funds:	
High Schools that Work	\$3,555
Title VI-B Idea	27,673
Title II-D	890
Title I	24,544
Title II-A	4,820

These deficits resulted from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Energy Conservation Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid Items	\$35,576	\$0	\$0	\$35,576
<i>Total Nonspendable</i>	<u>35,576</u>	<u>0</u>	<u>0</u>	<u>35,576</u>
Restricted for:				
State Grant Expenditures	0	0	826	826
Federal Grant Expenditures	0	0	33,471	33,471
Athletics	0	0	142,855	142,855
Capital Improvements	0	938,572	285,983	1,224,555
Debt Service	0	0	746,283	746,283
<i>Total Restricted</i>	<u>0</u>	<u>938,572</u>	<u>1,209,418</u>	<u>2,147,990</u>
Committed to:				
Severances	126,394	0	0	126,394
Scholarships	20,348	0	0	20,348
<i>Total Committed</i>	<u>146,742</u>	<u>0</u>	<u>0</u>	<u>146,742</u>
Assigned to:				
Other Purposes	176,802	0	0	176,802
Capital Improvements	0	0	688,691	688,691
<i>Total Assigned</i>	<u>176,802</u>	<u>0</u>	<u>688,691</u>	<u>865,493</u>
Unassigned:	<u>2,549,280</u>	<u>0</u>	<u>(61,482)</u>	<u>2,487,798</u>
<i>Total Fund Balances</i>	<u>\$2,908,400</u>	<u>\$938,572</u>	<u>\$1,836,627</u>	<u>\$5,683,599</u>

Note 6 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Prepaid items represent amounts received but not included as revenues on the budget basis operating statements. These amounts are included as revenues on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	(\$363,307)
Revenue Accruals	52,551
Expenditure Accruals	49,939
Prepaid Items:	
Beginning of Year	3,154
End of Year	(35,576)
Advances	(13,881)
Encumbrances	<u>(179,391)</u>
Budget Basis	<u><u>(\$486,511)</u></u>

Note 7 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$7,281,416 of the School District's bank balance of \$7,532,739 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventories, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied, after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$89,354 in the General Fund, \$6,254 in the Bond Retirement Debt Service Fund, and \$1,390 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2010, was \$135,184 in the General Fund, \$21,498 in the Bond Retirement Debt Service Fund, and \$2,313 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
Real Property	\$58,780,820	91.89%	\$62,780,790	88.51%
Public Utility Property	5,064,590	7.92%	5,355,910	7.55%
Tangible Personal Property	121,030	0.19%	2,797,200	3.94%
Total	\$63,966,440	100.00%	\$70,933,900	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	 \$24.30		 \$22.50	

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Receivables

Receivables at June 30, 2011, consisted of property taxes, accounts (rents, student fees, and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
General Fund	\$104,961
Other Governmental Funds:	
Federal Lunch Program	\$1,328
High Schools That Work	7,200
Title VI-B IDEA	30,988
Title II-D	890
Title I	127,984
Title II-A	4,196
Total Other Governmental Funds	<u>172,586</u>
Total Intergovernmental Receivable	<u>\$277,547</u>

Note 10 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. The School District paid \$101,218 for services provided during fiscal year 2011. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2011. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - Insurance Purchasing Pools

A. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Lawrence County Schools Insurance Purchasing Consortium

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, a health insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

Note 12 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior fiscal years, the School District was required to set-aside money for budget stabilization.

The following cash basis information describes the changes in the fiscal year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2010	(\$752,694)	\$0
Current Year Set-Aside Requirement	172,175	172,175
Current Year Offsets	0	(280,462)
Qualifying Disbursements	<u>(200,828)</u>	<u>0</u>
Totals	<u>(\$781,347)</u>	<u>(\$108,287)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$781,347)</u>	<u>\$0</u>

