



Dave Yost • Auditor of State



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

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LAWRENCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2017

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# Dawson-Bryant Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2016*

*Unaudited*

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The discussion and analysis of the Dawson-Bryant Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:*

- Net Position of governmental activities increased \$706,816.
- General revenues accounted for \$12,461,574 in revenue or 80.1 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$3,095,865 or 19.9 percent of total revenues of \$15,557,439.
- The School District had \$14,850,623 in expenses related to governmental activities; only \$3,095,865 of these expenses were offset by program specific charges for services and sales, operating grants and contributions. General revenues (primarily taxes and intergovernmental) of \$12,461,574 were adequate to cover the remaining expenses.
- Total governmental funds had \$15,523,720 in revenues and \$14,220,950 in expenditures. The total governmental fund balances increased \$1,304,770.

### **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 Dawson-Bryant Local 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 Position 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. The major funds for the Dawson-Bryant Local School District are the General Fund and the Permanent Improvement Capital Projects fund.

#### ***Reporting the School District as a Whole***

##### *Statement of Net Position 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 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include

# Dawson-Bryant Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2016*

*Unaudited*

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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.

These two statements report the School District's Net Position and changes in that position. This change in Net Position 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 Position 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 11. 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 Permanent Improvement 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 Position 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.

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2016 compared to 2015.

# Dawson-Bryant Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2016

Unaudited

**Table 1**  
**Net Position**

	Governmental Activities		
	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$9,475,474	\$8,242,390	\$1,233,084
Capital Assets	25,743,226	26,864,860	(1,121,634)
Total Assets	35,218,700	35,107,250	111,450
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	5,240	7,973	(2,733)
Pension	1,633,019	1,078,404	554,615
Total Deferred Outflows	1,638,259	1,086,377	551,882
<b>Liabilities</b>			
Other Liabilities	1,625,167	1,742,533	(117,366)
Long-Term Liabilities			
Due Within One Year	296,504	289,956	6,548
Due In More Than One Year			
Net Pension Liability	16,654,699	14,967,120	1,687,579
Other Amounts	1,748,438	2,040,334	(291,896)
Total Liabilities	20,324,808	19,039,943	1,284,865
<b>Deferred Inflow of Resources</b>			
Property Taxes	1,093,177	1,061,584	31,593
Pension	1,341,012	2,700,954	(1,359,942)
Total Deferred Inflow of Resources	2,434,189	3,762,538	(1,328,349)
<b>Net Position</b>			
Net Investment in Capital Assets	24,224,732	25,071,934	(847,202)
Restricted	1,196,496	1,152,876	43,620
Unrestricted	(11,323,266)	(12,833,664)	1,510,398
Total Net Position	\$14,097,962	\$13,391,146	\$706,816

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to

## Dawson-Bryant Local School District, Ohio

### Management's Discussion and Analysis

For the Fiscal Year June 30, 2016

Unaudited

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contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets of governmental activities increased \$111,450. This is the primarily due to an increase in intergovernmental receivables of \$76,941. In total, liabilities increased by \$1,284,865. This was due primarily to the net pension liability increase of \$1,687,579. This was partially offset by decreases in other amounts due in more than one year due to the repayment of debt. Table 2 shows the changes in net position for the fiscal year ended June 30, 2016, and comparisons to fiscal year 2015.

# Dawson-Bryant Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2016*

*Unaudited*

**Table 2**  
**Changes in Net Position**

	Governmental Activities		
	2016	2015	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,539,061	\$1,759,532	(\$220,471)
Operating Grants and Contributions	1,556,804	1,531,875	24,929
Total Program Revenues	<u>3,095,865</u>	<u>3,291,407</u>	<u>(195,542)</u>
General Revenues:			
Property Taxes	1,426,374	1,444,816	(18,442)
Grants and Entitlements	10,957,968	9,373,129	1,584,839
Investment Earnings	28,816	18,064	10,752
Gain on Sale of Capital Assets	2,000	4,200	(2,200)
Miscellaneous	46,416	69,708	(23,292)
Total General Revenues	<u>12,461,574</u>	<u>10,909,917</u>	<u>1,551,657</u>
Total Revenues	<u>15,557,439</u>	<u>14,201,324</u>	<u>1,356,115</u>
<b>Program Expenses</b>			
Instruction:			
Regular	7,263,547	7,267,040	(3,493)
Special	1,466,838	1,414,281	52,557
Vocational	234,605	232,595	2,010
Student Intervention Services	197,481	195,236	2,245
Support Services:			
Pupils	533,866	644,095	(110,229)
Instructional Staff	257,810	193,040	64,770
Board of Education	95,608	54,604	41,004
Administration	743,740	791,499	(47,759)
Fiscal	370,026	392,874	(22,848)
Business	23,721	15,840	7,881
Operation and Maintenance of Plant	1,176,689	1,087,122	89,567
Pupil Transportation	936,371	892,237	44,134
Central	237,273	195,625	41,648
Operation of Non-Instructional Services:			
Food Service Operations	655,996	657,050	(1,054)
Community Services	19,699	13,304	6,395
Extracurricular Activities	534,120	580,880	(46,760)
Interest and Fiscal Charges	103,233	119,231	(15,998)
Total Expenses	<u>14,850,623</u>	<u>14,746,553</u>	<u>104,070</u>
Change in Net Position	706,816	(545,229)	1,252,045
Net Position at Beginning of Year	<u>13,391,146</u>	<u>13,936,375</u>	<u>(545,229)</u>
Net Position at End of Year	<u>\$14,097,962</u>	<u>\$13,391,146</u>	<u>\$706,816</u>

Property taxes made up approximately 9.2 percent of revenues for governmental activities for the Dawson-Bryant Local School District. Of the remaining revenues, the School District receives 80.4 percent from state foundation, federal, and state grants; 9.9 percent from charges for services; and 0.5 percent from investment earnings, gain on sale of capital assets, and miscellaneous. Grants and entitlements increased by \$1,584,839, primarily due to the School District participating in programs to help the economically disadvantaged, which increased the amount received through grant funding.

