

Dawson-Bryant Local School District

Lawrence County

Single Audit

July 1, 2001 Through June 30, 2002

Fiscal Year Audited Under GAGAS: 2002

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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**Auditor of State
Betty Montgomery**

Board of Education
Dawson-Bryant Local School District

We have reviewed the Independent Auditor's Report of the Dawson-Bryant Local School District, Lawrence County, prepared by Balestra & Company for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 9, 2003

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DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis.....	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Reconciliation of Total Governmental Funds Balances To Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund.....	16
Statement of Fiduciary Assets and Liabilities	17
Notes to the Basic Financial Statements	18-41
Schedule of Federal Awards Expenditures	42
Notes to Schedule of Federal Awards Expenditures.....	43
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	44-45
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	46-47
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505	48-50
Corrective Action Plan.....	51

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board

Dawson-Bryant Local School District

222 Lane Street

Coal Grove, Ohio 45638

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District (the District), Lawrence County, as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2002, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2003, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra & Company

Balestra & Company
May 20, 2003

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

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, 2002. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2002 are as follows:

- Net assets of governmental activities increased \$13,096,658. The School District ranks 607th of the 611 public school districts in the State in property valuation per pupil. Thus, the fiscal health of the School District is totally dependent upon the level of funding of the State School Foundation and the prudent fiscal management policies as set by the Board of Education.
- General revenues accounted for \$7,500,273 in revenue or 33% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$15,326,271 or 67% of total revenues of \$22,826,544.
- The School District had \$9,729,886 in expenses related to governmental activities; All of these expenses were offset by program specific charges for services, grants, contributions, and interest.
- The School District has four major funds; the General Fund, the Bond Retirement Debt Service Fund and the Permanent Improvement and Classroom Facilities Capital Projects Funds. The General Fund had \$7,773,820 in revenues and \$6,961,686 in expenditures. The General Fund's balance increased \$641,158. The Bond Retirement Debt Service Fund had \$244,248 in revenues and \$175,501 in expenditures, resulting in a \$68,747 increase in fund balance. The Permanent Improvement Capital Projects Fund had no revenue and \$66,769 in expenditures. The Permanent Improvement Capital Projects Fund's balance decreased by \$66,769. The Classroom Facilities Capital Projects Fund had \$165,979 in revenues and \$157,254 in expenditures resulting in a \$8,725 increase in fund balance.

USING THIS ANNUAL FINANCIAL REPORT

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 Assets and 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 as the School District's most significant funds with all other non-major funds presented in total in one column.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2002?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds Most 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 readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2002 compared to 2001.

Table 1
Net Assets

	Governmental Activities	
	2002	2001
Assets		
Current and Other Assets	\$18,484,546	\$4,644,006
Capital Assets	12,811,406	13,097,468
Total Assets	<u>31,295,952</u>	<u>17,741,474</u>
Liabilities		
Long-term Liabilities	2,395,832	2,386,127
Other Liabilities	2,532,236	2,084,121
Total Liabilities	<u>4,928,068</u>	<u>4,470,248</u>
Net Assets		
Invested in Capital Assets, Net of Debt	10,916,406	11,152,468
Restricted	15,111,004	2,644,926
Unrestricted	340,474	(526,168)
Total Net Assets	<u>\$26,367,884</u>	<u>\$13,271,226</u>

The School District experienced an increase in cash balances, due to staff reductions and an increase in state foundation revenue for special instruction.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2002. Since this is the first year Dawson-Bryant Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities
	<u>2002</u>
Revenues	
Program Revenues	
Charges for Services	\$517,447
Operating Grants, Contributions and Interest	2,069,596
Capital Grants and Contributions	12,739,228
Total Program Revenues	<u>15,326,271</u>
General Revenues	
Property Taxes	1,058,829
Grants and Entitlements	6,334,962
Investment Earnings	73,033
Gain on Disposal of Capital Assets	26,524
Miscellaneous	6,925
Total General Revenues	<u>7,500,273</u>
Total Revenues	<u>22,826,544</u>
Program Expenses	
Instruction:	
Regular	4,390,864
Special	1,486,819
Vocational	4,733
Adult/Continuing	500
Support Services:	
Pupil	321,471
Instructional Staff	540,801
Board of Education	31,284
Administration	597,247
Fiscal	180,740
Operation and Maintenance of Plant	807,025
Pupil Transportation	476,745
Operation of Non-Instructional Services:	
Food Service Operations	493,938
Other	7,171
Extracurricular Activities	271,781
Interest and Fiscal Charges	118,767
Total Expenses	<u>9,729,886</u>
Increase in Net Assets	<u>\$13,096,658</u>

