

**DAWSON-BRYANT LOCAL
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

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 Street
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, PSC, for the audit period July 1, 2007 through June 30, 2008. 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

March 13, 2009

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements -	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements -	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)-General Fund	17
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	18
Notes to the Basic Financial Statements	19-39
SUPPLEMENTAL INFORMATION:	
Schedule of Expenditures of Federal Awards	40-41
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 <i>GOVERNMENT AUDITING STANDARDS</i>	42-43
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	44-45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	46
STATUS OF PRIOR AUDIT FINDINGS	47
CORRECTIVE ACTION PLAN	48

This Page is Intentionally Left Blank.



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

- 1200 BATH AVENUE ▪ P. O. BOX 990 ▪ ASHLAND, KENTUCKY 41105-0990 ▪
- Phone (606) 329-1811 ▪ Fax (606) 329-8756 ▪ E-mail contact@kelleygalloway.com ▪ Web site www.kelleygalloway.com ▪

Member of the Center for Public Company Audit Firms, the Private Companies Practice Section of the American Institute of Certified Public Accountants and PKF North American Network

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, 2008, 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, 2008, 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 February 10, 2009, 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements but is 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 40 and 41 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.

Kelly, Anthony & Company, PSC
February 10, 2009

**Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

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, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities decreased \$89,583.
- General revenues accounted for \$9,757,044 in revenue or 69.9 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,210,561 or 30.1 percent of total revenues of \$13,967,605.
- Total assets of governmental activities decreased \$1,992,376. This is primarily due to decreases of \$3,068,748 in cash and cash equivalents and \$2,556,641 in amounts receivable from other governments combined with an increase in capital assets of \$3,150,508.
- The School District had \$14,057,188 in expenses related to governmental activities; only \$4,210,561 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$9,757,044 were not adequate to cover the remaining expenses.

USING THE BASIC FINANCIAL STATEMENTS

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" 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

**Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

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 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the 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 be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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 2008 compared to 2007.

**Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

**Table 1
Net Assets**

	Governmental Activities		
	2008	2007	Change
Assets			
Current and other assets	\$ 9,242,664	\$ 14,385,548	\$ (5,142,884)
Capital assets	31,405,678	28,255,170	3,150,508
Total assets	<u>40,648,342</u>	<u>42,640,718</u>	<u>(1,992,376)</u>
Liabilities			
Long-term liabilities	2,144,702	2,425,004	(280,302)
Other liabilities	2,680,661	4,303,152	(1,622,491)
Total liabilities	<u>4,825,363</u>	<u>6,728,156</u>	<u>(1,902,793)</u>
Net assets			
Invested in capital assets	29,628,639	26,286,026	3,342,613
Restricted	2,023,197	5,687,177	(3,663,980)
Unrestricted	4,171,143	3,939,359	231,784
Total net assets	<u>\$ 35,822,979</u>	<u>\$ 35,912,562</u>	<u>\$ (89,583)</u>

Total assets of governmental activities decreased \$1,992,376. This is primarily due to decreases in cash and cash equivalents of \$3,068,748, and intergovernmental receivables of \$2,556,641, combined with an increase in capital assets of \$3,150,508, all of which are the result of the School District's continuing classroom facilities construction project. This construction project has allowed the School District to make needed additions and renovations to our middle school/high school complex, and the renovation of and addition to our elementary school building.

In total, liabilities decreased \$1,902,793. This is almost entirely due to decreases in contracts payable of \$1,436,559 and long-term liabilities of \$280,302. The reduction in contracts payable is due to the near completion of the School District's classroom facilities construction project. The decreases in long-term liabilities are the result of annual debt service payments being made.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, with comparisons to fiscal year 2007.