The School District had qualifying expenditures, offsets, and carry forwards during the fiscal year that reduced the textbook and capital improvements set-aside amount below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements for future years.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 13 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Deductions	Balance at 6/30/11
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$710,791	\$0	\$0	\$710,791
Construction in Progress	0	1,030,422	0	1,030,422
Total Nondepreciable Capital Assets	710,791	1,030,422	0	1,741,213
Depreciable Capital Assets:				
Land Improvements	1,476,790	15,250	0	1,492,040
Buildings and Improvements	37,422,178	44,052	0	37,466,230
Furniture, Fixtures, and Equipment	1,638,799	79,521	0	1,718,320
Vehicles	1,121,185	75,070	0	1,196,255
Total Depreciable Capital Assets	41,658,952	213,893	0	41,872,845
Less Accumulated Depreciation:				
Land Improvements	(716,501)	(68,557)	0	(785,058)
Buildings and Improvements	(9,041,515)	(1,057,906)	0	(10,099,421)
Furniture, Fixtures, and Equipment	(1,415,039)	(36,974)	0	(1,452,013)
Vehicles	(727,211)	(62,291)	0	(789,502)
Total Accumulated Depreciation	(11,900,266)	(1,225,728) *	0	(13,125,994)
Total Capital Assets being Depreciated, Net	29,758,686	(1,011,835)	0	28,746,851
Capital Assets, Net	\$30,469,477	\$18,587	\$0	\$30,488,064

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$545,532
Special	48,951
Vocational	20,995
Support Services:	
Pupils	48,951
Instructional Staff	20,995
Administration	83,869
Fiscal	20,995
Operation and Maintenance of Plant	129,105
Pupil Transportation	158,099
Central	14,033
Food Service Operations	81,572
Extracurricular Activities	52,631
Total Depreciation Expense	\$1,225,728

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 14 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by visiting SERS' website at ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The Remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amounts. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$203,322, \$242,134, and \$143,469, respectively; 45.73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$689,832 and \$7,560 for the fiscal year ended June 30, 2011. The School District's required contributions for the DB Plan for the fiscal years ended June 30, 2010 and 2009 were \$679,838 and \$655,312, respectively. The School District's required contributions for the defined benefit portion of the Combined Plan for the fiscal years ended June 30, 2010 and 2009 are unavailable at this time. For fiscal year 2011, 83.34 percent has been contributed for both the DB and Combined Plans, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Neither the School District nor any employees made contributions to STRS Ohio for the DC Plan for fiscal year 2011. In addition, member contributions of \$5,400 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 15 - Postemployment Benefits

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$51,735, \$30,081, and \$95,203, respectively; 26.99 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$13,600, \$12,631, and \$13,259, respectively; 47.79 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board the authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to Post Employment Health Care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$53,064, \$52,295, and \$51,810, respectively; 83.34 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 16 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days vacation per fiscal year, depending upon length of service. Vacation from one fiscal year may only be carried forward for two months into the next fiscal year. 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 up to a maximum of 280 days for certified employees and 290 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 70 days for certified employees and 72.5 days for classified employees.

B. Insurance Benefits

The School District provides medical, health, and prescription card coverage through Anthem Blue Cross and Blue Shield. The School District pays 79% of the total monthly premiums of \$1,580.62 for family coverage and 80% of total monthly premiums of \$639.92 for single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to certificated and administrative employees through Anthem Life Insurance in the amount of \$30,000.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The School District provides dental insurance to certificated and administrative employees through CoreSource. Monthly premiums are \$67.84 for family coverage and \$22.38 for single coverage.

The School District provides vision insurance to certificated and administrative employees through the Vision Service Plan. Monthly premiums are \$21.03 for family coverage and \$9.78 for single coverage.

Note 17 - Termination Benefits Payable

The Dawson - Bryant Local School District offered a one-time only early retirement incentive program, whereby any full-time classified employee who is eligible to retire and actually retires by June 30, 2011, will receive a one-time lump sum payment of \$15,000.

In fiscal year 2011, two custodians retired, making them qualified for the termination benefits package. The total cost of the termination benefits package was \$30,000.

Note 18 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the School District contracted with The Argonaut Insurance Company for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$42,084,000
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Sexual Abuse	0	1,000,000
Products - Completed Operations Aggregate Limit	0	3,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Errors and Omissions:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	1,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Employee Benefits Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	100	1,000,000
Per Accident	100	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2010.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

