

**DAWSON-BRYANT LOCAL
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS



Mary Taylor, CPA
Auditor of State

Board of Education
Dawson-Bryant Local School District
222 Lane St.
Coal Grove, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the Dawson-Bryant Local School District, Lawrence County, prepared by Kelley, Galloway & Company, for the audit period July 1, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 10, 2007

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Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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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 Dawson-Bryant Local School District, (the "District"), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these basic 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 Dawson-Bryant Local School District, as of June 30, 2006, and the respective changes in financial position, where applicable, 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 January 2, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures,

which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The schedule of expenditures of federal awards contained on pages 46 and 47 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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.

Kelley, Gallaway + Company, PSC

January 2, 2007

Dawson Bryant Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006*

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, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2006 are as follows:

- Net assets of governmental activities decreased \$800,545.
- General revenues accounted for \$8,711,764 in revenue or 68.8 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,957,267 or 31.2 percent of total revenues of \$12,669,031.
- Total assets of governmental activities decreased \$524,003. This is primarily due to increases in capital assets of \$4,303,493, combined with decreases in cash and cash equivalents and intergovernmental receivables of \$1,208,736 and \$3,572,905, respectively.
- The School District had \$13,469,576 in expenses related to governmental activities; only \$3,957,267 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$8,711,764 aided in covering the remaining expenses.
- The School District has two major funds, the General Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$9,658,312 in revenues and \$9,244,075 in expenditures. The General Fund's balance decreased \$6,294. The Classroom Facilities Capital Projects Fund had \$4,036,234 in revenues and \$4,972,133 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased \$14,881.

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

Dawson Bryant Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

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 2006?" 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 activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Classroom Facilities Capital Projects Fund.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can 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.

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

Dawson Bryant Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

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 2006 compared to 2005.

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets			
Current and Other Assets	\$ 16,272,168	\$ 21,099,664	\$ (4,827,496)
Capital Assets	<u>19,406,257</u>	<u>15,102,764</u>	<u>4,303,493</u>
Total Assets	<u>35,678,425</u>	<u>36,202,428</u>	<u>(524,003)</u>
Liabilities			
Long-Term Liabilities	2,615,314	2,190,637	(424,677)
Other Liabilities	<u>3,582,096</u>	<u>3,730,231</u>	<u>148,135</u>
Total Liabilities	<u>6,197,410</u>	<u>5,920,868</u>	<u>(276,542)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,345,393	14,039,777	3,305,616
Restricted	8,015,271	13,026,318	(5,011,047)
Unrestricted	<u>4,120,351</u>	<u>3,215,465</u>	<u>904,886</u>
Total Net Assets	<u>\$ 29,481,015</u>	<u>\$ 30,281,560</u>	<u>\$ (800,545)</u>

Total assets of governmental activities decreased \$524,003. This is primarily due to increases in capital assets of \$4,303,493, combined with decreases in cash and cash equivalents and intergovernmental receivables of \$1,208,736 and \$3,572,905, all of which are the result of the School District's continuing classroom facilities construction project. This construction project is allowing the School District to make needed additions and renovations to our high school and middle school building, and the renovation of and addition to our grade school building.

In total, liabilities decreased \$276,542. Decreases in accrued wages and benefits payable of \$419,128 and contracts payable of \$314,885 were offset by increases of \$683,395 in the School District's early retirement incentive package offered to our certificated employees, and a \$505,000 increase in long-term liabilities, which is the result of additional note debt entered into due to the School Districts continuing classroom facilities construction project. Beginning July of 2004, the School District began to offer an early retirement incentive to our certificated employees that continued through July 30, 2006. This one-time package was offered to those certificated employees with at least 27 years of service and consisted of the purchase of three years of service credit from the State Teachers Retirement System of Ohio. A total of 7 teaching and certificated administrative personnel took advantage of this one-time program. It should also be noted that the additional local funding needed for the current classroom facilities improvement project was not passed on to our residents through increased tax levies, but through diligent attention being paid by the School District's management team and employees working together to keep costs at a minimum. The decrease noted in accrued wages and benefits is attributable to a change in method of accrual of benefits from fiscal year 2005 to fiscal year 2006 and reductions in bonuses offered to retiring certificated employees. The School District pays its insurance benefits for its employees a month ahead, July's payment is for the month of August. In fiscal year 2005, the accrual for benefits payable would have included both July and August insurance benefits and there would have been a corresponding prepaid asset for the July's insurance benefits paid in June. In fiscal year 2006, the only accrual was for August's insurance benefits paid in July and no recognition of a prepaid assets for July's insurance benefits paid in June.

Dawson Bryant Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, and comparisons to fiscal year 2005.