# Dawson-Bryant Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2016*

*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 9.2 percent of revenues for governmental activities for Dawson-Bryant Local School District in 2016. 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 61.7 percent of the School District's budget for expenditures is used to fund instructional expenses. Support services make up 29.5 percent of expenses and 8.8 percent is used for interest and fiscal charges, extracurricular activities, food service operations, and community services.

The Statement of Activities shows the cost of program services and the charges for services and sales, and operating grants and contributions 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**

	2016 Total Cost of Services	2016 Net Cost of Services	2015 Total Cost of Services	2015 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$7,263,547	\$5,295,086	\$7,267,040	\$5,109,212
Special	1,466,838	1,152,688	1,414,281	1,079,833
Vocational	234,605	192,013	232,595	187,813
Student Intervention Services	197,481	197,481	195,236	195,236
Support Services:				
Pupils	533,866	533,866	644,095	644,095
Instructional Staff	257,810	249,810	193,040	185,040
Board of Education	95,608	95,608	54,604	54,604
Administration	743,740	743,740	791,499	791,499
Fiscal	370,026	289,605	392,874	390,886
Business	23,721	23,721	15,840	15,840
Operation and Maintenance of Plant	1,176,689	1,117,783	1,087,122	1,027,944
Pupil Transportation	936,371	933,714	892,237	892,237
Central	237,273	231,873	195,625	190,225
Non-Instructional Services:				
Food Service Operations	655,996	200,044	657,050	140,454
Community Services	19,699	19,699	13,304	13,304
Extracurricular Activities	534,120	374,794	580,880	417,693
Interest and Fiscal Charges	103,233	103,233	119,231	119,231
<b>Totals</b>	<b>\$14,850,623</b>	<b>\$11,754,758</b>	<b>\$14,746,553</b>	<b>\$11,455,146</b>

# **Dawson-Bryant Local School District, Ohio**

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2016*

*Unaudited*

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. 79.2 percent of total expenses are supported through taxes and other general revenues.

### **THE SCHOOL DISTRICT FUNDS**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,523,720 and expenditures of \$14,220,950.

The fund balance of the General Fund increased \$988,413. The General Fund's unassigned fund balance of \$3,772,604 represented 31.9% of current year expenditures. The fund balance of the Permanent Improvement Fund increased \$373,872 resulting from Transfers In from the General Fund.

#### ***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 2016, the School District did amend its General Fund estimated revenues. 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 \$13,632,339, which represented a 10.0 percent increase from original estimates of \$12,389,700. This increase was due to an increase in General Fund Foundation receipts. The final budget basis expenditure estimate of \$12,846,021 represented a 8.4 percent increase from the original estimates of \$11,854,251. The School District's ending unobligated General Fund balance was \$5,397,459.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal year 2016, the School District had \$24,224,732 invested in capital assets net of debt. Table 4 shows fiscal year 2016 balances compared to 2015.

# Dawson-Bryant Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2016

Unaudited

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

	Governmental Activities	
	2016	2015
Land	\$710,791	\$710,791
Construction in Progress	12,177	0
Land Improvements	624,332	693,957
Buildings and Improvements	23,702,574	24,865,953
Furniture, Fixtures, and Equipment	281,920	277,529
Vehicles	411,432	316,630
Totals	<u>\$25,743,226</u>	<u>\$26,864,860</u>

For additional information on capital assets, see Note 10 to the basic financial statements.

### **Debt**

The School has three bonds outstanding. Table 5 shows fiscal year 2016 balances compared to 2015.

**Table 5**  
**Outstanding Debt, at Fiscal Year End**

	Governmental Activities	
	2016	2015
2010 Classroom Facilities Improvements Refunding Bonds:		
Term	\$375,000	\$540,000
Bond Amortization of Premium	13,734	20,899
2011 Qualified School Construction Bond	485,000	530,000
2011 Certificates of Participation	650,000	710,000
Totals	<u>\$1,523,734</u>	<u>\$1,800,899</u>

For additional information on debt, see Note 15 to the basic financial statements.

### **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, 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 80.4 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.



# **Dawson-Bryant Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2016*

*Unaudited*

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As the preceding information shows, the School District continues to depend upon its taxpayers. Although Dawson-Bryant Local 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 Brad Miller, Treasurer at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

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**Dawson-Bryant Local School District, Ohio**

*Statement of Net Position*

*June 30, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,724,061
Intergovernmental Receivable	337,797
Materials and Supplies Inventory	14,468
Prepaid Items	19,618
Property Taxes Receivable	1,379,530
Nondepreciable Capital Assets	722,968
Depreciable Capital Assets, Net	<u>25,020,258</u>
<i>Total Assets</i>	<u>35,218,700</u>
<b>Deferred Outflow of Resources</b>	
Deferred Charge on Refunding	5,240
Pensions	<u>1,633,019</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,638,259</u>
<b>Liabilities</b>	
Accounts Payable	65,511
Accrued Wages and Benefits Payable	1,233,644
Accrued Interest Payable	4,178
Vacation Benefits Payable	69,053
Matured Compensated Absences Payable	8,545
Intergovernmental Payable	244,236
Long-Term Liabilities:	
Due within One Year	296,504
Due in More than One Year	
Net Pension Liability (See Note 12)	16,654,699
Other Amounts Due in More Than One Year	<u>1,748,438</u>
<i>Total Liabilities</i>	<u>20,324,808</u>
<b>Deferred Inflow of Resources</b>	
Property Taxes	1,093,177
Pensions	<u>1,341,012</u>
<i>Total Deferred Inflow of Resources</i>	<u>2,434,189</u>
<b>Net Position</b>	
Net Investment in Capital Assets	24,224,732
Restricted for:	
Debt Service	367,284
Capital Projects	1,663
Classroom Facilities Maintenance	637,582
Federal Grant Expenditures	133,527
State Grant Expenditures	5,467
Athletics	50,973
Unrestricted	<u>(11,323,266)</u>
<i>Total Net Position</i>	<u><u>\$14,097,962</u></u>