**Table 2
Changes in Net Assets**

	Governmental Activities		
	2008	2007	Change
Revenues			
Program revenues:			
Charges for services	\$ 1,190,140	\$ 1,236,710	\$ (46,570)
Operating grants, contributions and interest	2,947,719	2,778,460	169,259
Capital grants, contributions and interest	72,702	72,809	(107)
	<u>4,210,561</u>	<u>4,087,979</u>	<u>122,582</u>
General revenues:			
Property taxes	1,911,069	1,156,808	754,261
Grants and entitlements	7,490,393	13,181,900	(5,691,507)
Investment earnings	309,259	519,730	(210,471)
Miscellaneous	46,323	11,794	34,529
	<u>9,757,044</u>	<u>14,870,232</u>	<u>(5,113,188)</u>
Total revenues	<u>13,967,605</u>	<u>18,958,211</u>	<u>(4,990,606)</u>

**Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Program expenses			
Instruction:			
Regular	6,830,110	6,336,321	(493,789)
Special	995,673	1,319,898	324,225
Vocational	125,772	87,424	(38,348)
Support services:			
Pupils	564,975	479,568	(85,407)
Instructional staff	319,139	362,830	43,691
Board of education	31,592	24,311	(7,281)
Administration	829,203	296,245	(532,958)
Fiscal	370,742	328,030	(42,712)
Business	15,934	27,008	11,074
Operation and maintenance of plant	1,535,982	1,239,888	(296,094)
Pupil transportation	775,346	691,182	(84,164)
Central	186,374	203,457	17,083
Operation of non-instructional services:			
Food service operations	818,627	679,738	(138,889)
Community services	8,620	85	(8,535)
Extracurricular activities	546,963	348,724	(198,239)
Interest and fiscal charges	102,136	101,955	(181)
	<u>14,057,188</u>	<u>12,526,664</u>	<u>(1,530,524)</u>
Increase (decrease) in net assets	(89,583)	6,431,547	6,521,130
Net assets at beginning of year	<u>35,912,562</u>	<u>29,481,015</u>	<u>6,431,547</u>
Net asset at end of year	<u>\$ 35,822,979</u>	<u>\$ 35,912,562</u>	<u>\$ (89,583)</u>

Governmental Activities

Property taxes made up approximately 13.7 percent of revenues for governmental activities for the Dawson Bryant Local School District. Of the remaining revenues, the School District receives 75.2 percent from state foundation, federal, and state grants; 8.5 percent from charges for services; and 2.6 percent from interest and local entities.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 13.7 percent of revenues for governmental activities for Dawson Bryant Local School District in 2008. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

56.6 percent of the School District's budget is used to fund instructional expenses. Support services make up 32.9 percent of expenses and 10.5 percent is used for fiscal charges, extracurricular activities, and non-instructional services.

**Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

During the fiscal year, the School District experienced changes in the following: a 10.6 percent increase in employee insurance costs, a negotiated 3.5 percent salary increase, increased workers' compensation costs, as well as increases in utility and fuel costs.

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

**Table 3
Governmental Activities**

	2008 Total cost of services	2008 Net cost of services	2007 Total cost of services	2007 Net cost of services
Program Expenses				
Instruction:				
Regular	\$ 6,830,110	\$ 4,590,802	\$ 6,336,321	\$ 4,555,414
Special	995,673	36,947	1,319,898	38,380
Vocational	125,772	(10,207)	87,424	12,380
Support Services:				
Pupils	564,975	559,975	479,568	468,455
Instructional staff	319,139	207,873	362,830	250,875
Board of education	31,592	31,592	24,311	24,311
Administration	829,203	825,516	296,245	296,245
Fiscal	370,742	370,618	328,030	277,709
Business	15,934	15,934	27,008	27,008
Operation and maintenance of plant	1,535,982	1,499,115	1,239,888	1,185,497
Pupil transportation	775,346	734,501	691,182	656,788
Central	186,374	186,374	203,457	189,705
Non-instructional services:				
Food service operations	818,627	214,237	679,738	86,996
Community services	8,620	8,620	85	85
Extracurricular activities	546,963	472,594	348,724	266,882
Interest and fiscal charges	102,136	102,136	101,955	101,955
Totals	<u>\$ 14,057,188</u>	<u>\$ 9,846,627</u>	<u>\$ 12,526,664</u>	<u>\$ 8,438,685</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 69.4 percent of total expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,030,545 and expenditures of \$17,476,867. Fund balances did experience significant reductions due to revenues not keeping pace with expenditures, particularly in the Classroom Facilities Capital Improvement Fund, but again, this is attributable to the near completion of the classroom facilities construction project.

**Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

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 2008, the School District did amend its general fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$10,254,698, which represented only a modest change from original estimates of \$10,081,127. The final budget basis expenditure estimate of \$10,318,930 represented no change from the original estimates.

The School District's ending unobligated General Fund balance was \$3,894,508.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the School District had \$31,405,678 invested in land, construction in progress, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

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

	Governmental Activities	
	2008	2007
Land	\$ 710,791	\$ 710,791
Construction in progress	13,280,310	9,539,300
Land improvements	910,259	948,778
Buildings and improvements	15,811,487	16,398,060
Furniture, fixtures, and equipment	300,863	347,648
Vehicles	391,968	310,593
Total	\$ 31,405,678	\$ 28,255,170

For additional information on capital assets, see Note 14 to the basic financial statements.

Debt

At June 30, 2008, the School District has classroom facilities improvement refunding bonds and classroom improvements notes outstanding of \$1,503,949 and \$316,000, respectively.

On January 5, 2006, the School District issued \$505,000 in Classroom Improvement Notes for the renovation of and additions to the elementary school and additions and renovations to the middle school/high school complex. On June 1, 2006, the School District issued \$1,640,000 in Classroom Facilities Improvements Refunding Bonds to retire \$1,640,000 in Classroom Facilities General Obligation Bonds. \$1,640,800 was paid to bondholders on June 1, 2006, to retire the 1995 bonds. The School District decreased its total debt service requirements by \$222,359 as a result of the current refunding.

For additional information on debt, see Note 18 to the basic financial statements.

**Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

CURRENT ISSUES

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

Externally, the School District is largely dependent on State funding sources (approximately 75 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District continues to see a slight decline in student enrollment and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment has served to somewhat offset any increase in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (decreasing enrollment and higher insurance costs). In the long run, the fact 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 revenue (passing levies) or decreasing expenses (making budget cuts).

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact 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, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 6,807,132
Cash with Fiscal Agents	212,001
Materials and Supplies Inventory	11,228
Prepaid Items	7,453
Intergovernmental Receivables	270,361
Accounts Receivable	3,256
Property Taxes Receivable	1,888,323
Deferred Charges	42,910
Nondepreciable Capital Assets	13,991,101
Depreciable Capital Assets, Net	<u>17,414,577</u>
<i>Total Assets</i>	<u>40,648,342</u>
Liabilities	
Accounts Payable	107,009
Accrued Wages and Benefits Payable	868,663
Contracts Payable	186,287
Intergovernmental Payable	337,466
Accrued Interest Payable	2,760
Vacation Benefits Payable	28,210
Matured Compensated Absences Payable	8,620
Retainage Payable	212,317
Deferred Revenue	929,329
Long-Term Liabilities:	
Due within One Year	232,787
Due in More than One Year	<u>1,911,915</u>
<i>Total Liabilities</i>	<u>4,825,363</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	29,628,639
Restricted for:	
Bus Purchase	6,311
Debt Service	868,834
Capital Projects	705,323
Other Purposes	442,729
Unrestricted	<u>4,171,143</u>
<i>Total Net Assets</i>	<u>\$ 35,822,979</u>

See accompanying notes to
the basic financial statements.

Dawson Bryant Local School District
Statement of Activities
For the Fiscal Year Ended June, 30, 2008