**Table 2
Changes in Net Assets**

	Governmental Activities		Change
	2006	2005	
Revenues			
Program Revenues:			
Charges for Services	\$1,262,183	\$475,809	\$786,374
Operating Grants, Contributions and Interest	2,683,126	2,373,266	309,860
Capital Grants, Contributions and Interest	11,958	286,628	(274,670)
	<u>3,957,267</u>	<u>3,135,703</u>	<u>821,564</u>
General Revenue:			
Property Taxes	1,249,536	1,240,158	9,378
Grants and Entitlements	7,050,962	6,836,252	214,710
Investment Earnings	367,747	145,662	222,085
Miscellaneous	43,519	169,377	(125,858)
Gain on Sale of Capital Assets	-	875	(875)
	<u>8,711,764</u>	<u>8,392,324</u>	<u>319,440</u>
Total Revenues	<u>12,669,031</u>	<u>11,528,027</u>	<u>1,141,004</u>
Program Expenses			
Instruction:			
Regular	6,331,719	4,945,428	(1,386,291)
Special	1,175,141	1,586,224	411,083
Vocational	46,469	41,033	(5,436)
Support Services:			
Pupils	478,944	416,251	(62,693)
Instructional Staff	632,470	631,003	(1,467)
Board of Education	22,791	19,814	(2,977)
Administration	1,213,056	752,630	(460,426)
Fiscal	284,731	205,866	(78,865)
Business	12,133	13,319	1,186
Operation and Maintenance of Plant	1,334,866	1,005,685	(329,181)
Pupil Transportation	697,707	618,082	(79,625)
Central	78,504	83,479	4,975
Operation of Non-Instructional Services:			
Food Service Operations	675,446	569,027	(106,419)
Community Services	10,825	10,465	(360)
Extracurricular Activities	359,075	331,615	(27,460)
Interest and Fiscal Charges	115,699	109,851	(5,848)
Total Expenses	<u>13,469,576</u>	<u>11,339,772</u>	<u>(2,129,804)</u>
Increase in Net Assets	(800,545)	188,255	(988,800)
Net Assets at Beginning of Year	<u>30,281,560</u>	<u>30,093,305</u>	<u>188,255</u>
Net Assets at End of Year	<u>\$29,481,015</u>	<u>\$30,281,560</u>	<u>(\$800,545)</u>

Dawson Bryant Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006*

While the School District was able to maintain a stable financial position through fiscal year 2006, the economic pressures of academic requirements continues to require most available resources. Though revenues increased at a rate of 9.9 percent, or \$1,141,004, total expenses increased at a rate of 18.8 percent, or \$2,129,804. Program revenues; 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, increased at a rate of 26.2 percent, or \$821,564. Most of this increase is due to an additional \$668,520 in tuition and fees being paid by out-of-district students, and smaller increases in state aid through Foundation and food service payments and an increase in federal funding.

The DeRolph III decision has not eliminated the School District's dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the sizable increase in the School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up 9 percent of revenues for governmental activities for Dawson Bryant Local School District in 2006.

These increases in revenue are offset by increases in regular instruction, administrative services, and the operation and maintenance of plant. The increase in regular instruction is due to increases in base and step increases in salaries. The increase in administrative services is due primarily to the early retirement incentive packages offered by the School District. The increase in operation and maintenance of plant is due to increased utility and depreciation expenses.

Net assets of the School District's governmental activities decreased \$800,545 in fiscal year 2006. Program revenues of \$3,957,267 and general revenues of \$8,711,764 offset total governmental expenses of \$13,469,576. Program revenues supported 29.4 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 86.7 percent of total general revenue. Grants and entitlements, alone, represent 76.9 percent of general revenues. Interest income and miscellaneous revenues account for the remaining 3.2 percent.

Instruction comprises approximately 55.9 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 35.5 percent. The remaining 8.6 percent of program expenses is used for other obligations of the School District such as non-instructional services, food service operations, extracurricular activities, and interest and fiscal charges.

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

Dawson Bryant Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Table 3
Governmental Activities

	2006 Total Cost of Services	2006 Net Cost of Services	2005 Total Cost of Services	2005 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$6,331,719	\$4,818,174	\$4,931,557	\$4,248,405
Special	1,175,141	(103,610)	1,586,224	376,370
Vocational	46,469	(30,138)	41,033	(12,903)
Other	-	-	13,871	8,847
Support Services:				
Pupil	478,944	434,210	416,251	363,840
Instructional Staff	632,470	460,575	631,003	476,078
Board of Education	22,791	22,791	19,814	19,814
Administration	1,213,056	1,213,056	752,630	752,630
Fiscal	284,731	174,082	205,866	203,217
Business	12,133	12,133	13,319	13,319
Operation and Maintenance of Plant	1,334,866	1,334,557	1,005,685	744,409
Pupil Transportation	697,707	666,629	618,082	573,941
Central	78,504	69,504	83,479	74,479
Operation of Non-Instructional Services:				
Food Service Operations	675,446	76,828	569,027	31,783
Community Services	10,825	285	10,465	2,212
Extracurricular Activities	359,075	247,534	331,615	217,777
Interest and Fiscal Charges	115,699	115,699	109,851	109,851
Totals	<u>\$13,469,576</u>	<u>\$9,512,309</u>	<u>\$11,339,772</u>	<u>\$8,204,069</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 62.1 percent of all instructional activities are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,323,437 and expenditures of \$19,190,732.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the School District amended its General Fund appropriations, although none the amendments were significant. The School District uses a modified site-

Dawson Bryant Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006*

based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue was \$8,926,036, which was a \$564 change from the original budget basis revenue. Final budget basis expenditures of \$10,917,210 were considerably higher than the \$9,064,849 in original appropriations due to an insurance holiday the School District extended to its personnel, the early retirement incentive offered to our certificated staff, and, otherwise, overly optimistic expenditure estimates.

The School District's ending unobligated general fund balance was \$3,817,628.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the School District had \$19,367,424 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared to 2005.

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

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$710,791	\$710,791
Construction in Progress	6,979,527	2,324,242
Land Improvements	240,174	252,475
Buildings and Improvements	10,755,735	11,147,098
Furniture, Fixtures, and		
Equipment	399,253	277,652
Vehicles	320,777	390,506
Totals	<u>\$19,406,257</u>	<u>\$15,102,764</u>

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

Debt

At June 30, 2006, the School District had general obligation bonds and classroom improvement notes outstanding of \$1,692,813 and \$505,000, respectively.