Note 19 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts Due in One Year
Governmental Activities:					
Superior Notes - 0%	\$6,000	\$0	\$6,000	\$0	\$0
2006 Classroom Facilities Improvements Refunding Bonds:					
Serial Bonds	535,000	0	120,000	415,000	135,000
Term Bonds	700,000	0	0	700,000	0
Deferred Amount on Refunding Serial Bond Premium	(21,639) 56,724	0 0	(2,733) 7,164	(18,906) 49,560	0 0
2011 6.90% Qualified School Construction Bonds	0	705,000	0	705,000	45,000
2011 7.25% Certificates of Participation	0	940,000	0	940,000	60,000
Sick Leave Benefits Payable	359,513	94,597	92,491	361,619	12,467
Total Governmental Activities Long-Term Liabilities	<u>\$1,635,598</u>	<u>\$1,739,597</u>	<u>\$222,922</u>	<u>\$3,152,273</u>	<u>\$252,467</u>

Classroom Facilities Improvements Refunding Bonds On June 1, 2006, the School District issued \$1,640,000 of Classroom Facilities Improvements Refunding Bonds to retire the 1995 School Construction General Obligation Bonds. The bonds were issued for a 12 year period with final maturity at December 1, 2017. The refunding bonds issued included serial and term bonds in the amount of \$940,000 and \$700,000, respectively. These refunding bonds were issued with a premium of \$85,982 which is reported as an increase to bonds payable. The amount is amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$7,164. The issuance costs of \$51,925 are reported as deferred charges and are amortized over the life of the bond using the straight-line method. The amortization of the issuance costs for 2011 was \$4,327. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$32,800. This difference, reported as a decrease in bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the difference for fiscal year 2011 was \$2,733. The bonds are being retired from the Bond Retirement Debt Service Fund.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Serial		Term	
	Principal	Interest	Principal	Interest
2012	\$135,000	\$50,650	\$0	\$0
2013	135,000	45,250	0	0
2014	145,000	21,275	0	18,375
2015	0	0	160,000	32,550
2016 - 2018	0	0	540,000	44,363
	<u>\$415,000</u>	<u>\$117,175</u>	<u>\$700,000</u>	<u>\$95,288</u>

The term bonds, issued at \$700,000, maturing December 1, 2014, to December 1, 2017, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Fiscal Year Ending June 30,	Amount
2015	\$160,000
2016	165,000
2017	175,000
2018	200,000
Total	<u>\$700,000</u>

Qualified School Construction Bonds (QSCB) On February 23, 2011, the School District issued \$705,000 of Qualified School Construction Bonds (QSCB), in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. The QSCB was issued through a series of lease agreements and trust indentures in accordance with Section 133.06 of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the All Points Capital Corporation, and then subleased back to the School District. The QSCB was issued through a series on annual leases with an initial lease term of fifteen years which includes the right to renew for fifteen successive one-year leases through December 1, 2025, subject to annual appropriations. To satisfy trustee requirements, the School District is required to make annual base rent payments, subject to lease terms and appropriations, annually. The issuance costs of \$32,000 are reported as deferred charges and are amortized over the life of the bond using the straight-line method. The amortization of the issuance costs for 2011 was \$1,068.

The bonds are subject to extraordinary mandatory redemption, in whole or in part, on February 23, 2014, or, in the event of an extension negotiated with the IRS, on a credit allowance date that occurs on or after May 23, 2014, in authorized denominations, at a redemption price equal to the principal amount of the bonds called for redemption plus accrued interest thereon to the redemption date, in an amount equal to the unexpended proceeds of the sale of the bonds held by the School District, but only to the extent that the School District fails to expend all of the proceeds of the bonds within three years of issuance thereof and no extension of the period for expenditure has been granted by the IRS.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Upon a determination of Loss of Qualifies School Construction Bond status, the Tax Credit bonds are subject to extraordinary mandatory redemption prior to their fixed maturity date, in whole, on the date designated by the School District, which date shall be a date prior to 60 days succeeding, after a Determination of Loss of Qualified School Construction Bond status, at a redemption price equal to (i) the principal amount of the Tax Credit Bonds called for redemption, plus (ii) the redemption premium, plus (iii) accrued interest on the principal amount of the Tax Credit Bonds called for redemption plus the interest owed from the supplemental coupon from the Tax Credit Allowance Date immediately preceding the redemption date, to the date of redemption. As part of the ARRA Act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a forty-two percent semi-annual direct payment from the federal government to help offset interest expense on the QSCBs.