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities:					
Instruction:					
Regular	\$ 6,830,110	\$ 814,989	\$ 1,368,846	\$ 55,473	\$ (4,590,802)
Special	995,673	-	958,726	-	(36,947)
Vocational	125,772	-	135,979	-	10,207
Support Services:					
Pupils	564,975	-	5,000	-	(559,975)
Instructional Staff	319,139	87,177	24,089	-	(207,873)
Board of Education	31,592	-	-	-	(31,592)
Administration	829,203	-	3,687	-	(825,516)
Fiscal	370,742	-	124	-	(370,618)
Business	15,934	-	-	-	(15,934)
Operation and Maintenance of Plant	1,535,982	-	36,867	-	(1,499,115)
Pupil Transportation	775,346	-	23,616	17,229	(734,501)
Central	186,374	-	-	-	(186,374)
Operation of Non-Instructional Services:					
Food Service Operations	818,627	213,605	390,785	-	(214,237)
Community Services	8,620	-	-	-	(8,620)
Extracurricular Activities	546,963	74,369	-	-	(472,594)
Interest and Fiscal Charges	102,136	-	-	-	(102,136)
Totals	\$ 14,057,188	\$ 1,190,140	\$ 2,947,719	\$ 72,702	(9,846,627)

General Revenues:

Property Taxes Levied for:

General Purposes	1,585,796
Debt Service	292,533
Classroom Facilities Maintenance	32,740
Grants and Entitlements not Restricted to Specific Programs	7,490,393
Investment Earnings	309,259
Miscellaneous	46,323

Total General Revenues 9,757,044

Change in Net Assets (89,583)

Net Assets at Beginning of Year 35,912,562

Net Assets at End of Year \$ 35,822,979

See accompanying notes to
the basic financial statements.

Dawson Bryant Local School District

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 4,292,430	\$ 707,855	\$ 866,917	\$ 939,930	\$ 6,807,132
Cash with Fiscal Agents	-	-	212,001	-	212,001
Receivables:					
Taxes	1,566,708	289,432	-	32,183	1,888,323
Accounts receivables	674	-	-	2,582	3,256
Intergovernmental receivables	87,972	-	-	182,389	270,361
Interfund receivables	4,401	-	-	-	4,401
Materials and Supplies Inventory	-	-	-	11,228	11,228
Prepaid Items	7,453	-	-	-	7,453
Total Assets	\$ 5,959,638	\$ 997,287	\$ 1,078,918	\$ 1,168,312	\$ 9,204,155
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 84,104	\$ -	\$ -	\$ 22,905	\$ 107,009
Accrued Wages and Benefits Payable	668,979	-	-	199,684	868,663
Contracts Payable	5,667	-	161,178	19,442	186,287
Intergovernmental Payable	282,524	-	100	54,842	337,466
Matured Compensated Absences Payable	8,620	-	-	-	8,620
Retainage Payable	-	-	212,317	-	212,317
Interfund Payable	-	-	-	4,401	4,401
Deferred Revenue	1,420,449	260,924	-	210,378	1,891,751
Total Liabilities	2,470,343	260,924	373,595	511,652	3,616,514
Fund Balances					
Reserved for Encumbrances	318,661	-	13,572	43,862	376,095
Reserved for Property Taxes	178,620	28,508	-	3,094	210,222
Reserved for Bus Purchases	6,311	-	-	-	6,311
Unreserved, Undesignated, Reported in:					
General Fund	2,985,703	-	-	-	2,985,703
Special Revenue Funds	-	-	-	166,376	166,376
Debt Service Fund	-	707,855	-	-	707,855
Capital Projects Funds	-	-	691,751	443,328	1,135,079
Total Fund Balances	3,489,295	736,363	705,323	656,660	5,587,641
Total Liabilities and Fund Balances	\$ 5,959,638	\$ 997,287	\$ 1,078,918	\$ 1,168,312	\$ 9,204,155

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, 2008*

Total Governmental Fund Balances		\$ 5,587,641
 <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.		31,405,678
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes - delinquent	748,772	
Intergovernmental Receivables	32,361	
Grants	<u>181,289</u>	962,422
Unamortized debt issuance costs represent deferred charges which do not provide current financial resources, and therefore, are not reported in the funds.		42,910
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(1,503,949)	
Notes Payable	(316,000)	
Accrued Interest Payable	(2,760)	
Sick Leave Benefits Payable	(324,753)	
Vacation Benefits Payable	<u>(28,210)</u>	<u>(2,175,672)</u>
Net Assets of Governmental Activities		<u><u>\$ 35,822,979</u></u>