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2001 have not been made since they are not available.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2002</u>	<u>2002</u>
Program Expenses		
Instruction:		
Regular	\$4,390,864	(\$8,825,488)
Special	1,486,819	510,562
Vocational	4,733	(48,268)
Adult/Continuing	500	500
Support Services:		
Pupil	321,471	277,376
Instructional Staff	540,801	322,089
Board of Education	31,284	31,284
Administration	597,247	558,327
Fiscal	180,740	179,110
Operation and Maintenance of Plant	807,025	806,963
Pupil Transportation	476,745	363,364
Operation of Non-Instructional Services:		
Food Service Operations	493,938	(6,875)
Other	7,171	3,123
Extracurricular Activities	271,781	112,781
Interest and Fiscal Charges	118,767	118,767
Total	<u>\$9,729,886</u>	<u>(\$5,596,385)</u>

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 \$10,191,797 and expenditures of \$9,413,908. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

General Fund Budgeting Highlights

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

During the course of fiscal year 2002, the School District did not estimate resources or file an appropriation resolution with the County Auditor.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2002, the School District had \$12,811,406 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2002 balances compared to 2001.

Table 4
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2002</u>	<u>2001</u>
Land and Land Improvements	\$174,634	\$174,634
Buildings and Improvements	11,652,956	11,919,471
Furniture and Equipment	585,247	738,602
Vehicles	241,315	264,761
Construction in Progress	<u>157,254</u>	<u>0</u>
Totals	<u>\$12,811,406</u>	<u>\$13,097,468</u>

During fiscal year 2002, the School District initiated a school building renovation and addition project with the Ohio School Facilities Commission. The School District will pay \$194,000 or approximately two percent of the project, from cash balances in the Permanent Improvement Capital Projects Fund. The Ohio School Facilities Commission will provide the remaining approximately ninety-eight percent, or \$12,584,084. For additional information on capital assets, see note 8 to the basic financial statements.

Debt

At June 30, 2002, the School District had general obligation bonds outstanding of \$1,895,000. The bonds were issued for school construction. For additional information on debt, see note 14 to the basic financial statements.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

ECONOMIC FACTORS

Dawson-Bryant Local School District is financially stable. As the preceding information shows, the School District depends upon the State School Foundation Program. Dawson-Bryant Local School District must maintain its current spending habits to maintain its healthy financial situation. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

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 about this report or need additional financial information, contact Dr. James Payne, Superintendent at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Dawson Bryant Local School District, Ohio

Statement of Net Assets

June 30, 2002

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,363,074
Cash and Cash Equivalents with Fiscal Agents	96,120
Accounts Receivable	4,213
Accrued Interest Receivable	2,027
Materials and Supplies Inventory	5,775
Intergovernmental Receivable	12,714,994
Prepaid Items	88,772
Property Taxes Receivable	1,209,571
Nondepreciable Capital Assets	331,888
Depreciable Capital Assets, Net	<u>12,479,518</u>
<i>Total Assets</i>	<u>31,295,952</u>
Liabilities	
Accounts Payable	124,719
Contracts Payable	58,188
Accrued Wages and Benefits Payable	991,613
Retainage Payable	96,120
Accrued Interest Payable	9,483
Matured Compensated Absences Payable	31,263
Matured Vacation Payable	1,623
Bonus Payable	28,685
Vacation Benefits Payable	21,737
Deferred Revenue	914,436
Intergovernmental Payable	254,369
Long-Term Liabilities:	
Due Within One Year	140,709
Due In More Than One Year	<u>2,255,123</u>
<i>Total Liabilities</i>	<u>4,928,068</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,916,406
Restricted for:	
Capital Projects	13,515,655
Debt Service	471,166
Budget Stabilization	64,367
Other Purposes	1,059,816
Unrestricted	<u>340,474</u>
<i>Total Net Assets</i>	<u><u>\$26,367,884</u></u>

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2002

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$4,390,864	\$9,004	\$582,974	\$12,624,374	\$8,825,488
Special	1,486,819	0	976,257	0	(510,562)
Vocational	4,733	0	53,001	0	48,268
Adult/Continuing	500	0	0	0	(500)
Support Services:					
Pupil	321,471	0	44,095	0	(277,376)
Instructional Staff	540,801	139,007	65,763	13,942	(322,089)
Board of Education	31,284	0	0	0	(31,284)
Administration	597,247	0	38,920	0	(558,327)
Fiscal	180,740	0	1,392	238	(179,110)
Operation and Maintenance of Plant	807,025	62	0	0	(806,963)
Pupil Transportation	476,745	0	12,707	100,674	(363,364)
Operation of Non-Instructional Services:					
Food Service Operations	493,938	206,441	294,372	0	6,875
Other	7,171	3,933	115	0	(3,123)
Extracurricular Activities	271,781	159,000	0	0	(112,781)
Interest and Fiscal Charges	118,767	0	0	0	(118,767)
<i>Totals</i>	<u>\$9,729,886</u>	<u>\$517,447</u>	<u>\$2,069,596</u>	<u>\$12,739,228</u>	<u>5,596,385</u>
General Revenues					
Property Taxes Levied for:					
					820,037
					219,855
					18,937
					6,334,962
					73,033
					26,524
					6,925
					<u>7,500,273</u>
					13,096,658
					13,271,226
					<u>\$26,367,884</u>