See accompanying notes to the general purpose external financial statements

**Dawson-Bryant Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June, 30, 2016*

	Program Revenues		Net (Expense)	
	Expenses	Charges for Services and Sales	Revenue and Changes in Net Position	
		Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,263,547	\$1,350,630	\$617,831	(\$5,295,086)
Special	1,466,838	1,040	313,110	(1,152,688)
Vocational	234,605	0	42,592	(192,013)
Student Intervention Services	197,481	0	0	(197,481)
Support Services:				
Pupils	533,866	0	0	(533,866)
Instructional Staff	257,810	0	8,000	(249,810)
Board of Education	95,608	0	0	(95,608)
Administration	743,740	0	0	(743,740)
Fiscal	370,026	0	80,421	(289,605)
Business	23,721	0	0	(23,721)
Operation and Maintenance of Plant	1,176,689	0	58,906	(1,117,783)
Pupil Transportation	936,371	0	2,657	(933,714)
Central	237,273	0	5,400	(231,873)
Operation of Non-Instructional Services:				
Food Service Operations	655,996	28,065	427,887	(200,044)
Community Services	19,699	0	0	(19,699)
Extracurricular Activities	534,120	159,326	0	(374,794)
Interest and Fiscal Charges	103,233	0	0	(103,233)
<b>Totals</b>	<b>\$14,850,623</b>	<b>\$1,539,061</b>	<b>\$1,556,804</b>	<b>(11,754,758)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,293,192
Debt Service	111,895
Classroom Facilities Maintenance	21,287
Grants and Entitlements not Restricted to Specific Program:	10,957,968
Investment Earnings	28,816
Gain on Sale of Capital Assets	2,000
Miscellaneous	46,416

*Total General Revenues* 12,461,574

*Change in Net Position* 706,816

*Net Position at Beginning of Year* 13,391,146

*Net Position at End of Year* \$14,097,962

See accompanying notes to the general purpose external financial statement

**Dawson-Bryant Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2016*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,650,755	\$1,030,153	\$1,043,153	\$7,724,061
Receivables:				
Property Taxes	1,247,596	0	131,934	1,379,530
Intergovernmental	3,023	0	334,774	337,797
Interfund	56,778	0	0	56,778
Prepaid Items	19,618	0	0	19,618
Materials and Supplies Inventory	0	0	14,468	14,468
<b>Total Assets</b>	<b>\$6,977,770</b>	<b>\$1,030,153</b>	<b>\$1,524,329</b>	<b>\$9,532,252</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$40,530	\$21,099	\$3,882	\$65,511
Accrued Wages and Benefits Payable	1,092,046	0	141,598	1,233,644
Matured Compensated Absences Payable	8,545	0	0	8,545
Intergovernmental Payable	218,299	0	25,937	244,236
Interfund Payable	0	0	56,778	56,778
<b>Total Liabilities</b>	<b>1,359,420</b>	<b>21,099</b>	<b>228,195</b>	<b>1,608,714</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes	988,520	0	104,657	1,093,177
Unavailable Revenue	141,662	0	269,598	411,260
<i>Total Deferred Inflows of Resources</i>	<i>1,130,182</i>	<i>0</i>	<i>374,255</i>	<i>1,504,437</i>
<b>Fund Balances</b>				
Nonspendable				
Inventories	0	0	14,468	14,468
Prepaid Items	19,618	0	0	19,618
Restricted for:				
Athletics	0	0	50,973	50,973
Classroom Facilities Maintenance	0	0	635,435	635,435
Capital Improvements	0	2,826	0	2,826
Debt Service	0	0	359,030	359,030
Federal Grant Expenditures	0	0	2,140	2,140
Committed to:				
Professional Services	16,942	0	0	16,942
Scholarships	29,110	0	0	29,110
Severance Benefits	127,372	0	0	127,372
HB 264 Subsidy	180,843	0	0	180,843
Assigned to:				
Purchases on Order	235,100	0	0	235,100
Subsequent Year Appropriations	83,854	0	0	83,854
School Support Services	22,725	0	0	22,725
Capital Improvements	0	1,006,228	0	1,006,228
Unassigned (Deficits)	3,772,604	0	(140,167)	3,632,437
<b>Total Fund Balances</b>	<b>4,488,168</b>	<b>1,009,054</b>	<b>921,879</b>	<b>6,419,101</b>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<i>\$6,977,770</i>	<i>\$1,030,153</i>	<i>\$1,524,329</i>	<i>\$9,532,252</i>

See accompanying notes to the general purpose external financial statements

**Dawson-Bryant Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2016*

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<b>Total Governmental Fund Balances</b>	\$6,419,101
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*Amounts reported for governmental activities in the statement of net position are different because*

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,743,226
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Delinquent Property Taxes	153,218	
Grants	258,042	411,260

Deferred Outflows of Resources represent deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds.	5,240
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in the governmental funds:

Deferred Outflows - Pension	1,633,019	
Deferred Inflows - Pension	(1,341,012)	
Net Pension Liability	(16,654,699)	(16,362,692)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Classroom Facilities Bonds	(388,734)	
Qualified School Construction Bonds	(485,000)	
Certificates of Participation	(650,000)	
Accrued Interest Payable	(4,178)	
Sick Leave Benefits Payable	(521,208)	
Vacation Benefits Payable	(69,053)	(2,118,173)

Net Position of Governmental Activities	<u><u>\$14,097,962</u></u>
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See accompanying notes to the general purpose external 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, 2016*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,306,337	\$0	\$131,527	\$1,437,864
Intergovernmental	11,004,550	0	1,452,735	12,457,285
Investment Earnings	28,816	0	0	28,816
Tuition and Fees	1,351,670	0	0	1,351,670
Charges for Services	0	0	32,841	32,841
Extracurricular	58,233	0	101,093	159,326
Donations	9,502	0	0	9,502
Miscellaneous	46,010	0	406	46,416
<i>Total Revenues</i>	<u>13,805,118</u>	<u>0</u>	<u>1,718,602</u>	<u>15,523,720</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,099,219	102,572	636,325	6,838,116
Special	1,161,712	0	235,171	1,396,883
Vocational	215,481	0	0	215,481
Student Intervention Services	161,662	0	0	161,662
Support Services:				
Pupils	527,748	0	0	527,748
Instructional Staff	196,107	0	8,130	204,237
Board of Education	66,727	0	0	66,727
Administration	668,931	578	0	669,509
Fiscal	334,969	500	4,624	340,093
Business	23,721	0	0	23,721
Operation and Maintenance of Plant	986,110	37,037	34,904	1,058,051
Pupil Transportation	790,005	182,398	2,699	975,102
Central	213,632	0	5,400	219,032
Operation of Non-Instructional Services:				
Food Service Operations	0	0	584,122	584,122
Community Services	18,438	0	0	18,438
Extracurricular Activities	344,966	9,420	132,397	486,783
Capital Outlay	1,285	55,623	0	56,908
Debt Service:				
Principal Retirement	0	0	270,000	270,000
Interest and Fiscal Charges	0	0	108,337	108,337
<i>Total Expenditures</i>	<u>11,810,713</u>	<u>388,128</u>	<u>2,022,109</u>	<u>14,220,950</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,994,405</u>	<u>(388,128)</u>	<u>(303,507)</u>	<u>1,302,770</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	762,000	245,992	1,007,992
Proceeds from Sale of Capital Assets	2,000	0	0	2,000
Transfers Out	(1,007,992)	0	0	(1,007,992)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,005,992)</u>	<u>762,000</u>	<u>245,992</u>	<u>2,000</u>
<i>Net Change in Fund Balance</i>	988,413	373,872	(57,515)	1,304,770
<i>Fund Balances at Beginning of Year</i>	<u>3,499,755</u>	<u>635,182</u>	<u>979,394</u>	<u>5,114,331</u>
<i>Fund Balances at End of Year</i>	<u><u>\$4,488,168</u></u>	<u><u>\$1,009,054</u></u>	<u><u>\$921,879</u></u>	<u><u>\$6,419,101</u></u>

See accompanying notes to the general purpose external 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, 2016*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$1,304,770
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:		
Capital Asset Additions	245,065	
Depreciation Expense	<u>(1,366,699)</u>	(1,121,634)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(11,490)	
Charges for Services	(4,776)	
Grants	<u>47,985</u>	31,719
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		270,000
 Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Accrued Interest Payable	672	
Amortization of Serial Premium	7,165	
Amortization of Deferred Amount on Refunding	<u>(2,733)</u>	5,104
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		970,855
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(743,877)
 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:		
Vacation Benefits Payable	(18,304)	
Sick Leave Benefits Payable	<u>8,183</u>	(10,121)
 <i>Change in Net Position of Governmental Activities</i>		 <u><u>\$706,816</u></u>

See accompanying notes to the general purpose external 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, 2016*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$1,180,300	\$1,233,078	\$1,315,507	\$82,429
Intergovernmental	9,873,513	10,906,202	11,004,550	98,348
Investment Earnings	25,963	30,000	39,118	9,118
Tuition and Fees	1,212,746	1,362,375	1,341,489	(20,886)
Charges for Services	50,799	50,799	50,799	0
Donations	8,525	9,564	9,502	(62)
Miscellaneous	37,854	40,321	46,010	5,689
<i>Total Revenues</i>	<u>12,389,700</u>	<u>13,632,339</u>	<u>13,806,975</u>	<u>174,636</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,159,189	6,674,489	6,317,995	356,494
Special	1,109,380	1,202,195	1,137,984	64,211
Vocational	215,905	233,969	221,472	12,497
Student Intervention Services	157,034	170,172	161,083	9,089
Support Services:				
Pupils	529,209	573,485	542,854	30,631
Instructional Staff	119,222	129,197	122,296	6,901
Board of Education	66,389	71,944	68,101	3,843
Administration	684,324	741,577	701,968	39,609
Fiscal	365,263	395,822	374,681	21,141
Business	26,716	28,951	27,405	1,546
Operation and Maintenance of Plant	1,032,438	1,118,816	1,059,058	59,758
Pupil Transportation	827,890	897,154	849,236	47,918
Central	206,416	223,685	211,738	11,947
Operation of Non-Instructional Services	17,974	19,477	18,437	1,040
Extracurricular Activities	335,649	363,730	344,303	19,427
Capital Outlay	1,253	1,358	1,285	73
<i>Total Expenditures</i>	<u>11,854,251</u>	<u>12,846,021</u>	<u>12,159,896</u>	<u>686,125</u>
<i>Excess of Revenues Over Expenditures</i>	<u>535,449</u>	<u>786,318</u>	<u>1,647,079</u>	<u>860,761</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,019,992)	(1,019,992)	(1,019,992)	0
Proceeds from Sale of Capital Assets	0	2,000	2,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,019,992)</u>	<u>(1,017,992)</u>	<u>(1,017,992)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(484,543)	(231,674)	629,087	860,761
<i>Fund Balance at Beginning of Year</i>	4,517,666	4,517,666	4,517,666	0
Prior Year Encumbrances Appropriated	250,706	250,706	250,706	0
<i>Fund Balance at End of Year</i>	<u>\$4,283,829</u>	<u>\$4,536,698</u>	<u>\$5,397,459</u>	<u>\$860,761</u>