Annual base rent requirements to retire the Qualified School Construction Bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2012	\$45,000	\$47,093	(\$35,968)	\$56,125
2013	40,000	44,160	(33,728)	50,432
2014	45,000	41,227	(31,488)	54,739
2015	45,000	38,123	(29,117)	54,006
2016	45,000	35,017	(26,745)	53,272
2017-2021	235,000	127,823	(97,927)	264,896
2022-2026	250,000	43,125	(32,938)	260,187
Total	<u>\$705,000</u>	<u>\$376,568</u>	<u>(\$287,911)</u>	<u>\$793,657</u>

Certificates of Participation (COPs) On February 23, 2011, the School District issued \$940,000 in certificates of participation (COPs), for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 26 U.S.C. 265(b)(3).

In accordance with the lease terms, the project assets are leased to All Points Capital Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of fifteen years which includes the right renew for fifteen successive one-year terms through December 1, 2025, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 7.25 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date after June 1, 2021, by paying a 1 percent premium plus the amount necessary to defease the indenture.

As part of the ARRA Act of 2009, issuers of COPS are eligible to receive direct payments from the federal government which offset interest payments on the lease. As an alternate, COPS may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a forty-two percent semi-annual direct payment from the federal government to help offset interest expense on the COPs.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Annual base rent requirements to retire the certificates of participation at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2012	\$60,000	\$65,975	(\$47,957)	\$78,018
2013	55,000	61,806	(44,927)	71,879
2014	55,000	57,819	(42,028)	70,791
2015	60,000	53,650	(38,998)	74,652
2016	60,000	49,300	(35,836)	73,464
2017-2021	310,000	180,525	(131,223)	359,302
2022-2026	340,000	62,713	(45,586)	357,127
Total	<u>\$940,000</u>	<u>\$531,788</u>	<u>(\$386,555)</u>	<u>\$1,085,233</u>

The sick leave benefits payable will be paid from the fund from which the employees' salaries are paid which includes the General Fund, and the Food Service, Title VI-B Idea, and the Title I Special Revenue Funds.

The School District's overall legal debt margin was \$5,274,444, with an unvoted debt margin of \$708,757 at June 30, 2011.

Note 20 - Contingencies

A. Grants

The School District receives financial assistance from federal and state 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 21 - Interfund Activity and Balances

A. Transfers

During fiscal year 2011, the General Fund made transfers to the Bond Retirement Debt Service Fund, the Permanent Improvements Capital Projects Fund, and the Food Service and Athletics Special Revenue Funds, the amount of \$7,359, \$200,000, \$41,768, and \$30,000, respectively. The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

B. Interfund Balances

Interfund balances at June 30, 2011, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	<u>\$229,418</u>	<u>\$0</u>
Other Governmental Funds:		
High Schools that Work	0	7,200
Title VI-B Idea	0	66,246
Title II-D	0	1,611
Title I	0	150,168
Title II-A	<u>0</u>	<u>4,193</u>
Total Other Governmental Funds	<u>0</u>	<u>229,418</u>
Total All Funds	<u><u>\$229,418</u></u>	<u><u>\$229,418</u></u>

Note 22 - Contractual Commitments

As of June 30, 2011, the School District's contractual purchase commitments for the High School air chiller replacement project, energy conservation improvement project, and a painting project are as follows:

<u>Fund</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/11</u>
Education Stabilization Special Revenue Fund	Air Chiller Replacement	\$291,060	\$288,481	\$2,579
Energy Conservation Capital Projects Fund	Energy Conservation	1,609,838	724,428	885,410
Permanent Improvements Capital Projects Fund	Middle School Painting	<u>23,351</u>	<u>17,513</u>	<u>5,838</u>
Total Contractual Commitments		<u><u>\$1,924,249</u></u>	<u><u>\$1,030,422</u></u>	<u><u>\$893,827</u></u>