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2002*

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,786,051	\$418,754	\$859,987	\$93,044	\$1,140,871	\$4,298,707
Cash and Cash Equivalents with Fiscal Agents	0	0	0	96,120	0	96,120
Receivables:						
Property Taxes	936,239	251,869	0	21,463	0	1,209,571
Accounts	0	0	0	0	4,213	4,213
Accrued Interest	2,027	0	0	0	0	2,027
Intergovernmental	0	0	0	12,439,534	275,460	12,714,994
Prepaid Items	86,272	0	0	0	2,500	88,772
Materials and Supplies Inventory	0	0	0	0	5,775	5,775
Restricted Assets:						
Cash and Cash Equivalents	64,367	0	0	0	0	64,367
<i>Total Assets</i>	<u>\$2,874,956</u>	<u>\$670,623</u>	<u>\$859,987</u>	<u>\$12,650,161</u>	<u>\$1,428,819</u>	<u>\$18,484,546</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$86,201	\$0	\$0	\$0	\$38,518	\$124,719
Contracts Payable	0	0	0	58,188	0	58,188
Accrued Wages and Benefits Payable	852,100	0	0	0	139,513	991,613
Matured Compensated Absences Payable	31,263	0	0	0	0	31,263
Matured Vacation Benefits Payable	1,623	0	0	0	0	1,623
Retainage Payable	0	0	0	96,120	0	96,120
Intergovernmental Payable	159,953	0	0	0	13,576	173,529
Deferred Revenue	921,409	247,865	0	12,460,663	243,360	13,873,297
<i>Total Liabilities</i>	<u>2,052,549</u>	<u>247,865</u>	<u>0</u>	<u>12,614,971</u>	<u>434,967</u>	<u>15,350,352</u>
Fund Balances						
Reserved for Encumbrances	199,892	0	0	629,980	63,893	893,765
Reserved for Property Taxes	14,830	4,004	0	334	0	19,168
Reserved for Budget Stabilization	64,367	0	0	0	0	64,367
Unreserved, Undesignated, Reported in:						
General Fund	543,318	0	0	0	0	543,318
Special Revenue Funds	0	0	0	0	754,418	754,418
Debt Service Funds	0	418,754	0	0	0	418,754
Capital Projects Funds (Deficit)	0	0	859,987	(595,124)	175,541	440,404
<i>Total Fund Balances</i>	<u>822,407</u>	<u>422,758</u>	<u>859,987</u>	<u>35,190</u>	<u>993,852</u>	<u>3,134,194</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,874,956</u>	<u>\$670,623</u>	<u>\$859,987</u>	<u>\$12,650,161</u>	<u>\$1,428,819</u>	<u>\$18,484,546</u>

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2002*

Total Governmental Fund Balances		\$3,134,194
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,811,406
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	277,840	
Charges for Services	4,213	
Grants	<u>12,676,808</u>	12,958,861
Vacation Benefits Payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(21,737)
Bonus Payable is recognized for earned termination benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(28,685)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(80,840)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(1,895,000)	
Accrued Interest Payable	(9,483)	
Sick Leave Benefit Payable	<u>(500,832)</u>	<u>(2,405,315)</u>
Net Assets of Governmental Activities		<u><u>\$26,367,884</u></u>