Dawson Bryant Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2006	2005
1995 Classroom Facilities Improvement Bonds	\$ -	\$ 1,715,000
2006 Classroom Improvement Notes	505,000	-
2006 Classroom Facilities Improvement Bonds:		
Serial	940,000	-
Term	700,000	-
Deferred Amount on Refunding	(32,572)	-
Serial Bond Premium	85,385	-
Totals	<u>\$ 2,197,813</u>	<u>\$ 1,715,000</u>

On January 5, 2006, the School District issued \$505,000 in Classroom Improvement Notes which were issued for the construction of a new elementary school and additions and renovations to the high school. On June 1, 2006, the School District issued \$1,640,000 in Classroom Facilities Improvements Refunding General Obligation Bonds to retire \$1,640,000 in Classroom Facilities General Obligation Bonds. \$1,672,800 was paid to bondholders on June 1, 2006, to retire the 1995 bonds. The School District decreased its total debt service payments by \$222,359 as a result of the current refunding. The refunding bonds issued include both serial and term bonds in the amount of \$940,000 and \$700,000, respectively.

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

CURRENT ISSUES

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

Externally, the School District is largely dependent on State funding sources (nearly 72 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has seen a slight decline in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment has served to somewhat offset any increase in State funding.

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

Dawson Bryant Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006*

As the preceding information shows, the School District depends upon its taxpayers. Although the Dawson Bryant Local School District has continued to keep spending in line with revenues, and carefully watched financial planning, this must continue if the School District hopes to remain on firm financial footing.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Dawson-Bryant Local School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,372,365
Cash with Fiscal Agents	528,794
Property Taxes Receivable	1,392,248
Accounts Receivable	850
Intergovernmental Receivables	4,881,980
Prepaid Items	33,435
Deferred Charges	51,564
Materials and Supplies Inventory	10,932
Nondepreciable Capital Assets	7,690,318
Depreciable Capital Assets, Net	<u>11,715,939</u>
<i>Total Assets</i>	<u>35,678,425</u>
Liabilities	
Accounts Payable	92,448
Accrued Wages and Benefits Payable	952,914
Contracts Payable	436,456
Retainage Payable	34,777
Accrued Interest Payable	13,289
Vacation Benefits Payable	28,058
Matured Early Retirement Incentive Payable	249,650
Early Retirement Incentive Payable	433,745
Deferred Revenue	960,204
Intergovernmental Payable	380,555
Long-Term Liabilities:	
Due within One Year	269,253
Due in More than One Year	<u>2,346,061</u>
<i>Total Liabilities</i>	<u>6,197,410</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	17,345,393
Restricted for:	
Other Purposes	590,947
Capital Projects	6,822,527
Debt Service	601,797
Unrestricted	<u>4,120,351</u>
<i>Total Net Assets</i>	<u><u>\$29,481,015</u></u>

See accompanying notes to the basic financial statements.

Dawson-Bryant Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	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	\$6,331,719	\$668,520	\$845,025	\$ -	(\$4,818,174)
Special	1,175,141	-	1,278,751	-	103,610
Vocational	46,469	-	76,607	-	30,138
Other	-	-	-	-	-
Support Services:					
Pupil	478,944	-	44,734	-	(434,210)
Instructional Staff	632,470	133,463	38,432	-	(460,575)
Board of Education	22,791	-	-	-	(22,791)
Administration	1,213,056	-	-	-	(1,213,056)
Fiscal	284,731	107,550	3,099	-	(174,082)
Business	12,133	-	-	-	(12,133)
Operation and Maintenance of Plant	1,334,866	309	-	-	(1,334,557)
Pupil Transportation	697,707	-	19,120	11,958	(666,629)
Central	78,504	-	9,000	-	(69,504)
Operation of Non-Instructional Services:					
Food Service Operations	675,446	230,260	368,358	-	(76,828)
Community Service	10,825	10,540	-	-	(285)
Extracurricular Activities	359,075	111,541	-	-	(247,534)
Interest and Fiscal Charges	115,699	-	-	-	(115,699)
Totals	\$13,469,576	\$1,262,183	\$2,683,126	\$11,958	(\$9,512,309)
General Revenues					
Property Taxes Levied for:					
General Purposes					1,060,136
Debt Service					168,200
Other Purposes					21,200
Grants and Entitlements not Restricted to Specific Programs					7,050,962
Investment Earnings					367,747
Miscellaneous					43,519
Total General Revenues					8,711,764
Change in Net Assets					(800,545)
Net Assets Beginning of Year (as restated)					30,281,560
Net Assets End of Year					\$29,481,015

See accompanying notes to the basic financial statements.

Dawson-Bryant Local School District*Balance Sheet**Governmental Funds**June 30, 2006*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,021,988	\$2,287,105	\$2,063,272	\$9,372,365
Cash with Fiscal Agents	-	528,794	-	528,794
Receivables:				
Property Taxes	1,181,114	-	211,134	1,392,248
Accounts	352	-	498	850
Interfund	328,566	-	-	328,566
Intergovernmental	77,619	4,477,861	326,500	4,881,980
Accrued interest	-	-	-	-
Prepaid Items	31,715	-	1,720	33,435
Materials and Supply Inventory	-	-	10,932	10,932
<i>Total Assets</i>	<u>\$6,641,354</u>	<u>\$7,293,760</u>	<u>\$2,614,056</u>	<u>\$16,549,170</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$77,938	\$ -	\$14,510	\$92,448
Accrued Wages and Benefits Payable	740,324	-	212,590	952,914
Matured Early Retirement Incentive Payable	249,650	-	-	249,650
Interfund Payable	-	-	328,566	328,566
Intergovernmental Payable	294,959	-	85,596	380,555
Contracts Payable	-	436,456	-	436,456
Retainage Payable	-	34,777	-	34,777
Deferred Revenue	1,135,756	4,477,861	459,393	6,073,010
<i>Total Liabilities</i>	<u>2,498,627</u>	<u>4,949,094</u>	<u>1,100,655</u>	<u>8,548,376</u>
Fund Balances				
Reserved for Encumbrances	1,163,818	3,443	59,698	1,226,959
Reserved for Property Taxes	90,385	-	16,149	106,534
Unreserved, Undesignated, Reported in:				
General Fund	2,888,524	-	-	2,888,524
Special Revenue Funds	-	-	140,229	140,229
Debt Service Funds	-	-	642,118	642,118
Capital Projects Funds	-	2,341,223	655,207	2,996,430
<i>Total Fund Balances</i>	<u>4,142,727</u>	<u>2,344,666</u>	<u>1,513,401</u>	<u>8,000,794</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,641,354</u>	<u>\$7,293,760</u>	<u>\$2,614,056</u>	<u>\$16,549,170</u>