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, 2008

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 1,239,068	\$ 197,107	\$ -	\$ 22,966	\$ 1,459,141
Intergovernmental	8,184,012	44,497	2,241,250	2,470,337	12,940,096
Investment Earnings	216,206	-	93,053	-	309,259
Tuition and Fees	813,160	-	-	11,544	824,704
Charges for Services	-	-	-	202,061	202,061
Extracurricular	-	-	-	161,245	161,245
Gifts and Donations	-	-	-	55,473	55,473
Miscellaneous	37,366	-	-	41,200	78,566
Total Revenues	10,489,812	241,604	2,334,303	2,964,826	16,030,545
Expenditures					
Current:					
Instruction:					
Regular	5,017,530	-	-	1,694,823	6,712,353
Special	518,479	-	-	417,517	935,996
Vocational	113,735	-	-	-	113,735
Support Services:					
Pupils	523,739	-	-	5,000	528,739
Instructional Staff	171,931	-	-	133,060	304,991
Board of Education	31,592	-	-	-	31,592
Administration	827,131	-	-	2,336	829,467
Fiscal	349,344	7,427	133,118	884	490,773
Business	15,934	-	-	-	15,934
Operation and Maintenance of Plant	1,349,095	-	-	35,151	1,384,246
Pupil Transportation	716,972	-	-	1,700	718,672
Central	182,526	-	-	-	182,526
Operation of Non-Instructional Services:					
Food Service Operations	-	-	-	709,229	709,229
Community Services	8,620	-	-	-	8,620
Extracurricular Activities	308,233	-	-	166,354	474,587
Capital Outlay	-	-	3,741,010	-	3,741,010
Debt Service:					
Principal Retirement	-	192,000	-	-	192,000
Interest and Fiscal Charges	-	102,397	-	-	102,397
Total Expenditures	10,134,861	301,824	3,874,128	3,166,054	17,476,867
Excess of Revenues Over (Under) Expenditures	354,951	(60,220)	(1,539,825)	(201,228)	(1,446,322)
Other Financing Sources (Uses)					
Transfers In	-	130,347	31,086	339,681	501,114
Transfers Out	(466,398)	-	(11,716)	(23,000)	(501,114)
Total Other Financing Sources (Uses)	(466,398)	130,347	19,370	316,681	-
Net Change in Fund Balance	(111,447)	70,127	(1,520,455)	115,453	(1,446,322)
Fund Balances at Beginning of Year	3,600,742	666,236	2,225,778	541,207	7,033,963
Fund Balances at End of Year	\$ 3,489,295	\$ 736,363	\$ 705,323	\$ 656,660	\$ 5,587,641

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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$(1,446,322)

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

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

Capital Asset Additions	3,942,774	
Depreciation Expense	<u>(792,266)</u>	3,150,508

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

Grants	(2,516,697)	
Tuition and Fees	1,829	
Delinquent Taxes	<u>451,928</u>	(2,062,940)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 192,000

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

Accrued Interest Payable	156	
Amortization of Deferred Amount on Refunding	(2,733)	
Amortization of Issuance Costs	(4,327)	
Amortization of Premium on Serial Bonds	<u>7,165</u>	261

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

Sick Leave Benefits Payable	83,870	
Vacation Benefits Payable	<u>(6,960)</u>	<u>76,910</u>

Change in Net Assets of Governmental Activities \$ (89,583)