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2002

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$784,179	\$209,554	\$0	\$18,379	\$0	\$1,012,112
Intergovernmental	6,884,993	34,694	0	147,600	1,502,489	8,569,776
Investment Earnings	73,033	0	0	0	0	73,033
Charges for Services	0	0	0	0	202,228	202,228
Tuition and Fees	9,004	0	0	0	7,299	16,303
Extracurricular Activities	0	0	0	0	294,641	294,641
Miscellaneous	22,611	0	0	0	1,093	23,704
<i>Total Revenues</i>	<u>7,773,820</u>	<u>244,248</u>	<u>0</u>	<u>165,979</u>	<u>2,007,750</u>	<u>10,191,797</u>
Expenditures						
Current:						
Instruction:						
Regular	3,490,808	0	0	0	651,856	4,142,664
Special	919,985	0	0	0	468,353	1,388,338
Vocational	4,733	0	0	0	0	4,733
Adult/Continuing	500	0	0	0	0	500
Support Services:						
Pupil	257,800	0	0	0	47,142	304,942
Instructional Staff	207,717	0	0	0	207,557	415,274
Board of Education	31,284	0	0	0	0	31,284
Administration	520,582	0	0	0	39,189	559,771
Fiscal	160,938	6,533	0	0	2,424	169,895
Operation and Maintenance of Plant	786,847	0	0	0	0	786,847
Pupil Transportation	402,453	0	0	0	0	402,453
Operation of Non-Instructional Services	5,280	0	0	0	482,616	487,896
Extracurricular Activities	156,513	0	0	0	91,157	247,670
Capital Outlay	16,246	0	66,769	157,254	62,404	302,673
Debt Service:						
Principal	0	50,000	0	0	0	50,000
Interst and Fiscal Charges	0	118,968	0	0	0	118,968
<i>Total Expenditures</i>	<u>6,961,686</u>	<u>175,501</u>	<u>66,769</u>	<u>157,254</u>	<u>2,052,698</u>	<u>9,413,908</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>812,134</u>	<u>68,747</u>	<u>(66,769)</u>	<u>8,725</u>	<u>(44,948)</u>	<u>777,889</u>
Other Financing Sources						
Proceeds from Sale of Capital Assets	26,524	0	0	0	0	26,524
Transfers In	0	0	0	0	197,500	197,500
Transfers Out	(197,500)	0	0	0	0	(197,500)
<i>Total Other Financing Sources</i>	<u>(170,976)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>197,500</u>	<u>26,524</u>
<i>Net Change in Fund Balance</i>	641,158	68,747	(66,769)	8,725	152,552	804,413
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	181,249	354,011	926,756	26,465	841,300	2,329,781
<i>Fund Balances End of Year</i>	<u>\$822,407</u>	<u>\$422,758</u>	<u>\$859,987</u>	<u>\$35,190</u>	<u>\$993,852</u>	<u>\$3,134,194</u>

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2002*

Net Change in Fund Balances - Total Governmental Funds		\$804,413
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*Amounts reported for governmental activities in the statement of activities
are different because*

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

Capital Asset Additions	187,954	
Depreciation Expense	<u>(474,016)</u>	(286,062)

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

Grants	12,557,293	
Charges for Services	4,213	
Delinquent Taxes	<u>46,717</u>	12,608,223

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		50,000
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In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		201
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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:

Intergovernmental Payables	(12,064)	
Bonus Payable	(15,049)	
Vacation Benefits Payable	6,701	
Sick Leave Benefits Payable	<u>(59,705)</u>	<u>(80,117)</u>

<i>Change in Net Assets of Governmental Activities</i>		<u>\$13,096,658</u>
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See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$0	\$0	\$777,158	\$777,158
Intergovernmental	0	0	6,884,993	6,884,993
Investment Earnings	0	0	73,240	73,240
Tuition and Fees	0	0	9,004	9,004
Miscellaneous	0	0	22,611	22,611
<i>Total Revenues</i>	0	0	7,767,006	7,767,006
Expenditures				
Current:				
Instruction:				
Regular	0	0	3,542,321	(3,542,321)
Special	0	0	887,068	(887,068)
Vocational	0	0	2,444	(2,444)
Adult/Continuing	0	0	500	(500)
Support Services:				
Pupil	0	0	236,385	(236,385)
Instructional Staff	0	0	203,450	(203,450)
Board of Education	0	0	27,455	(27,455)
Administration	0	0	520,823	(520,823)
Fiscal	0	0	166,043	(166,043)
Operation and Maintenance of Plant	0	0	803,111	(803,111)
Pupil Transportation	0	0	426,317	(426,317)
Non-Instructional	0	0	5,280	(5,280)
Extracurricular Activities	0	0	149,953	(149,953)
Capital Outlay	0	0	16,246	(16,246)
<i>Total Expenditures</i>	0	0	6,987,396	(6,987,396)
<i>Excess of Revenues Over (Under) Expenditures</i>	0	0	779,610	779,610
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	26,524	26,524
Transfers Out	0	0	(197,500)	(197,500)
<i>Total Other Financing Sources (Uses)</i>	0	0	(170,976)	(170,976)
<i>Net Change in Fund Balance</i>	0	0	608,634	608,634
<i>Fund Balance Beginning of Year</i>	0	0	981,327	981,327
Prior Year Encumbrances Appropriated	0	0	366,645	366,645
<i>Fund Balance End of Year</i>	\$0	\$0	\$1,956,606	\$1,956,606

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2002

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,150,492</u>
Liabilities	
Due to Others	\$1,142,691
Due to Student	<u>7,801</u>
Total Liabilities	<u>\$1,150,492</u>

See accompanying notes to the basic financial statements

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 1 - Description of the School District and Reporting Entity

Dawson-Bryant Local 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 three instructional/support facilities staffed by 47 classified employees, 87 certified teaching personnel, and 7 administrators, who provide services to 1,330 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 insure that the financial statements of the School District 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. The School District has no component units.