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**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 4,263	\$ 4,263
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	90,968	90,968
National School Lunch Program	2010/2011	10.555	287,683	287,683
Summer Food Service Program	2010/2011	10.559	9,872	9,872
Cash Assistance Subtotal			<u>388,523</u>	<u>388,523</u>
Total Child Nutrition Cluster			<u>392,786</u>	<u>392,786</u>
Total U.S. Department of Agriculture			392,786	392,786
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	113,541	86,376
	2011		466,997	456,294
Total Title I Grants to Local Educational Agencies			<u>580,538</u>	<u>542,670</u>
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	(45,437)	35,227
	2011		207,219	179,481
Total ARRA - Title I Grants to Local Educational Agencies			<u>161,782</u>	<u>214,708</u>
Total Title I Cluster			742,320	757,378
Special Education Cluster:				
Special Education - Grants to States	2010	84.027	38,281	25,154
	2011		245,021	232,722
Total Special Education - Grants to States			<u>283,302</u>	<u>257,876</u>
ARRA - Special Education - Grants to States	2010	84.391	9,158	27,102
	2011		121,871	125,567
Total ARRA - Special Education - Grants to States			<u>131,029</u>	<u>152,669</u>
Total Special Education Cluster			414,331	410,545
Safe and Drug-Free Schools and Communities State Grants	2010	84.186		570
	2011		3,368	1,248
Total Safe and Drug-Free Schools and Communities State Grants			<u>3,368</u>	<u>1,818</u>
Education Technology State Grants	2010	84.318	4,643	1,289
	2011		186	1,076
Total Education Technology State Grants			<u>4,829</u>	<u>2,365</u>
Improving Teacher Quality State Grants	2010	84.367	21,007	18,391
	2011		115,461	110,898
Total Improving Teacher Quality State Grants			<u>136,468</u>	<u>129,289</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394		59,913
	2011		678,271	339,551
Total ARRA - State Fiscal Stabilization Fund - Education State Grants			<u>678,271</u>	<u>399,464</u>
Total U.S. Department of Education			<u>1,979,587</u>	<u>1,700,859</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,372,373</u>	<u>\$ 2,093,645</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of the Schedule.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – PRIOR PERIOD ADJUSTMENT

During fiscal year 2011, the School District identified expenditures that were made in fiscal year 2010 that were not allowable to be spent from the ARRA - Title I Grants to Local Educational Agencies. Based on this, they made adjusting entries in fiscal year 2011 to reduce the expenditures for the 2010 cost center. Therefore, these adjustments affect 2010 fiscal year program expenditures previously reported as follows:

<u>CFDA #</u>	<u>FY10 Federal Expenditures Reported</u>	<u>Adjustment posted in FY11</u>	<u>Adjusted 2010 Federal Expenditures Reported</u>	<u>FY11 Federal Expenditures Reported</u>	<u>Total expenditures for this grant</u>
84.389	\$155,494	(\$45,327)	\$110,167	\$35,227	\$145,394

After this adjustment was posted an adjusted Final Expenditure Report was submitted to the Ohio Department of Education to show total expenditures for the fiscal year 2010 as \$145,394. This is in agreement with the adjusted total above plus the amount reported on this year's Federal Awards Receipts and Expenditures Schedule.

NOTE E – TRANSFER BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. This transfer resulted in the Schedule reporting negative receipts. The School District transferred the following amount from 2010 to 2011:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA - Title I Grants to Local Educational Agencies	84.389	\$45,437



Dave Yost • Auditor of State

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

Dawson-Bryant Local School District
Lawrence County
222 Lane Street
Coal Grove, Ohio 45638

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 12, 2012, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 12, 2012



Dave Yost • Auditor of State

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

Dawson-Bryant Local School District
Lawrence County
222 Lane Street
Coal Grove, Ohio 45638

To the Board of Education:

Compliance

We have audited the compliance of the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

As described in Findings 2011-01 and 2011-02 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management applicable to its ARRA – State Fiscal Stabilization Fund – Education State Grants major federal program. Additionally, as described in Finding 2011-03 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles applicable to its Special Education (IDEA) Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01 through 2011-03 to be material weaknesses.

The School District's responses to the findings we identified are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 12, 2012

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – Special Education (IDEA) Cluster; ARRA – State Fiscal Stabilization Fund – Education State Grants Unqualified – Title I, Part A - Cluster
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, Part A - Cluster: CFDA #84.010 and #84.389 Special Education (IDEA) Cluster: CFDA #84.027 and #84.391 ARRA – State Fiscal Stabilization Fund – Education State Grants: CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-01
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost and Material Weakness – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

OBM Circular A-87 (codified in 2 C.F.R. Part 225) (A-87) establishes principles and standards for determining allowable direct and indirect for Federal awards. The SFSF program supports a broad array of activities (e.g., general expenditures, operating expenses, salaries, and government services). Similar to Impact Aid funds, SFSF funds are essentially general aid. Thus, the specific cost principles in the OMB Circulars do not apply to SFSF funds. However, SFSF funds must be spent consistent with applicable State and local requirements and the statutory provisions of ARRA. Regardless, while the specific requirements in OMB cost principles, such as OMB Circulars A-21 and A-87, do not apply to SFSF funds, expenditures attributed to the SFSF program must still be “reasonable and necessary, and consistent with applicable State requirements.”