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, 2008

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 1,059,422	\$ 1,437,172	\$ 1,122,778	\$ (314,394)
Intergovernmental	7,983,629	7,802,944	8,177,701	374,757
Investment Earnings	212,849	208,032	216,206	8,174
Tuition and Fees	787,302	769,484	806,386	36,902
Miscellaneous	37,925	37,066	38,689	1,623
<i>Total Revenues</i>	<u>10,081,127</u>	<u>10,254,698</u>	<u>10,361,760</u>	<u>107,062</u>
Expenditures				
Current:				
Instruction:				
Regular	5,178,550	5,178,550	5,162,532	16,018
Special	511,504	511,504	501,311	10,193
Vocational	116,390	116,390	116,872	(482)
Support Services:				
Pupils	531,556	531,556	521,923	9,633
Instructional Staff	175,273	175,273	172,594	2,679
Board of Education	32,714	32,714	32,139	575
Administration	829,687	829,687	813,238	16,449
Fiscal	345,381	345,381	473,035	(127,654)
Business	19,688	19,688	19,282	406
Operation and Maintenance of Plant	1,351,042	1,351,042	1,404,593	(53,551)
Pupil Transportation	718,324	718,324	787,905	(69,581)
Central	199,338	199,338	195,434	3,904
Extracurricular Activities	309,483	309,483	304,374	5,109
<i>Total Expenditures</i>	<u>10,318,930</u>	<u>10,318,930</u>	<u>10,505,232</u>	<u>(186,302)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(237,803)</u>	<u>(64,232)</u>	<u>(143,472)</u>	<u>(79,240)</u>
Other Financing Sources (Uses)				
Transfers In	233,668	228,380	-	(228,380)
Advances In	482,608	471,686	487,490	15,804
Transfers Out	(718,527)	(718,527)	(466,398)	252,129
Advances Out	(4,494)	(4,494)	(4,401)	93
<i>Total Other Financing Sources (Uses)</i>	<u>(6,745)</u>	<u>(22,955)</u>	<u>16,691</u>	<u>39,646</u>
<i>Net Change in Fund Balance</i>	(244,548)	(87,187)	(126,781)	(39,594)
<i>Fund Balance at Beginning of Year</i>	3,644,829	3,644,829	3,644,829	-
Prior Year Encumbrances Appropriated	376,460	376,460	376,460	-
<i>Fund Balance at End of Year</i>	<u>\$ 3,776,741</u>	<u>\$ 3,934,102</u>	<u>\$ 3,894,508</u>	<u>\$ (39,594)</u>

See accompanying notes to
the basic financial statements.

Dawson Bryant Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$ 35,937</u>
--	------------------

Liabilities

Due to Others	\$ 24,102
---------------	-----------

Due to Students	<u>11,835</u>
-----------------	---------------

Total Liabilities	<u>\$ 35,937</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, 2008

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 52 classified employees and 99 certified teaching and administrative personnel who provide services to 1,377 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 participates in the South Central Ohio Computer Association, which is defined as a jointly governed organization, and the Ohio School Plan and the Lawrence County Schools Insurance Purchasing Consortium, which are defined as insurance purchasing pools. These organizations are presented in Notes 12 and 13.

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, 2008

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, 2008

Bond Retirement Debt Service Fund The Bond Retirement Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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 middle school/high school complex and elementary school.

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 equal liabilities) and do not involve the measurement of results of operations. The School District's only fiduciary fund is an agency fund which accounts for student activities.

C. Measurement Focus

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that

Dawson - Bryant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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, 2008, but which were levied to finance fiscal year 2009 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 it is 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

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Facilities Capital Project Fund. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$216,206, which includes \$88,055 assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

G. Inventory

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

H. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	50 years
Furniture, fixtures and equipment	5 - 15 years
Vehicles	3 - 15 years

I. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

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

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition of the face amount of the bonds. Any gain/loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

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

M. Fund Balance 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

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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.

N. Interfund Balances

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

O. Estimates

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

P. Net Assets

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

The government-wide statement of net assets reports \$2,023,197 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.

Q. Extraordinary and Special Items

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

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object levels without Board approval.

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

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

Note 3 - Change in Accounting Principals

For the fiscal year ended June 30, 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions"; GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"; and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the School Employees Retirement System and the State Teachers Retirement System of Ohio post employment healthcare plans in the amount of \$58,878 and \$8,641, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 - Accountability and Compliance

A. Fund Deficit

The following funds had deficit fund balances as of June 30, 2008:

	<u>Deficit</u>
Special Revenue Funds:	
Food Service	\$ 33,669
Public Preschool	12,863
Tech Prep	880
Poverty Based Assistance	77,292
Title VI-B Idea	4,756
Title I	43,943
Title V	10
Title II-A	15,978

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

These deficits resulted from revenues not keeping pace with expenditures and from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

Net Change in Fund Balance	
GAAP basis	\$ (111,447)
Revenue accruals	(128,052)
Expenditure accruals	29,721
Prepaid items:	
Beginning of year	5,283
End of year	(7,453)
Advances	483,089
Encumbrances	(397,922)
Budget basis	<u>\$ (126,781)</u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); 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 fiscal year end, \$6,860,100 of the School District's bank balance of \$7,147,926 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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.