The School District serves as fiscal agent for the Pilasco-Ross Special Education Regional Resource Center. The organization is presented as a fiduciary fund within the School District's financial statements. The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Plan, and the Lawrence County Schools Insurance Purchasing Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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, 2002

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 assets 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 assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using two categories, governmental and fiduciary.

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

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

Bond Retirement Debt Service Fund The Bond Retirement Debt Service Fund accounts for tax revenues collected to repay outstanding general obligation bonds.

Permanent Improvements Capital Projects Fund The Permanent Improvements Capital Projects Fund accounts for transactions related to the acquiring, constructing, improving and renovating the School District's permanent improvements.

Classroom Facilities Capital Projects Fund The Classroom Facilities Capital Projects Fund accounts for transactions related to the acquiring, constructing, improving and renovating the School District's school facilities.

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

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

C. Measurement Focus

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

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

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.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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 6). 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, investment earnings, tuition, grants, fees, and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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 the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". The School District is responsible for an interest bearing account that consists of retainage held on a contract. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2002, investments consisted solely of overnight repurchase agreements. These nonparticipating investment contracts are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$73,033, which includes \$47,106 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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 services are consumed.

G. Inventory

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

H. Capital Assets

The School District's only capital assets are general assets. General capital assets are those assets specifically related governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

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. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of ten thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. It is not the School District's policy to capitalize interest.

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

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

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

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 as the balances are to be used by employees within two months of the fiscal year end.

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 classified and certified employees after fifteen years of current service with the School District.

The entire sick leave benefit liability is reported on the government-wide financial statements.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Interfund Activity

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

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

N. Net Assets

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 2 - Summary of Significant Accounting Policies (Continued)

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

O. 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. The School District had no extraordinary or special items in fiscal year 2002.

P. Estimates

The preparation of 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. Budgetary Process

All funds, other than the agency fund, 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 the authority to allocate appropriations to the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. 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.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 3 – Compliance

The School District did not estimate resources for any funds during the fiscal year contrary to Ohio Revised Code Section 57.05.36.

The School District had expenditures that exceeded appropriations in all funds during the fiscal year contrary to Ohio Revised Code Section 5705.41B.

Note 4 - Changes in Accounting Principle and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2002, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2001, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District’s programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2001, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

Restatement of Fund Balance It was determined that the Food Service Enterprise Fund should be reclassified as a special revenue fund. This restatement and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 4 - Changes in Accounting Principle and Restatement of Fund Balance (Continued)

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Nonmajor	Total
Fund Balances, June 30, 2001	\$168,623	\$354,011	\$926,756	\$26,465	\$851,195	\$2,327,050
Fund Reclassification	0	0	0	0	(32,224)	(32,224)
Intergovernmental Payable	0	0	0	0	11,384	11,384
Deferred Revenue Overstatement	0	0	0	0	771	771
Interpretation 6	12,626	0	0	0	10,174	22,800
Adjusted Fund Balances, June 30, 2001	\$181,249	\$354,011	\$926,756	\$26,465	\$841,300	2,329,781
GASB 34 Adjustments:						
Capital Assets						13,097,468
Pension Obligation						(68,776)
Vacation Benefits Payable						(28,438)
Bonus Payable						(13,636)
Accrued Interest Payable						(9,684)
Long-term Liabilities						(2,386,127)
Long-term (Deferred) Assets						350,638
Governmental Activities Net Assets, June 30, 2001						\$13,271,226

	Business-Type Activities
Fund Equity, June 30, 2001	\$74,516
Fund Reclassification	(74,516)
Adjusted Net Assets, June 30, 2001	\$0

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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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).

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 5 - Budgetary Basis of Accounting (Continued)

- 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 as a reservation of fund balance (GAAP basis).
- 4. Resolution of an audit adjustment.

The following tables summarize 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	\$641,158
Revenue Accruals	(6,814)
Expenditure Accrual	(112,711)
Prepaid Items	(19,187)
Cash Adjustment	372,560
Encumbrances	<u>(266,372)</u>
Budget Basis	<u><u>\$608,634</u></u>

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 6 - Deposits and Investments (Continued)

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 6 - Deposits and Investments (Continued)

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$1,189,686 and the bank balance was \$1,491,776. Of the bank balance:

1. \$163,315 was covered by federal depository insurance; and
2. \$1,328,461 was uninsured and uncollateralized. Although all state 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.