LEAs, (including charter school LEAs) have considerable flexibility in determining how best to use Education Stabilization funds.

Title XIV of the American Recovery and Reinvestment Act (ARRA), Section 14003 authorizes a district to use SFSF funds for any activity the following Federal education acts authorize:

- The Elementary and Secondary Education Act of 1965 (ESEA);
- The Individuals with Disabilities Education Act (IDEA);
- The Adult Education and Family Literacy Act (AEFLA); or
- The Carl D. Perkins Career and Technical Education Act of 2006 (Perkins Act).

During the testing of the ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants Program, we identified certain administrative costs that were not related to the Federal education acts above and therefore, not reasonable to be paid from the program. The School District charged Lawrence County Treasurer and Auditor fees associated with the processing and distribution of property tax collections totaling \$75,848 to the SFSF Grant. These costs are considered general government expenses that are not tied to the Federal education acts above. As a result, we are questioning these costs.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-01 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost and Material Weakness – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Continued)

We recommend the School District review the federal guidance associated with allowable costs and ensure all monies spent for the SFSF Program are within those parameters.

Officials’ Response:

On January 5, 2012 with debit memo # 70878, \$75,848 of ineligible Stimulus Stabilization expenses (Lawrence County Auditor/Treasurer fees) that had been paid during the 2010-2011 fiscal period were re-coded to the School District’s General Fund. The same amount of \$75,848 with debit memo 70861 (Columbia Gas invoices) was re-coded from the School District’s General Fund to the Stimulus Stabilization Fund. It is understood the natural gas expenses are an eligible cost of the Stimulus Stabilization Fund. More attention will be spent in the future with respect to eligible expenses.

Finding Number	2011-02
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Cash Management

34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

An ODE Policy and Guidance Memo, SFSF Final Payments and Cash Management, indicated the funding method for SFSF differs from other ARRA funds; however, cash management rules apply to the SFSF funds. Districts must expend the funds that are included in the foundation payments for the SFSF program in accordance with federal regulations.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-02 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Cash Management (Continued)

State Fiscal Stabilization Fund program funds were advanced to School Districts through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a new form in FY 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to School Districts on a bi-monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. SFSF funds are required to be deposited into USAS Fund 532. School Districts must have an internal control system in place for ensure advance SFSF payments are spent timely (i.e., within 30 days).

The School District did not ensure that SFSF monies were spent in a timely manner (i.e., by the end of the month or within 30 days of receipt, whichever occurs earlier). The School District allowed SFSF monies to accumulate in their 532 fund from July 31, 2010 through June 30, 2011. At the beginning of the year, the balance was \$59,913 and at June 30, 2011, the School District had an ending balance in this account of \$338,720. The School District was not able to spend their monies by the end of the month or within 30 days of receipt of their funding. This was due to the fact that the School District planned to use a significant portion of the funds to replace chillers at its high school building and repair a roof at its elementary building. Both projects occurred in the latter part of the fiscal year and payment of contracts were after June 30, 2011. As a result, using the 1% U.S. Treasury Current Value of Funds rate in effect during fiscal years 2010 and 2011, we estimate the imputed interest on accumulated SFSF funds was roughly \$3,387.

In addition, the School District did not liquidate all funds prior to September 30, 2011. The School District had a balance of \$7,716 remaining in Fund 532 for retainage payable to Mechanical Construction. The School District was aware that the funds needed to be liquidated prior to September 30, 2011. The School District was not able to comply because they were waiting on verification from their project manager, Sabo-Limbach, that the chiller project was complete before retainage funds of \$7,716 were released to Mechanical Construction.