See accompanying notes to the basic financial statements.

Dawson-Bryant Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2006

Total Governmental Fund Balances		\$8,000,794
 <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.		19,406,257
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	325,510	
Charges for Services	45,027	
Grants	4,742,269	5,112,806
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(28,058)
Unamortized issuance costs represent deferred charges which do not provide current financial resources, and therefore are not reported in the funds.		51,564
Interest Payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(13,289)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Classroom Improvement Note	(505,000)	
School Construction Bonds	(1,692,813)	
Sick Leave Benefit Payable	(417,501)	
Early Retirement Incentive Payable	(433,745)	(3,049,059)
Net Assets of Governmental Activities		\$29,481,015

See accompanying notes to the basic financial statements.

Dawson-Bryant Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$1,044,537	\$ -	\$186,769	\$1,231,306
Intergovernmental	7,554,996	3,988,895	1,914,772	13,458,663
Investment Earnings	322,208	45,539	-	367,747
Charges for Services	108,059	-	235,306	343,365
Tuition and Fees	623,293	-	10,540	633,833
Rent	-	-	-	-
Extracurricular Activities	-	-	245,004	245,004
Miscellaneous	5,219	1,800	36,500	43,519
<i>Total Revenues</i>	<u>9,658,312</u>	<u>4,036,234</u>	<u>2,628,891</u>	<u>16,323,437</u>
Expenditures				
Current:				
Instruction:				
Regular	5,014,498	-	1,412,903	6,427,401
Special	397,402	-	675,350	1,072,752
Vocational	43,492	-	-	43,492
Other	-	-	-	-
Support Services:				
Pupil	381,114	-	40,406	421,520
Instructional Staff	355,452	-	162,439	517,891
Board of Education	22,791	-	-	22,791
Administration	743,446	-	-	743,446
Fiscal	273,365	-	5,982	279,347
Business	12,133	-	-	12,133
Operation and Maintenance of Plant	1,142,648	142,903	-	1,285,551
Pupil Transportation	571,367	-	-	571,367
Central	66,527	-	9,000	75,527
Operation of Non-Instructional Services:				
Food Service Operations	-	-	630,317	630,317
Community Service	-	-	10,825	10,825
Extracurricular Activities	219,840	-	121,122	340,962
Capital Outlay	-	4,824,230	-	4,824,230
Debt Service:				
Principal	-	-	75,000	75,000
Payment to Bondholders	-	-	1,672,800	1,672,800
Interest and Fiscal Charges	-	5,000	106,455	111,455
Issuance Costs	-	-	51,925	51,925
<i>Total Expenditures</i>	<u>9,244,075</u>	<u>4,972,133</u>	<u>4,974,524</u>	<u>19,190,732</u>
<i>Excess (deficiency) of Revenues Over Expenditures</i>	<u>414,237</u>	<u>(935,899)</u>	<u>(2,345,633)</u>	<u>(2,867,295)</u>
Other Financing Sources (Uses)				
Proceeds of Refunding Bonds	-	-	1,640,000	1,640,000
Premium on Refunding Bonds	-	-	85,982	85,982
Proceeds of Note	-	505,000	-	505,000
Transfers In	-	416,018	420,531	836,549
Transfers Out	(420,531)	-	(416,018)	(836,549)
<i>Total Other Financing Sources (Uses)</i>	<u>(420,531)</u>	<u>921,018</u>	<u>1,730,495</u>	<u>2,230,982</u>
<i>Net Change in Fund Balance</i>	<u>(6,294)</u>	<u>(14,881)</u>	<u>(615,138)</u>	<u>(636,313)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,149,021</u>	<u>2,359,547</u>	<u>2,128,539</u>	<u>8,637,107</u>
<i>Fund Balances End of Year</i>	<u>\$4,142,727</u>	<u>\$2,344,666</u>	<u>\$1,513,401</u>	<u>\$8,000,794</u>

See accompanying notes to the basic financial statements.

Dawson-Bryant Local School District
*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, 2006*

Net Change in Fund Balances - Total Governmental Funds		(\$636,313)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital Asset Additions	4,869,230	
Depreciation Expense	<u>(557,737)</u>	4,311,493
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets.		
		(8,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	(3,712,617)	
Tuition and Fees	45,027	
Charges for Services	(5,046)	
Delinquent Taxes	<u>18,230</u>	(3,654,406)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,747,800
Note proceeds are other financing sources in the governmental funds that increase long-term liabilities in the statement net assets and are not reported.		
		(505,900)
Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets:		
General Obligation Bonds	(1,640,000)	
Premium on Serial Bonds	<u>(85,982)</u>	(1,725,982)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, the amounts are deferred and amortized on the statement of activities:		
Accrued Interest Payable	(4,252)	
Amortization of Deferred Amount on Refunding	(228)	
Amortization of Issuance Costs	(361)	
Amortization of Premium on Serial Bonds	<u>597</u>	(4,244)
Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities. This is the unamortized issuance costs on the bonds.		
		51,925
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:		
Early Retirement Incentive Payable	(433,745)	
Vacation Benefits Payable	(2,209)	
Sick Leave Benefits Payable	<u>58,136</u>	(377,818)
<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$800,545)</u></u>

See accompanying notes to the basic financial statements.