See accompanying notes to the general purpose external financial statements

**Dawson-Bryant Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2016*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$13,290</u></u>
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**Liabilities**

Undistributed Monies	\$5,467
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Due to Students	<u>7,823</u>
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Total Liabilities	<u><u>\$13,290</u></u>
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See accompanying notes to the general purpose external financial statements

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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## **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 57 classified employees and 88 certified teaching and administrative personnel who provide services to 1,145 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 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 Dawson-Bryant Local 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, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in the South Central Ohio Computer Association Regional Council of Governments, the Coalition of Rural and Appalachian Schools, and the Lawrence County Academy, which are defined as jointly governed organizations, and the Optimal Health Initiatives Workers' Compensation Group Rating Program and the Lawrence County Schools Council of Governments Health Benefits Program, which are defined as insurance purchasing pools. These organizations are presented in Notes 17 and 18.

## **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 more significant of the School District's accounting policies are described below.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 2 - Summary of Significant Accounting Policies (Continued)

### A. Basis of Presentation

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

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for 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 position 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. Non-major 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 2 - Summary of Significant Accounting Policies (Continued)

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

**Permanent Improvement Fund** This fund accounts for the acquisition, construction, or improvement of capital facilities of governmental activities.

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

**Fiduciary Fund** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 position. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net position.

**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, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 2 - Summary of Significant Accounting Policies (Continued)

**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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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## **Note 2 - Summary of Significant Accounting Policies (Continued)**

***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".

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 2016 amounted to \$28,816, which includes \$8,135 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. The School District's certificates of deposit are reported on the financial statements as equity in pooled cash and cash equivalents.

### ***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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. Materials and Supplies 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.

### ***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 position but are not reported in the fund financial statements.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 2 - Summary of Significant Accounting Policies (Continued)

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 acquisition 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	5-20 years
Buildings and Improvements	5-40 years
Furniture, Fixtures, and Equipment	5-15 years
Vehicles	8-10 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.



## **Dawson-Bryant Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

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.

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 net pension liability 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 are recognized as a liability on the governmental fund financial statements when due.

#### ***L. Bond Premiums***

On government-wide financial statement, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are recorded in the year the bonds are issued.

#### ***M. Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 2 - Summary of Significant Accounting Policies (Continued)

### N. 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.

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

**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 or a School District official delegated that authority by resolution or State Statute.

**Unassigned:** 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.

### O. Pensions

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

## **Dawson-Bryant Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***P. 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.

#### ***Q. Net Position***

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

#### ***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

#### ***S. 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.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 2 - Summary of Significant Accounting Policies (Continued)

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 Principle

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

## Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2016:

	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Food Service	\$33,476
Special Education Grants to States	31,739
Title I Grants to Local Educational Agencies	45,175
Improving Teacher Quality State Grants	15,309

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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## Note 4 - Fund Deficits (Continued)

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 - 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 Balances - 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).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Prepaid items are reported on the balance sheet (GAAP basis), but not on the cash basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

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	\$988,413
Revenue Accruals	1,857
Expenditure Accruals	5,615
Prepaid Items:	
Beginning of Fiscal Year	21,135
End of Fiscal Year	(19,618)
Negative cash advances to other funds	(56,778)
Transfers	(12,000)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(13,485)
Encumbrances	(286,052)
Budget Basis	<u>\$629,087</u>

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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## **Note 6 - 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 6 - Deposits and Investments (Continued)

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days

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, \$4,264,331 of the School District's bank balance of \$7,743,311 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.

### Investments

Investments are reported at fair value. As of December 31, 2016, the School District had the following investment:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard &amp; Poor's Rating</u>	<u>Percent of Total Investments</u>
Fair Value				
Money Market Mutual Fund	\$62,755	Less than one year	AAAm	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. The School District's investment measured at fair value is valued using quoted market prices (Level 1 inputs).

## Note 7 - Property Taxes

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

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 7 - Property Taxes (Continued)**

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected 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.

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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2016, 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 inflows of resources – property taxes.

The amount available as an advance for June 30, 2016, was \$120,437 in the General Fund, \$10,798 in the Bond Retirement Debt Service Fund, and \$1,900 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2015, was \$129,607 in the General Fund, \$8,995 in the Bond Retirement Debt Service Fund, and \$2,256 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 reported as deferred inflows of resources – unavailable revenues.