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to 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, 2008, are available to finance fiscal year 2008 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, 2008, 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, 2008, was \$178,620 in the General Fund, \$28,508 in the Bond Retirement Debt Service Fund, and \$3,094 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$62,330 in the General Fund, \$9,951 in the Bond Retirement Debt Service Fund, and \$1,198 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.

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<u>2007 Second Half Collections</u>		<u>2008 First Half Collections</u>	
Real property	\$ 50,283,100	87.74%	\$ 57,527,550	90.63%
Public utility tangible personal property	5,090,440	8.88%	4,761,680	7.50%
Tangible personal property	<u>1,937,472</u>	<u>3.38%</u>	<u>1,187,551</u>	<u>1.87%</u>
Total	<u>\$ 57,311,012</u>	<u>100.00%</u>	<u>\$ 63,476,781</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 24.30		\$ 24.30	

Note 8 - Receivables

Receivables at June 30, 2008, consisted of property taxes, accounts (rents, student fees and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Bus Purchase Subsidy	\$ 6,311
School Lunch and Breakfast Program	10,220
Public Preschool	49,408
High Schools That Works	880
Project Lead The Way	611
Title VI-B Idea	40,074
Title I	50,949
Title V	202
Safe and Drug Free Schools	5,577
Title II-A	19,299
Title II-D	4,069
Miscellaneous	<u>82,761</u>
Total	<u>\$ 270,361</u>

Note 9 - Contractual Commitments

As of June 30, 2008, the School District's contractual purchase commitments for the renovation of and additions to the elementary school are as follows:

<u>Fund</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at June 30, 2008</u>
Classroom Facilities	AJ Stockmeister	\$ 2,736,366	\$ 2,684,718	\$ 51,648
Capital Projects Fund	Continental Systems	119,398	118,844	554
	Dixon Electric	1,936,133	1,883,316	52,817
	J & H Reinforcing	7,367,432	6,903,795	463,637
	Tanner and Stone	96,567	90,129	6,438
	Total	<u>\$ 12,255,896</u>	<u>\$ 11,680,802</u>	<u>\$ 575,094</u>

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 10 - 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, 2008.

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 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School District contracted with the Cincinnati Insurance Company for property and inland marine coverage, and the Grange Mutual Casualty Company for fleet insurance. The types and amounts of coverage provided are as follows:

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Building and contents - replacement cost	\$ 1,000	\$ 28,423,500
Builders risk and inland marine	1,000	11,600,000
Business personal property	1,000	1,631,000
Flood coverage	10,000	1,000,000
Boiler and machinery	1,000	500,000
Data processing equipment	1,000	110,000
General floater	500	150,000
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	100,000
Per accident	100	300,000

During fiscal year 2008, 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 13).

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

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General liability:		
Each occurrence	\$ -	\$ 1,000,000
Aggregate limit	-	3,000,000
Products - complete operations aggregate limit	-	1,000,000
Fire legal liability	-	500,000
Electronic data	-	50,000
Medical expense limit - per person/accident	-	10,000
Employer's 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 2007.

Note 12 - Jointly Governed Organization

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 \$129,637 for services provided during fiscal year 2008. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Note 13 - Insurance Purchasing Pools

A. 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 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

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member school districts.