Dawson Bryant Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$908,534	\$908,534	\$995,235	\$86,701
Intergovernmental	7,875,241	7,875,805	7,547,121	(328,684)
Investment Earnings	85,000	85,000	367,154	282,154
Tuition and Fees	1,000	1,000	598,771	597,771
Charges for Services	53,217	53,217	108,059	54,842
Miscellaneous	2,480	2,480	5,035	2,555
<i>Total Revenues</i>	<u>8,925,472</u>	<u>8,926,036</u>	<u>9,621,375</u>	<u>695,339</u>
Expenditures				
Current:				
Instruction:				
Regular	4,101,867	6,533,190	6,047,930	485,260
Special	535,520	445,919	414,475	31,444
Vocational	36,136	30,090	43,755	(13,665)
Support Services:				
Pupils	348,628	290,297	372,855	(82,558)
Instructional Staff	327,398	272,620	365,450	(92,830)
Board of Education	23,862	19,869	22,026	(2,157)
Administration	816,724	680,073	708,833	(28,760)
Fiscal	291,322	242,579	273,892	(31,313)
Business	16,987	14,145	10,591	3,554
Operation and Maintenance of Plant	1,058,794	1,133,063	1,188,889	(55,826)
Pupil Transportation	1,126,151	937,729	732,234	205,495
Central	110,845	92,299	66,963	25,336
Extracurricular Activities	270,615	225,337	222,551	2,786
<i>Total Expenditures</i>	<u>9,064,849</u>	<u>10,917,210</u>	<u>10,470,444</u>	<u>446,766</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>(139,377)</u>	<u>(1,991,174)</u>	<u>(849,069)</u>	<u>1,142,105</u>
Other Financing Sources (Uses)				
Advances In	-	-	136,343	136,343
Transfers Out	(319,071)	(265,686)	(420,531)	(154,845)
Advances Out	(496,915)	(413,773)	(328,566)	85,207
<i>Total Other Financing Sources (Uses)</i>	<u>(815,986)</u>	<u>(679,459)</u>	<u>(612,754)</u>	<u>66,705</u>
<i>Net Change in Fund Balance</i>	<u>(955,363)</u>	<u>(2,670,633)</u>	<u>(1,461,823)</u>	<u>1,208,810</u>
<i>Fund Balance at Beginning of Year</i>	5,090,053	5,090,053	5,090,053	-
Prior Year Encumbrances Appropriated	<u>189,398</u>	<u>189,398</u>	<u>189,398</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$4,324,088</u>	<u>\$2,608,818</u>	<u>\$3,817,628</u>	<u>\$1,208,810</u>

See accompanying notes to the basic financial statements.

Dawson-Bryant Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$414,464</u>
Liabilities	
Due to Others	\$401,350
Due to Students	<u>13,114</u>
Total Liabilities	<u>\$414,464</u>

See accompanying notes to the basic financial statements.

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 four instructional/support facilities staffed by 50 classified employees and 99 certified teaching and administrative personnel who provide services to 1,263 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 the South Central Ohio Computer Association and the Pilasco-Ross Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Plan, which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17.

Note 2 - Summary of Significant Accounting Policies

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

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

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

Dawson Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Classroom Facilities Capital Projects Fund The Classroom Facilities Capital Projects Fund accounts for grant and debt proceeds used for the construction and renovation of 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 Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve the 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 a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net assets.

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

D. Basis of Accounting

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

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

Dawson Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

The School District has a segregated bank account for monies retained by the School District during construction to insure satisfactory completion of the project. This account is presented on the balance sheet as "cash with fiscal agents" since they are kept separate from the School District treasury.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund and the Classroom Facilities Capital Project Fund. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$322,208, which includes \$139,169 assigned from other School District funds.

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

G. Capital Assets

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

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

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

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

H. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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.

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

I. 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.

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

J. 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 special termination benefits that are paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

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

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

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

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

L. 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 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.

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and on interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

N. Estimates

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

O. 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.

The government-wide statement of net assets reports \$8,015,271 of restricted net assets, of which none is restricted by enabling legislation.

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

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

P. 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.

Q. Budgetary Process

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

Dawson Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

Note 3 - Changes in Accounting Principles and Restatement of Prior Year Balances

Changes in Accounting Principles For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. See Note 14 for disclosure of termination benefits.