**Dawson-Bryant Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**Note 7 - Property Taxes (Continued)**

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$65,134,650	87.66%	\$65,373,170	87.90%
Commercial/Industrial and Public Utility Real	2,852,260	3.84%	2,746,090	3.70%
Public Utility Personal	6,312,640	8.50%	6,249,200	8.40%
Total	\$74,299,550	100.00%	\$74,368,460	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$22.50		\$22.90	

**Note 8 - Receivables**

Receivables at June 30, 2016, consisted of property taxes, 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:

Governmental Activities	Amounts
Early Childhood Education	\$11,596
Special Education Grants to States	147,398
Title I Grants to Local Educational Agencies	140,135
Improving Teacher Quality State Grants	30,178
High Schools That Work	5,467
State Foundation	3,023
Total	\$337,797

**Note 9 - Significant Commitments**

**A. Encumbrances**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

### Note 9 - Significant Commitments (Continued)

At fiscal year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General	\$296,933
Permanent Improvement	\$38,681
Nonmajor Governmental Funds	41,526
Total	\$377,140

### B. Contractual Commitments

On March 7, 2016, the Board of Education approved a resolution to purchase an electronic sign for \$24,354. As of June 30, 2016, \$12,177 remained unpaid. This item is included in the encumbrance amounts above and as construction in progress (see Note 10).

### Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at 6/30/15	Additions	Deductions	Balance at 6/30/16
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$710,791	\$0	\$0	\$710,791
Construction in Progress	0	12,177	0	12,177
Total Nondepreciable Capital Assets	710,791	12,177	0	722,968
Depreciable Capital Assets:				
Land Improvements	1,791,997	0	0	1,791,997
Buildings and Improvements	39,567,169	0	0	39,567,169
Furniture, Fixtures, and Equipment	1,969,376	50,490	0	2,019,866
Vehicles	1,180,297	182,398	(73,000)	1,289,695
Total Depreciable Capital Assets	44,508,839	232,888	(73,000)	44,668,727
Less Accumulated Depreciation:				
Land Improvements	(1,098,041)	(69,624)	0	(1,167,665)
Buildings and Improvements	(14,701,215)	(1,163,380)	0	(15,864,595)
Furniture, Fixtures, and Equipment	(1,691,847)	(46,099)	0	(1,737,946)
Vehicles	(863,667)	(87,596)	73,000	(878,263)
Total Accumulated Depreciation	(18,354,770)	(1,366,699) *	73,000	(19,648,469)
Total Capital Assets being Depreciated, Net	26,154,069	(1,133,811)	0	25,020,258
Capital Assets, Net	\$26,864,860	(\$1,121,634)	\$0	\$25,743,226

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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### Note 10 - Capital Assets (Continued)

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$533,547
Special	88,747
Vocational	22,187
Student Intervention Services	36,978
Support Services:	
Pupils	36,978
Instructional Staff	59,165
Board of Education	29,582
Administration	73,956
Fiscal	29,582
Operation and Maintenance of Plant	145,102
Pupil Transportation	146,173
Central	22,187
Food Service Operations	76,422
Extracurricular Activities	66,093
Total Depreciation Expense	<u><u>\$1,366,699</u></u>

The School District's total capital assets being depreciated amount above included \$4,791,801 in fully depreciated capital assets.

### Note 11 - 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 2016, the School District contracted with The Catlin Insurance Company for the following coverage:

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

### Note 11 - Risk Management (Continued)

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$2,500	\$45,453,497
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Employers' Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Educators Legal Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Vehicles:		
Bodily Injury:		
Per Person	500	1,000,000
Per Accident	500	1,000,000
Property Damage	500	1,000,000
Uninsured Motorist:		
Per Person	500	1,000,000
Per Accident	500	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2015.

For fiscal year 2016, the School District participated in the Optimal Health Initiatives Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Note 18) to provide employee medical benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is placed into a Council Fund from which claim payments are made for all participating School Districts.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 12 - Defined Benefit Pension Plans

### A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

### **Plan Description - School Employees Retirement System (SERS)**

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

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

### Note 12 - Defined Benefit Pension Plans (Continued)

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$246,972 for fiscal year 2016. Of this amount \$33,196 is reported as an intergovernmental payable.

#### ***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 12 - Defined Benefit Pension Plans (Continued)**

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

### Note 12 - Defined Benefit Pension Plans (Continued)

The School District's contractually required contribution to STRS was \$723,883 for fiscal year 2016. Of this amount \$145,378 is reported as an intergovernmental payable.

#### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.05920500%	0.04921499%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.05770120%	0.04834887%	
Change in Proportionate Share	-0.00150380%	-0.00086612%	
			Total
Proportionate Share of the Net			
Pension Liability	\$3,292,486	\$13,362,213	\$16,654,699
Pension Expense	\$187,054	\$556,823	\$743,877

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$53,015	\$609,149	\$662,164
School District contributions subsequent to the measurement date	246,972	723,883	970,855
Total Deferred Outflows of Resources	\$299,987	\$1,333,032	\$1,633,019
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$109,091	\$960,995	\$1,070,086
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	67,739	203,187	270,926
Total Deferred Inflows of Resources	\$176,830	\$1,164,182	\$1,341,012



## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

### Note 12 - Defined Benefit Pension Plans (Continued)

\$970,855 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	(\$61,258)	(\$267,662)	(\$328,920)
2018	(61,258)	(267,662)	(328,920)
2019	(61,509)	(267,662)	(329,171)
2020	60,210	247,953	308,163
Total	(\$123,815)	(\$555,033)	(\$678,848)

#### *Actuarial Assumptions - SERS*

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 12 - Defined Benefit Pension Plans (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00%</u></u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### Note 12 - Defined Benefit Pension Plans (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,565,496	\$3,292,486	\$2,220,508

***Changes Between Measurement Date and Report Date*** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

#### ***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

### Note 12 - Defined Benefit Pension Plans (Continued)

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00%	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$18,561,122	\$13,362,213	\$8,965,761

### **B. 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 Employees Retirement System / State Teachers Retirement System. As of June 30, 2016, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

## **Dawson-Bryant Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 13 - Postemployment Benefits**

#### ***A. School Employees Retirement System***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$28,115.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$14,179, and \$29,591, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

#### ***B. State Teachers Retirement System***

Plan Description - The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

## **Dawson-Bryant Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 13 - Postemployment Benefits (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$54,213, respectively. The full amount has been contributed for 2016, 2015, and 2014.