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

Investment	Category 3	Carrying/ Fair Value
Repurchase Agreements	\$4,420,000	\$4,420,000

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments and the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$5,609,686	\$0
Repurchase Agreements	(4,420,000)	4,420,000
GASB Statement 3	\$1,189,686	\$4,420,000

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, 2002

Note 7 - Property Taxes (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second-		2002 First-	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$35,674,890	84%	\$37,640,750	81%
Public Utility Personal	1,277,310	3%	2,316,450	5%
Tangible Personal Property	5,734,060	13%	6,305,070	14%
Total	\$42,686,260	100%	\$46,262,270	100%
Tax Rate per \$1,000 of assessed valuation	\$26.50		\$26.50	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 7 - Property Taxes (Continued)

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2002, was \$19,168 and is recognized as revenue: \$14,830 in the General Fund, \$4,004 in the Bond Retirement Fund and \$334 in the Classroom Facilities Capital Projects 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 is deferred.

Note 8 - Receivables

Receivables at June 30, 2002, consisted of property taxes, accounts, 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 year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Classroom Facilities:	
Ohio School Facilities Grant	\$12,439,534
Other Governmental Funds:	
Federal and State Food Service Grants	60,200
Title VI-B	22,862
Title I	171,145
Class Size Reduction Grant	15,293
Payments from other School Districts	<u>5,960</u>
Total Other Governmental Funds	<u>275,460</u>
Total Governmental Activities	<u><u>\$12,714,994</u></u>

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance 6/30/2001	Additions	Deductions	Balance 6/30/2002
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$174,634	\$0	\$0	\$174,634
Construction in Progress	0	157,254	0	157,254
Total Capital Assets not being Depreciated	174,634	157,254	0	331,888
Depreciable Capital Assets:				
Buildings and Improvements	14,997,598	0	(262,500)	14,735,098
Furniture and Equipment	1,240,774	10,400	0	1,251,174
Vehicles	779,202	20,300	(82,435)	717,067
Total Capital Assets being Depreciated	17,017,574	30,700	(344,935)	16,703,339
Less Accumulated Depreciation				
Buildings and Improvements	(3,078,127)	(266,515)	262,500	(3,082,142)
Furniture and Equipment	(502,172)	(163,755)	0	(665,927)
Vehicles	(514,441)	(43,746)	82,435	(475,752)
Total Accumulated Depreciation	(4,094,740)	(474,016)*	344,935	(4,223,821)
Total Capital Assets being Depreciated, Net	12,922,834	(443,316)	0	12,479,518
Capital Assets, Net	\$13,097,468	(\$286,062)	\$0	\$12,811,406

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$148,719
Special	52,576
Support Services:	
Pupil	12,431
Instructional Staff	108,554
Administration	32,127
Fiscal	4,681
Operation and Maintenance of Plant	28,934
Pupil Transportation	66,754
Operation of Non-Instructional Services:	
Food Service Operations	19,240
Total Depreciation Expense	\$474,016

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 10 - 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. During fiscal year 2002, the School District contracted with the Cincinnati Insurance Company for property and fleet insurance and inland marine coverage. The type and amount of coverage provided by the Cincinnati Insurance Company follows:

Building and Contents-replacement cost (\$500 deductible)	\$21,471,250
Boiler and Machinery (\$1,000 deductible)	500,000
Inland Marine:	
Band Uniforms (\$250 deductible)	50,000
Computers (\$100 deductible)	50,000
Crime – Public Employee Dishonesty (\$4,000 deductible)	25,000
Automobile Liability (\$100 deductible):	
Bodily Injury and Property Damage – combined single limit	1,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products – Complete Operations Aggregate Limit	1,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	1,000,000
Per Disease Each Employee	1,000,000
Per Disease Policy Limit	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	2,000,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

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 coverage in fiscal year 2001.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation from one fiscal year may only be carried forward for two months into the next fiscal year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, employees receive payment for one-fourth of their accumulated sick leave accumulation, up to a maximum of 60 days.

B. Insurance

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays seventy-seven of the total monthly premiums of \$889.17 for family coverage and \$360.34 for single coverage.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life Insurance Company, in the amount of \$25,000.

Vision Insurance is provided through Vision Service Plan. The School District pays one hundred percent of the monthly premium of \$19.38 for each employee.

Note 12 – Contractual Commitment

As of June 30, 2002, the School District had contractual purchase commitments for architectural and preliminary services on the renovation of school facilities for \$751,309. The contracts are accounted for in the Classroom Facilities Capital Projects Fund. As of June 30, 2002, the School District paid \$63,141 on these contracts, leaving a remaining balance on the contracts of \$688,168.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 13 - Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 4.2 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$56,312, \$36,459, and \$71,687 respectively; 52.35 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$26,832 represents the unpaid contribution for fiscal year 2002.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$445,976, \$288,422, and \$337,671, respectively; 87.39 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$56,245 represents the unpaid contribution for fiscal year 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 14 - Postemployment Benefits (Continued)

Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$211,252 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$100,118.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 15 - Long Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Restated Principal Outstanding <u>6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>6/30/02</u>	Amounts Due in <u>One Year</u>
Governmental Activities					
General Obligation Bonds:					
1995 School Building, 4.3-6.7%	\$1,945,000	\$0	\$50,000	\$1,895,000	\$55,000
Sick Leave Benefits	<u>441,127</u>	<u>105,317</u>	<u>45,612</u>	<u>500,832</u>	<u>85,709</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,386,127</u>	<u>\$105,317</u>	<u>\$95,612</u>	<u>\$2,395,832</u>	<u>\$140,709</u>

The School District issued classroom facility improvement bonds in 1995 in the amount of \$2,170,010 to meet the matching requirement for a classroom facility project involving the Ohio School Facilities Commission. The project included the construction of a new high school, as well as renovations to a middle school and an elementary school. The bonds bear variable interest rates and are retired through the bond retirement debt service fund.

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service, DPIA, Title VI-B, Title I and Class Size Reduction Special Revenue Funds.

The overall debt margin of the School District as of June 30, 2002, was \$6,481,362, with an unvoted debt margin of \$46,262.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, are as follows:

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2003	\$55,000	\$117,718	\$172,718
2004	60,000	114,912	174,912
2005	65,000	111,823	176,823
2006	75,000	108,442	183,442
2007	80,000	104,468	184,468
2008-2012	535,000	446,817	981,817
2013-2017	810,000	244,215	1,054,215
2018	215,000	14,405	229,405
Total	<u>\$1,895,000</u>	<u>\$1,262,800</u>	<u>\$3,157,800</u>

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 16 - Jointly Governed Organizations

A. South Central Ohio Computer Association

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Dawson-Bryant Local School District paid \$2,660 for services provided during fiscal year 2002. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

B. Pilasco-Ross Special Education Regional Resource Center

Pilasco-Ross is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the South Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2002, the School District paid \$19,423 to Pilasco-Ross. Dawson-Bryant Local School District serves as the fiscal agent for Pilasco-Ross. Financial information can be obtained by contacting Steve Sites, Treasurer, 222 Lane Street, Coal Grove, Ohio 45638.

Note 17 - Insurance Purchasing Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 17 - Insurance Purchasing Pools (Continued)

B. Lawrence County Schools Insurance Purchasing Consortium

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

Note 18 - Set asides

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

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balanced as of June 30, 2001	\$64,367	(\$36,092)	(\$268,677)
Current Year Set-aside Requirement	0	182,358	182,358
Current Year Offsets	0	(21,287)	0
Qualifying Disbursements	0	(211,943)	(462,892)
Total	\$64,367	(\$86,964)	(\$549,211)
Set-aside Balance Carried Forward to Future Fiscal Years	\$64,367	(\$86,964)	(\$549,211)

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements and textbook set-asides. These extra amounts may be used to reduce the set-aside requirement of future fiscal years.

Note 19 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

Dawson-Bryant Local School District
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Donation	NA	10.550	\$0	\$15,978	\$0	\$17,455
School Breakfast Program	05-PU	10.553	51,098	0	51,098	0
National School Lunch Program	LL-P4	10.555	207,294	0	207,294	0
Summer Food Service Program for Children	24-PU	10.559	6,378	0	6,378	0
Total United States Department of Agriculture - Nutrition Cluster			264,770	15,978	264,770	17,455
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education: Grants to States	6B-SI	84.027	960,140	0	766,198	0
Special Education: Preschool Grants	PG-S7	84.173	95,800	0	68,900	0
Total Special Education Cluster			1,055,940	0	835,098	0
Title I Grants to Local Educational Agencies	C1-S1	84.010	276,455	0	441,834	0
Secondary Education and Transitional Services	PF-S1	84.158	0	0	0	0
Safe and Drug-Free Schools and Communities: State Grants	DR-S1	84.186	9,265	0	3,262	0
Goals 2000: State and Local Education Systemic Improvement Grants	G2-SP	84.276	150,000	0	134,222	0
Eisenhower Professional Development	MS-S1	84.281	20,094	0	0	0
Innovative Education Program Strategies	C2-S1	84.298	11,474	0	1,192	0
Tech Literacy Challenge	TF-32	84.318	0	0	30,301	0
Class Size Reduction	CR-S1	84.340	112,297	0	73,125	0
Grants for School Repair and Renovation	AT-S1	84.352A	5,584	0	0	0
Total United States Department of Education			1,641,109	0	1,519,034	0
Total Federal Financial Assistance			<u>\$1,905,879</u>	<u>\$15,978</u>	<u>\$1,783,804</u>	<u>\$17,455</u>

N/A - not available

See accompanying notes to the Schedule of Federal Awards Expenditures.