Restatement of Prior Year Balances At June 30, 2005, there were restatements of net assets due to the incorrect recognition of intergovernmental revenue in the Classroom Facilities Capital Projects Fund, and an increase in capital assets, net of depreciation, resulting from a compilation performed by a valuation firm. The effects of these changes to the government-wide financial statements are presented below:

	<u>Governmental Activities</u>
Net Asset Balances	
June 30, 2005	\$29,529,640
Intergovernmental Receivable	
Restatement	(135,786)
Capital Assets Restatement	<u>887,706</u>
Restated Fund Balances,	
June 30, 2005	<u><u>\$30,281,560</u></u>

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2006:

	Deficit
Special Revenue Funds:	
Food Service	\$50,239
Entry Year	19
Tech Prep	63
Poverty Based Assistance	120,708
Miscellaneous State Grants	143
Title VI-B Idea	72,388
Title I	53,958
Title II-A	11,024

These deficits resulted from the recognition of deferred revenue on grants and payables recorded in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balance

GAAP Basis	(\$6,294)
Revenue Accruals	(36,937)
Expenditure Accruals	(53,388)
Prepaid Items:	
Beginning of Year	63,094
End of Year	(31,715)
Advances	(192,223)
Encumbrances	<u>(1,204,360)</u>
Budget Basis	<u><u>(\$1,461,823)</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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

Dawson Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$743,447 of the School District's bank balance of \$962,109 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2006, the School District had an investment in a repurchase agreement which is part of the internal investment pool. The fair value of the repurchase agreement was \$9,740,784, and the investment has an average maturity of one day.

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Rate Risk The repurchase agreement carries a rating of AAA by Standard and Poor's. The School District has no investment policy that would further limit its investment choices.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, tangible personal property, and public utility taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. 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, 2006, was \$90,385 in the General Fund, \$14,394 in the Bond Retirement Debt Service Fund, and \$1,755 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

	2005 Second Half Collections		2006 First Half Collections	
Real Property	\$46,417,840	80.97%	\$49,725,080	91.58%
Public Utility Tangible Personal Property	3,106,470	5.42%	2,520,068	4.64%
Tangible Personal Property	7,802,200	13.61%	2,050,910	3.78%
Total	\$57,326,510	100.00%	\$54,296,058	100.00%
 Tax Rate per \$1,000 of Assessed Valuation			 \$26.50	 \$24.30

Note 8 - Receivables

Receivables at June 30, 2006, consisted of property taxes, accounts (rents, student fees and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
School Lunch and Breakfast Program	\$62,092
Supplemental Equipment	63
High Schools that Work	143
Title VI-B Idea	106,832
Title I	119,896
Safe and Drug Free Schools	7,926
Title II-A	21,456
Title II-D	8,092
Ohio Schools Facilities Commission Grant	4,477,861
Hurricane Rita Reimbursements	7,875
Miscellaneous	69,744
Total	\$4,881,980

On November 15, 2001, the School District was awarded \$12,902,018 for renovations and additions to the elementary school and the middle/high school under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Historically, the School District repaid the State. Legislation effective September 15, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. As of the end of fiscal year 2006, The School District had received \$8,424,157 of the amount awarded under this program, \$3,895,857 being that portion received during fiscal year 2006. The remaining amount of \$4,477,861 is recorded as a receivable and deferred revenue on the balance sheet.

Dawson Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the School District contracted with the Cincinnati Insurance Company for property and fleet insurance and inland marine coverage. The types and amounts of coverage provided by the Cincinnati Insurance Company are as follows:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$22,987,500
Business Personal Property	1,000	1,533,500
Boiler and Machinery	1,000	500,000
Inland Marine	1,000	150,000
Data Processing Equipment	1,000	110,000
Employee Dishonesty	-	50,000
Vehicles:		
Bodily Injury:		
Per Person	100	1,000,000
Per Accident	100	1,000,000
Property Damage	100	1,000,000
Uninsured Motorist:		
Per Person	100	1,000,000
Per Accident	100	1,000,000

During fiscal year 2006, 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 17).

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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

Property	Deductible	Limits of Coverage
General Liability:		
Each Occurance	\$ -	\$1,000,000
Aggregate Limit	-	3,000,000
Products - Complete Operations Aggregate Limit	-	1,000,000
Fire Legal Liability	-	500,000
Electronic Data	-	50,000
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	-	3,000,000
Educational Liability:		
Per Claim	2,500	1,000,000
Aggregate Limit	2,500	3,000,000
Employment Practices Liability:		
Per Claim	2,500	1,000,000
Aggregate Limit	2,500	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2005.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

	Balance at 6/30/05	Additions	Deductions	Balance at 6/30/06
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$710,791	\$ -	\$ -	\$710,791
Construction in Progress	2,324,242	4,655,285	-	6,979,527
Total Nondepreciable Capital Assets	3,035,033	4,655,285	-	7,690,318
Depreciable Capital Assets:				
Land Improvements	659,072	21,250	-	680,322
Buildings and Improvements	17,127,181	-	-	17,127,181
Furniture, Fixtures, and Equipment	1,385,183	192,695	-	1,577,878
Vehicles	1,077,923	-	80,000	997,923
Total Depreciable Capital Assets	20,249,359	213,945	80,000	20,383,304
Less Accumulated Depreciation:				
Land Improvements	406,597	33,551	-	440,148
Buildings and Improvements	5,980,083	391,363	-	6,371,446
Furniture, Fixtures, and Equipment	1,107,531	71,094	-	1,178,625
Vehicles	687,417	61,729	72,000	677,146
Total Accumulated Depreciation	8,181,628	557,737 *	72,000	8,667,365
Total Capital Assets being Depreciated, Net	12,067,731	(343,792)	8,000	11,715,939
Capital Assets, Net	\$15,102,764	\$4,311,493	\$8,000	\$19,406,257

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$197,380
Special	62,800
Vocational	2,977
Support Services:	
Pupils	23,910
Instructional Staff	20,934
Administration	20,934
Fiscal	6,001
Operation and Maintenance of Plant	68,804
Pupil Transportation	94,971
Central	2,977
Food Service Operations	37,936
Extracurricular Activities	18,113
Total Depreciation Expense	\$557,737

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 11 - 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 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 2006, 10.58 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, 2006, 2005, and 2004, were \$204,804, \$139,414, and \$67,179, respectively; 56.11 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$823,167, \$733,333, and \$314,339 respectively; 82.26 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,076 made by the School District and \$7,052 made by the plan members.