### **Note 14 - 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 five to twenty days of vacation per fiscal year, depending upon length of service. Bargaining unit employees shall be permitted to carry over two years worth of vacation from year to 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 370 days for certified employees and 320 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 81 days for certified employees and 81 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 \$1,756.79 for family coverage and 80% of total monthly premiums of \$711.25 for single coverage.

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

The School District provides dental insurance to certificated and administrative employees through Guardian. The School District pays 100% of the total monthly premiums of \$63.36 for family coverage and \$20.90 for single coverage.

The School District provides vision insurance to certificated and administrative employees through the Guardian Plan. The School District pays 100% of the total monthly premiums of \$19.56 for family coverage and \$9.10 for single coverage.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

### Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/15	Additions	Deductions	Principal Outstanding 6/30/16	Amounts Due in One Year
<b>Governmental Activities:</b>					
2006 Classroom Facilities					
Improvements Refunding Bonds:					
Term Bonds - 5.25%	\$540,000	\$0	\$165,000	\$375,000	\$175,000
Bond Premium	20,899	0	7,165	13,734	0
2011 6.90% Qualified School					
Construction Bonds	530,000	0	45,000	485,000	45,000
2011 7.25% Certificates of					
Participation	710,000	0	60,000	650,000	60,000
	<u>1,800,899</u>	<u>0</u>	<u>277,165</u>	<u>1,523,734</u>	<u>280,000</u>
Net Pension Liability					
STRS	11,970,789	1,391,424	0	13,362,213	0
SERS	2,996,331	296,155	0	3,292,486	0
Total Net Pension Liability	<u>14,967,120</u>	<u>1,687,579</u>	<u>0</u>	<u>16,654,699</u>	<u>0</u>
Sick Leave Benefits Payable					
	<u>529,391</u>	<u>55,577</u>	<u>63,760</u>	<u>521,208</u>	<u>16,504</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$17,297,410</u>	<u>\$1,743,156</u>	<u>\$340,925</u>	<u>\$18,699,641</u>	<u>\$296,504</u>

Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. See Note 12 for additional information related to net pension liability.

***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 2016 was \$7,165. 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 deferred outflows, 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 2016 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, 2016

## Note 15 - Long-Term Obligations (Continued)

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Term	
	Principal	Interest
2017	\$175,000	\$15,094
2018	200,000	5,250
	<u>\$375,000</u>	<u>\$20,344</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.

**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 of 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.

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. The Bonds are being retired from the Bond Retirement Debt Service Fund.

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.



## Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

### Note 15 - Long-Term Obligations (Continued)

Annual base rent requirements to retire the Qualified School Construction Bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2017	\$45,000	\$31,913	(\$24,374)	\$52,539
2018	45,000	28,808	(22,002)	51,806
2019	45,000	25,703	(19,630)	51,073
2020	50,000	22,425	(17,128)	55,297
2021	50,000	18,975	(14,493)	54,482
2022-2026	250,000	43,125	(32,937)	260,188
Total	\$485,000	\$170,949	(\$130,564)	\$525,385

**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) of the Internal Revenue Service Code.

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. The COPs are being retired from the Bond Retirement Debt Service Fund.

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, 2016

## Note 15 - Long-Term Obligations (Continued)

Annual base rent requirements to retire the certificates of participation at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2017	\$60,000	\$44,950	(\$32,674)	\$72,276
2018	60,000	40,600	(29,512)	71,088
2019	60,000	36,250	(26,350)	69,900
2020	65,000	31,719	(23,056)	73,663
2021	65,000	27,006	(19,631)	72,375
2022-2026	340,000	62,713	(45,585)	357,128
Total	<u>\$650,000</u>	<u>\$243,238</u>	<u>(\$176,808)</u>	<u>\$716,430</u>

The School District's overall legal debt margin was \$6,178,457, with an unvoted debt margin of \$74,368 at June 30, 2016.

## Note 16 - Interfund Activity

### A. Transfers

During fiscal year 2016, the General Fund made transfers to the following funds:

	<u>Amount</u>
Bond Retirement Debt Service Fund	\$130,992
Permanent Improvements Capital Projects Fund	762,000
Athletics Special Revenue Fund	35,000
Food Service Special Revenue Fund	80,000
Total Transfers	<u>\$1,007,992</u>

Other 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, 2016

## Note 16 - Interfund Activity (Continued)

### B. Interfund Balances

Interfund balances at June 30, 2016, represent \$56,778 due to the General Fund from Special Revenue Funds for cash deficits.

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$56,778	\$0
Other Governmental Funds:		
CAO Preschool	0	11,596
Title IV-B	0	12,094
Title I	0	27,460
Title II-A	0	5,628
	<u>0</u>	<u>56,778</u>
Total All Funds	<u>\$56,778</u>	<u>\$56,778</u>

## Note 17 - Jointly Governed Organizations

### A. South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCACoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCACoG consists of two representatives from each county in the SCOCACoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCACoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCACoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCACoG, and once these remaining liabilities are satisfied, SCOCACoG will be dissolved and the member districts will become members of META. SCOCACoG entered into a subcontract agreement with META to provide services to SCOCACoG, and on behalf of SCOCACoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCACoG is currently governed by a four person executive governing board. The School District paid SCOCACoG \$96,673 for services provided during the fiscal year.