Dawson-Bryant Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures includes the federal grant activity of the Dawson-Bryant Local School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - SPECIAL EDUCATION CLUSTER

A portion of the Special Education Cluster programs are administered by Pilasco-Ross Special Education Regional Resource Center. Pilasco-Ross SERRC is a multi-county special education service organization which selects its own board, adopts its own budget, and receives direct Federal and State grants for its operation. The Dawson-Bryant Local School District serves as fiscal agent for the Pilasco-Ross SERRC.

Although not directly controlled by the District, the financial transactions of Pilasco-Ross SERRC are handled by the Treasurer of the District and are included in the basic financial statements as an Agency Fund. The Ohio Department of Education requires the School District to include on their Schedule of Federal Awards Expenditures the federal receipts and expenditures of Pilasco-Ross SERRC.

BALESTRA & COMPANY

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board
Dawson-Bryant Local School District
222 Lane Street
Coal Grove, Ohio 45638

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated May 20, 2003, in which we indicated the District adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the District in a separate letter dated May 20, 2003.

Members of the Board

Dawson-Bryant Local School District

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the District in a separate letter dated May 20, 2003.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company

Balestra & Company

May 20, 2003

BALESTRA & COMPANY

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board
Dawson-Bryant Local School District
222 Lane Street
Coal Grove, Ohio 45638

Compliance

We have audited the compliance of Dawson-Bryant Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in items 2002-84010-001 and 2002-84027-001, we were unable to obtain sufficient documentation supporting the compliance of the District with Title I regarding allowable costs, nor were we able to satisfy ourselves as to the District's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the District's compliance with the requirements of Title I regarding allowable costs, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the District in a separate letter dated May 20, 2003.

Members of the Board

Dawson-Bryant Local School District

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the District in a separate letter dated May 20, 2003.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company

Balestra & Company

May 20, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

Dawson-Bryant Local School District
Lawrence County
June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010, Title I and CFDA # 10.550, 10.553, 10.555 & 10.559, Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

Dawson-Bryant Local School District
Lawrence County
June 30, 2002

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

Finding Number	Reportable Ohio Revised Code Citation:
2002-001	<p>Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.</p> <p>The School District did not file a certificate of estimated resources with the Lawrence County Auditor's office.</p> <p>The Treasurer should file the certificate of estimated resources each July and monitor estimated versus actual revenue during the fiscal year and amend estimated revenue as deemed necessary.</p>

Finding Number	Reportable Ohio Revised Code Citation:
2002-002	<p>Ohio Revised Code Section 5705.38 states that a board of education shall pass its annual appropriation measure by the first day of October and file this measure with the county auditor.</p> <p>The School District did not file an annual appropriation measure with the Lawrence County Auditor's office.</p> <p>The Treasurer should file the annual appropriation measure before October 1st and monitor appropriations versus expenditures during the fiscal year and amend appropriations as deemed necessary.</p>

Finding Number	Reportable Ohio Revised Code Citation:
2002-003	<p>Ohio Revised Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated. Expenditures exceeded appropriations in all funds during the fiscal year.</p> <p>The Treasurer should file the annual appropriation measure before October 1st and monitor appropriations versus expenditures during the fiscal year and amend appropriations as deemed necessary.</p>

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2002-84010-001
CFDA Title and Number	Title I, 84.010
Federal Award Number/Year	C1-S1
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

A total of \$75,148 was charged to the Title I grant as a result of a fiscal year end adjustment. This adjustment was made for Title I expenses which were paid from other federal programs throughout the year. The individual disbursements, which make up the total, could not be specifically identified.

Finding Number	2002-84027-001
CFDA Title and Number	Special Education: Grants to States
Federal Award Number/Year	6B-S1
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

A total of \$161,877 was charged to the Special Education: Grants to States grant as a result of a fiscal year end adjustment. This adjustment was made for Special Education: Grants to States expenses, which were paid from other federal programs throughout the year. The individual disbursements, which make up the total, could not be specifically identified.

CORRECTIVE ACTION PLAN

Dawson-Bryant Local School District
Lawrence County
June 30, 2002

Finding Number	Planned Corrective Action:	Anticipated Completion Date:	Responsible Contact Person:
2002-001	The Treasurer and Board will monitor budgetary data more closely during the next fiscal year.	06/30/03	Dr. James Payne, Superintendent
2002-002	The Treasurer and Board will monitor budgetary data more closely during the next fiscal year.	06/30/03	Dr. James Payne, Superintendent
2002-003	The Treasurer and Board will monitor budgetary data more closely during the next fiscal year.	06/30/03	Dr. James Payne, Superintendent
2002-84010-001	The Treasurer will monitor account posting of federal disbursements more closely during the next fiscal year and properly advance monies when necessary.	06/30/03	Dr. James Payne, Superintendent
2002-84027-001	The Treasurer will monitor account posting of federal disbursements more closely during the next fiscal year and properly advance monies when necessary.	06/30/03	Dr. James Payne, Superintendent



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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
JULY 29, 2003**