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, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$63,321 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$99,235.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

Note 13 - Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 260 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 65 days.

B. Insurance Benefits

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays 77% of the total monthly premiums of \$1,359.18 for family coverage and \$550.28 for single coverage.

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

The School District provides dental insurance to certificated and administrative employees through CoreSource. Monthly premiums are \$53.50 for both single and family coverage.

The School District provides vision insurance to certificated and administrative employees through the Vision Service Plan. Monthly premiums are \$20.13 for both single and family coverage.

Note 14 - Termination Benefits Payable

The Dawson Bryant Local School District offered a one-time only early retirement incentive program, which consisted of the District buying three years of service credit for any certificated employee who chose to retire in a two year window (July 1, 2004 through July 30, 2006). Only employees with at least 27 years of service are eligible.

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

In fiscal year 2006, four teachers and certificated administrative staff members retired qualifying for the termination benefit package. Three additional certificated administrative staff members eligible for the termination benefit package accepted the offer in August, 2005, but did not retire until July, 2006. The total cost of the termination benefit package is \$683,395. For the four employees who retired in fiscal year 2006, the three years service credit was purchased during the available period at a cost of \$249,650, which is reported in the accompanying financial statements as matured early retirement incentive payable on the fund financial statements. For the three administrative staff members that retired in July, 2006, payment of \$433,745 will be made to the appropriate retirement system and is reported on the government-wide statement of net assets.

Note 15 - Long - Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Amounts Due in One Year
Governmental Activities:					
1995 Classroom Facilities					
Improvements Bonds - 4.3 - 6.7%	\$1,715,000	\$ -	\$1,715,000	\$ -	\$ -
2006 Classroom Improvements					
Notes - 4.73%	-	505,000	-	505,000	92,000
2006 Classroom Facilities					
Improvements Refunding Bonds:					
Serial Bonds	-	940,000	-	940,000	85,000
Term Bonds	-	700,000	-	700,000	-
Deferred Amount on Refunding	-	(32,800)	(228)	(32,572)	-
Serial Bond Premium	-	85,982	597	85,385	-
Total General Obligation Bonds	1,715,000	2,198,182	1,715,369	2,197,813	177,000
Sick Leave Benefits Payable	475,637	105,803	163,939	417,501	92,253
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,190,637</u>	<u>\$2,303,985</u>	<u>\$1,879,308</u>	<u>\$2,615,314</u>	<u>\$269,253</u>

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

On January 5, 2006, the School District issued Classroom Facilities notes in the amount of \$505,000 and were issued for the construction of a new elementary school and additions to and renovations of the high school as part of the School Districts Classroom Facilities Improvement Project.

Principal and interest requirements to retire the Classroom Facilities Improvements Notes outstanding at June 30, 2006, are as follows:

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Fiscal Year Ending June 30,	Principal	Interest
2007	\$92,000	\$20,847
2008	97,000	37,140
2009	101,000	29,414
2010	105,000	21,382
2017 - 2018	110,000	13,025
	<u>\$505,000</u>	<u>\$121,808</u>

On June 1, 2006, the School District issued \$1,640,000 of Classroom Facilities Improvements Refunding General Obligation Bonds, with a premium of \$85,982, to retire \$1,640,000 of outstanding Classroom Facilities Improvements Bonds. An analysis of this information follows:

	Classroom Facilities Bonds
Outstanding at 6/30/05	\$1,715,000
Principal Payments	<u>(75,000)</u>
Amount Refunded	<u>\$1,640,000</u>

The premium is reported as an increase to bonds payable. The premium is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance cost of \$51,925 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The current refunding resulted in an accounting loss, the difference between the net carrying amount of the debt and the reacquisition price, in the amount of \$32,800. This difference is being reported in the accompanying financial statements as a decrease to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$222,359. The issuance resulted in a total economic gain of \$177,886.

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Serial		Term	
	Principal	Interest	Principal	Interest
2007	\$85,000	\$37,175	\$ -	\$ -
2008	95,000	70,950	-	-
2009	110,000	67,150	-	-
2010	115,000	62,750	-	-
2011	120,000	58,150	-	-
2012 - 2016	415,000	143,850	500,000	84,788
2017 - 2018	-	-	200,000	10,500
	<u>\$940,000</u>	<u>\$440,025</u>	<u>\$700,000</u>	<u>\$95,288</u>

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

Dawson Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

<u>Ending June 30,</u>	<u>Amount</u>
2014	\$160,000
2015	165,000
2016	175,000
2017	<u>200,000</u>
Total	<u><u>\$700,000</u></u>

The School District's overall legal debt margin was \$3,231,189, with an unvoted debt margin of \$538,985 at June 30, 2006.

Note 16 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. The School District paid \$47,516 for services provided during fiscal year 2006. 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

The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education regional resource service center which selects its own board, adopts its own budget, and receives direct Federal and State grants for its operations. 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 non-public schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast 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. The School District paid \$21,137 for services provided during fiscal year 2006. The Dawson Bryant Local School District serves as the fiscal agent for Pilasco-Ross. Financial information can be obtained by contacting, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Note 17 - Insurance Purchasing Pool

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 school districts.

Note 18 - Interfund Activity and Balances

A. Transfers

The General Fund made a transfer to the Public School Support Special Revenue Fund and the Permanent Improvements Capital Projects Fund in the amounts of \$26,580 and \$393,951, respectively. The Permanent Improvements Capital Project Fund made a transfer of \$416,018 to the Classroom Facilities Capital Projects Fund.