We recommend the School District utilize Ohio Department of Education's guidance on cash management for federal programs to liquidate their monies as quickly as possible to meet A-133 requirements. We further recommend the School District Treasurer monitor federal funds closely to ensure the cash management compliance guidelines are met in the future.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-02 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Cash Management (Continued)

Officials' Response:

SFSF monies arrive to the district monthly via the School District's foundation settlement. It is suggested that the monies be spent in a timely manner (by the end of the month or within 30 days of receipt). For the most part, the School District complied with that during 2010-2011 fiscal year by paying American Electric Power invoices monthly. However, that became impossible to do entirely once the district chose to utilize some monies to replace chillers at its high school building and repair a roof at its elementary building, both eligible expenses of the SFSF funding. Had this stimulus funding arrived at the School District like the two other stimulus sources (Title I Stimulus and Title VI-B Stimulus) timely spending would not have been an issue. Both of those stimulus sources do not arrive at the School District until utilization takes place and the School District executes a project cash request in order to draw down the funds. However, \$273,060 owed to Mechanical Construction, \$21,111 owed to Hash Construction, and \$1,605 owed to Kohrs Lonnemann Heil could not be paid until those construction projects ended, even though the allotted money was arriving at the School District monthly via the foundation settlements. In addition, \$7,716 of the \$273,060 obligated to Mechanical Construction was paid after the September 30, 2011 deadline. This was due to the mentioned amount being held in escrow until Mechanical Construction completed their portion of the agreement.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-03
CFDA Title and Number	Special Education (IDEA) Cluster CFDA # 84.027 and 84.391
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost and Material Weakness – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

OBM Circular A-87 (codified in 2 C.F.R. Part 225) establishes principles and standards for determining allowable direct and indirect for Federal awards. OMB Circular A-87, Appendix A, paragraph C.1 outlines the guidance for costs to be allowable under Federal awards. It states costs must meet the following general criteria to be allowable:

- (a) Be necessary and reasonable for the performance and administration of Federal awards.
- (b) Be allocable to Federal awards under the provisions of A-87.
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits.
- (j) Be adequately documented.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-03 (Continued)
CFDA Title and Number	Special Education (IDEA) Cluster CFDA # 84.027 and 84.391
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost and Material Weakness – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Continued)

During the testing of the Special Education (IDEA) Cluster Federal Program, there were costs identified that were not reasonable to be paid from the program based on the guidelines stated above. The School District charged a total of \$96,602 (out of a total cost of \$160,909) to this program for costs associated with technology upgrades throughout the School District. The School District purchased items such as approximately 110 Netbooks for teacher workstations, 15 smartboards, projections equipment, and other various technology related items that were installed for the use of the entire School District. These expenses were not strictly related to the Special Education Program and there was more than an incidental benefit to non-disabled students. Thus, only a portion of these expenses are allowable to be charged to this grant. The portion that could be charged to this grant, should be strictly related to the percentage of students out of the entire student population that participate in the Special Education (IDEA) Program. We estimate the percentage of Special Education students with a valid IEP to be 17%. Thus, we calculated that a reasonable amount that could have been charged to the Special Education program could be \$27,355. The excess amount charged to the Special Education (IDEA) Cluster of \$69,247 is not allowable and is considered questioned costs.

In addition to the costs above, we also identified an employee's salary and benefits that were charged to the Special Education (IDEA) Grant that was also unallowable. Eric Holmes, Director of Instructional Services, had a total salary and benefits of \$13,094 which the School District had no time and effort documentation or semi-annual certificates to support. Thus, the \$13,094 is not considered allowable and is also considered questioned costs.

We recommend the School District review the federal guidance associated with allowable costs and ensure all monies spent for the Special Education Program are within those parameters.

Officials' Response:

During the 2010-2011 school year the School District utilized \$96,602 of Title VI-B Stimulus Funds for purchasing netbooks, smartboards and other various technology equipment. Portions of these purchases have been deemed ineligible expenses from the mentioned monies. The district thought the purchases were eligible because the equipment is used in our special education classrooms by both special education students and regular population students. The School District felt the purchases came under the umbrella of "incidental benefit". To correct the mistake the School District on September 29, 2011 with debit memo #70293 moved \$69,248 (the amount determined as ineligible) out of Title VI-B Stimulus and put those associated costs into the School District's Permanent Improvement Fund. The School District then used the freed-up monies to purchase eligible equipment from the Title VI-B Fund.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-03 (Continued)
CFDA Title and Number	Special Education (IDEA) Cluster CFDA # 84.027 and 84.391
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost and Material Weakness – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Continued)