## **Dawson-Bryant Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 17 - Jointly Governed Organizations (Continued)**

#### ***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 School District's membership fee was \$325 for fiscal year 2016. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

#### ***C. Lawrence County Academy***

The School District is a participant in the Lawrence County Academy, a jointly governed, nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a seven-member Board of Directors. The Board membership consists of superintendents from Chesapeake Union Exempted Village School District, Fairland Local School District, Dawson Bryant Local School District, South Point Local School District, Symmes Valley Local School District, Ironton City School District, and Rock Hill Local School District. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Chris Robinson, fiscal agent for the Lawrence County Academy, at the Rock Hill Local School District, 2325A County Road 26, Ironton, Ohio 45638.

### **Note 18 - Insurance Purchasing Pools**

#### ***A. Optimal Health Initiatives Workers' Compensation Group Rating Program***

The School District participates in the Optimal Health Initiatives Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of trustees consisting of the President, the Vice President, and the Secretary. The Executive Director of the Northwest Division of OHI, or a 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.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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## Note 18 - Insurance Purchasing Pools (Continued)

### *B. Lawrence County Schools Council of Governments Health Benefits Program*

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the Council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each School District reserves the right to withdraw from the plan. If this is done, no further contributions will be made and the school district's net pooled share will be distributed and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

## Note 19 - 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 acquisition and construction of capital improvements. Amounts not spent by fiscal 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 fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization and textbooks.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirements for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board of education be returned to the school district's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future fiscal years. The bill placed special conditions on any Bureau or Workers' Compensation monies remaining in the budget reserve. The School District does not maintain a budget reserve set aside.

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

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2015	\$0
Current Year Set-Aside Requirement	205,635
Current Year Qualifying Expenditures	(173,665)
Current Year Offsets	(844,131)
Totals	<u>(812,161)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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## **Note 19 - Set-Aside Calculations (Continued)**

The School District had qualifying expenditures and offsets during the fiscal year that reduced the set-aside amount below zero. The excess set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

## **Note 20 - Contingencies**

### ***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

### ***B. Litigation***

At June 30, 2016, the School District was party to legal proceedings; however, in the opinion of the School District, any potential liability would not have a material effect on the School District's financial condition.

### ***C. School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 foundation funding for the School District, therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.0577012%	0.0592050%	0.0592050%
School District's Proportionate Share of the Net Pension Liability	\$3,292,486	\$2,996,331	\$3,520,731
School District's Covered-Employee Payroll	\$1,729,097	\$1,726,782	\$1,625,031
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	190.42%	173.52%	216.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04834887%	0.04921499%	0.04921499%
School District's Proportionate Share of the Net Pension Liability	\$13,362,213	\$11,970,789	\$14,259,526
School District's Covered-Employee Payroll	\$5,069,729	\$5,467,285	\$5,240,877
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	263.57%	218.95%	272.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.



**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$246,972	\$227,895	\$239,332	\$224,904	\$211,095	\$210,014	\$216,488	\$153,018	\$153,476	\$178,162
Contributions in Relation to the Contractually Required Contribution	<u>(246,972)</u>	<u>(227,895)</u>	<u>(239,332)</u>	<u>(224,904)</u>	<u>(211,095)</u>	<u>(210,014)</u>	<u>(216,488)</u>	<u>(153,018)</u>	<u>(153,476)</u>	<u>(178,162)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,764,086	\$1,729,097	\$1,726,782	\$1,625,031	\$1,569,480	\$1,670,756	\$1,598,877	\$1,555,060	\$1,562,887	\$1,668,186
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$723,883	\$709,762	\$710,747	\$681,314	\$651,761	\$697,392	\$688,106	\$659,541	\$678,098	\$760,526
Contributions in Relation to the Contractually Required Contribution	<u>(723,883)</u>	<u>(709,762)</u>	<u>(710,747)</u>	<u>(681,314)</u>	<u>(651,761)</u>	<u>(697,392)</u>	<u>(688,106)</u>	<u>(659,541)</u>	<u>(678,098)</u>	<u>(760,526)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$5,170,593	\$5,069,729	\$5,467,285	\$5,240,877	\$5,013,546	\$5,364,554	\$5,293,123	\$5,073,392	\$5,216,138	\$5,850,200
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grant Year</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b><i>Passed Through Ohio Department of Education</i></b>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2015-2016	\$ 0	\$ 38,357
Cash Assistance:				
School Breakfast Program	10.553	2015-2016	0	123,932
National School Lunch Program	10.555	2015-2016	0	321,912
Total Child Nutrition Cluster			<u>0</u>	<u>484,201</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>484,201</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b><i>Passed Through Ohio Department of Education</i></b>				
Title I Grants to Local Educational Agencies	84.010	2015 2016	0 0	104,509 323,283
Total Title I Grants to Local Educational Agencies			<u>0</u>	<u>427,792</u>
Special Education - Grants to States	84.027	2015 2016	0 0	35,045 193,987
Total Special Education - Grants to States			<u>0</u>	<u>229,032</u>
Supporting Effective Instruction State Grant	84.367	2015 2016	0 0	19,009 87,046
Total Supporting Effective Instruction State Grant			<u>0</u>	<u>106,055</u>
Total U.S. Department of Education			<u>0</u>	<u>762,879</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 0</b></u>	<u><b>\$ 1,247,080</b></u>

*The accompanying notes are an integral part of this schedule.*

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Dawson-Bryant Local School District (the School District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 13, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of the Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Dawson-Bryant Local School District's, Lawrence County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Dawson-Bryant Local School District's major federal program for the year ended June 30, 2016. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Dawson-Bryant Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2017



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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies CFDA #84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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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 28, 2017