The transfer from the General Fund to the Public School Support Special Revenue Fund was used to eliminate a deficit fund balance. The transfer from the General Fund to the Permanent Improvements Capital Projects Fund was used as the District's local match for the current classroom facilities construction project. The transfer from the Permanent Improvements Capital Projects Fund to the Classroom Facilities Capital Projects Fund was used for the construction of the School District's new facilities.

B. Interfund Balances

Interfund Balances at June 30, 2006, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	Interfund Receivables	Interfund Payables
General Fund	\$328,566	\$ -
Other Governmental Funds:		
Food Service	-	64,158
Tech Prep	-	63
Miscellaneous State Grants	-	143
Title VI-B Idea	-	106,832
Title I	-	119,896
Drug Free Grant	-	7,926
Title II-A	-	21,456
Miscellaneous Federal Grants	-	8,092
Total Other Governmental Funds	-	328,566
Total All Funds	\$328,566	\$328,566

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 19 - Contractual Commitments

As of June 30, 2006, the School District's contractual purchase commitments for the completion of construction of the new elementary school and the renovations at the high school are as follows:

Project	Vendor	Contract Amount	Amount Expended	Balance at 6/30/2006
Elementary School	AJ Stockmeister	\$2,707,671	\$103,425	\$ 2,604,246
	Dixon Electric	1,822,000	84,611	1,737,389
	Gandee and Associates	9,800	6,370	3,430
	J and H Reinforcing	6,767,376	435,864	6,331,512
	Tanner and Stone	556,873	293,063	263,810
	BBL Construction	460,042	315,806	144,236
	Total Project Cost		<u>12,323,762</u>	<u>1,239,139</u>
High School	Brown Electric	1,077,304	1,074,433	2,871
	Lepi Enterprises	29,208	8,841	20,367
	McCauley Furniture	16,215	16,215	-
	Tanner and Stone	381,736	170,392	211,344
	BBL Construction	460,042	315,809	144,233
	Total Project Cost		<u>1,964,505</u>	<u>1,585,690</u>
Total		<u>\$14,288,267</u>	<u>\$2,824,829</u>	<u>\$ 11,463,438</u>

Note 20 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

Note 21 - Set-Aside Calculations

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

Dawson Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2005	(\$666,551)	(\$160,756)
Current Year Set-Aside Requirement	185,337	185,337
Current Year Offsets	-	(23,059)
Qualifying Disbursements	<u>(196,781)</u>	<u>(4,655,285)</u>
Totals	<u>(\$677,995)</u>	<u>(\$4,653,763)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$677,995)</u>	<u>(\$1,640,000)</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>\$ -</u>	<u>\$ -</u>

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

SUPPLEMENTAL INFORMATION

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster - Passed through Ohio Department of Education:				
Food Donation	10.550	N/A	\$ 4,619	\$ 4,619
National School Breakfast Program	10.553	05-PU	62,003	62,003
National School Lunch Program	10.555	LL-P4/P1	176,466	176,466
Summer Food Service Program	10.559	23/24-PU	<u>49,548</u>	<u>49,548</u>
Total U.S. Department of Agriculture			<u>292,636</u>	<u>292,636</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I	84.010	C1-S1	386,428	444,214
IDEA, Part B	84.027	6B-SI/AA/SF/SA/II	1,635,425	1,647,706
Drug-Free Schools and Communities	84.186	DR-S1	11,216	21,345
Innovative Education Programs	84.298	C2-S1	4,796	26,130
Education Technology State Grant	84.318	TJ-S1	9,536	19,840
State Personnel Development Grants	84.323	ST-S1	21,738	7,083
Improving Teacher Quality State Grant	84.367	TR-S1	127,033	167,749
Hurricane Education Recovery Grant	84.938	HR-01	<u>2,250</u>	<u>2,250</u>
Total U.S. Department of Education			<u>2,198,422</u>	<u>2,336,317</u>
Total receipts/expenditures of Federal Awards			<u>\$ 2,491,058</u>	<u>\$ 2,628,953</u>

DAWSON-BRYANT LOCAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - SPECIAL EDUCATION CLUSTER

A portion of the Special Education Program (CFDA 84.027) is administered by Pilasco-Ross Special Educational Regional resources 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 authorized by the School District, the financial transactions of Pilasco-Ross SERRC are recorded and maintained by the School District Treasurer 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 Award Expenditures, the federal receipts and expenditures of Pilasco-Ross SERRC.



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 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") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 2, 2007. 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.

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 opinions on the basic financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the basic 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.

Compliance and Other Matters

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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated January 2, 2007.

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

Kelley, Rothman + Company, PSC

January 2, 2007



Kelley,
Galloway &
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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 the 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, 2006. 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 on the District's compliance with those requirements.

In our opinion, 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, 2006. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated January 2, 2007.

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 District's 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, regulations, 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 internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 2, 2007.

This report is intended solely for the information of the Board and management of the District, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified users.

Kelley, Galloway + Company, PSC
January 2, 2007

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

(1) Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any reportable internal control conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	-Title I Grants to Local Educational Agencies - CFDA #84.010 -IDEA Part B - CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2006

(2) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None.

(3) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-002	Personal Computer Purchase	No	Partially corrected - A payment plan has been put in place to allow the employees to reimburse the District the required amounts.

DAWSON-BRYANT LOCAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2006

NAME OF CONTACT PERSON

Jim Tordiff, Treasurer

CORRECTIVE ACTION PLANNED

None.



Mary Taylor, CPA
Auditor of State

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2007