In addition, during the time Eric Holmes was assigned duties to be performed from his home associated with his position of Director of Instructional Services, associated payroll and benefit costs were \$13,094. These costs were paid from the Title VI-B Stimulus Fund. These costs were deemed ineligible due to the district not being able to provide supporting time and effort documentation or semi-annual certificates. To correct this, the School District on September 30, 2011 with debit memo # 70307 moved those costs associated with Mr. Holmes to the General Fund and moved eligible costs associated with Kim Ritchie to the Title VI-B Stimulus Fund. More attention will be spent in the future with respect to eligible expenses.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-01	<p>On January 5, 2012 with debit memo # 70878, \$75,848 of ineligible Stimulus Stabilization expenses (Lawrence County Auditor/Treasurer fees) that had been paid during the 2010-2011 fiscal period were re-coded to the School District's General Fund. The same amount of \$75,848 with debit memo 70861 (Columbia Gas invoices) was re-coded from the School District's General Fund to the Stimulus Stabilization Fund. It is understood the natural gas expenses are an eligible cost of the Stimulus Stabilization Fund. More attention will be spent in the future with respect to eligible expenses.</p>	FY 2012	Jim Tordiff, Treasurer
2011-02	<p>SFSF monies arrive to the district monthly via the School District's foundation settlement. It is suggested that the monies be spent in a timely manner (by the end of the month or within 30 days of receipt). For the most part, the School District complied with that during 2010-2011 fiscal year by paying American Electric Power invoices monthly. However, that became impossible to do entirely once the district chose to utilize some monies to replace chillers at its high school building and repair a roof at its elementary building, both eligible expenses of the SFSF funding. Had this stimulus funding arrived at the School District like the two other stimulus sources (Title I Stimulus and Title VI-B Stimulus) timely spending would not have been an issue. Both of those stimulus sources do not arrive at the School District until utilization takes place and the School District executes a project cash request in order to draw down the funds. However, \$273,060 owed to Mechanical Construction, \$21,111 owed to Hash Construction, and \$1,605 owed to Kohrs Lonnemann Heil could not be paid until those construction projects ended, even though the allotted money was arriving at the School District monthly via the foundation settlements. In addition, \$7,716 of the \$273,060 obligated to Mechanical Construction was paid after the September 30, 2011 deadline. This was due to the mentioned amount being held in escrow until Mechanical Construction completed their portion of the agreement.</p>	FY 2012	Jim Tordiff, Treasurer

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2011
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-03	<p>During the 2010-2011 school year the School District utilized \$96,602 of Title VI-B Stimulus Funds for purchasing netbooks, smartboards and other various technology equipment. Portions of these purchases have been deemed ineligible expenses from the mentioned monies. The district thought the purchases were eligible because the equipment is used in our special education classrooms by both special education students and regular population students. The School District felt the purchases came under the umbrella of "incidental benefit". To correct the mistake the School District on September 29, 2011 with debit memo #70293 moved \$69,248 (the amount determined as ineligible) out of Title VI-B Stimulus and put those associated costs into the School District's Permanent Improvement Fund. The School District then used the freed-up monies to purchase eligible equipment from the Title VI-B Fund.</p> <p>In addition, during the time Eric Holmes was assigned duties to be performed from his home associated with his position of Director of Instructional Services, associated payroll and benefit costs were \$13,094. These costs were paid from the Title VI-B Stimulus Fund. These costs were deemed ineligible due to the district not being able to provide supporting time and effort documentation or semi-annual certificates. To correct this, the School District on September 30, 2011 with debit memo # 70307 moved those costs associated with Mr. Holmes to the General Fund and moved eligible costs associated with Kim Ritchie to the Title VI-B Stimulus Fund. More attention will be spent in the future with respect to eligible expenses.</p>	FY 2012	Jim Tordiff, Treasurer



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Dawson-Bryant Local School District
Lawrence County
222 Lane Street
Coal Grove, Ohio 45638

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying by the required date. A revised anti-harassment policy was approved by the Board at its meeting on August 8, 2011, which included the required dating violence language. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 12, 2012

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110
www.ohioauditor.gov

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Dave Yost • Auditor of State

DAWSON-BRYANT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2012