B. Lawrence County Schools Insurance Purchasing Consortium

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

Note 14 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

Capital Assets:	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 710,791	\$ -	\$ -	\$ 710,791
Construction in progress	9,539,300	3,741,010	-	13,280,310
Total nondepreciable Capital assets	<u>10,250,091</u>	<u>3,741,010</u>	<u>-</u>	<u>13,991,101</u>
Depreciable Capital Assets:				
Land improvement	1,427,987	37,719	-	1,465,706
Buildings and improvements	23,175,789	-	-	23,175,789
Furniture, fixtures and equipment	1,592,243	21,605	-	1,613,848
Vehicles	938,388	142,440	-	1,080,828
Total depreciable capital assets	<u>27,134,407</u>	<u>201,764</u>	<u>-</u>	<u>27,336,171</u>
Less: accumulated depreciation:				
Land improvements	(479,209)	(76,238)	-	(555,447)
Buildings and improvements	(6,777,729)	(586,573)	-	(7,364,302)
Furniture, fixtures and equipment	(1,244,595)	(68,390)	-	(1,312,985)
Vehicles	(627,795)	(61,065)	-	(688,860)
Total accumulated depreciation	<u>(9,129,328)</u>	<u>(792,266)*</u>	<u>-</u>	<u>(9,921,594)</u>
Total capital assets being depreciated, net	<u>18,005,079</u>	<u>(590,502)</u>	<u>-</u>	<u>17,414,577</u>
Capital assets, net	<u>\$ 28,255,170</u>	<u>\$ 3,150,508</u>	<u>\$ -</u>	<u>\$ 31,405,678</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 302,567
Special	58,245
Vocational	11,609
Support services:	
Pupils	34,894
Instructional staff	15,523
Administration	38,808
Fiscal	11,609
Operation and maintenance of plant	77,616
Pupil transportation	123,158
Central	3,848
Food service operations	46,785
Extracurricular activities	67,604
Total depreciation expense	<u>\$ 792,266</u>

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 15 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer 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.

Funding Policy - 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 2008, 9.16 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 by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$134,360, \$179,049, and \$204,804, respectively; 41.31 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, 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 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$673,533, \$752,808, and \$823,167 respectively; 83.32 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,565 made by the School District and \$9,478 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 Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 16 - Postemployment Benefits

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$108,139, \$94,457, and \$99,235, respectively; 34.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$10,073, \$10,658, and \$13,446, respectively; 43.59 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$51,810, \$57,908, and \$63,321, respectively; 83.32 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 17 - 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 69 days for certified employees and 67.50 days for classified employees.

B. Insurance Benefits

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays 79% of the total monthly premiums of \$1,698.22 for family coverage and 80% of total monthly premiums of \$687.55 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 \$62.98 for both single and family coverage.

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The School District provides vision insurance to certificated and administrative employees through the Vision Service Plan. Monthly premiums are \$20.14 for both single and family coverage.

Note 18 - Long - Term Obligations

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due in One Year
Governmental Activities:					
2006 Classroom Improvements					
Notes - 4.73%	\$ 413,000	\$ -	\$ 97,000	\$ 316,000	\$ 101,000
2006 Classroom Facilities					
Improvements Refunding Bonds:					
Serial Bonds	855,000	-	95,000	760,000	110,000
Term Bonds	700,000	-	-	700,000	-
Deferred Amount on					
Refunding	(29,839)	-	(2,733)	(27,106)	-
Serial Bond Premium	78,220	-	7,165	71,055	-
Total General Obligation					
Bonds	2,016,381	-	196,432	1,819,949	211,000
Sick Leave Benefits Payable	408,623	42,231	126,101	324,753	21,787
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,425,004</u>	<u>\$ 42,231</u>	<u>\$ 322,533</u>	<u>\$ 2,144,702</u>	<u>\$ 232,787</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 renovation of and additions to the elementary school and additions to and renovation of the middle school/high school complex as part of the School District's Classroom Facilities Improvement Project.

Principal and interest requirements to retire the Classroom Facilities Improvements Notes outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2009	\$ 101,000	\$ 29,414
2010	105,000	21,382
2011	110,000	13,025
	<u>\$ 316,000</u>	<u>\$ 63,821</u>

On June 1, 2006, the School District issued \$1,640,000 in refunding bonds to retire \$1,640,000 of outstanding Classroom Facilities Improvements Bonds. \$1,672,000 was paid to the bondholders to retire the 1995 Classroom Facilities Improvement Bonds.

The refunding bonds issued included serial and term bonds in the amount of \$940,000 and \$700,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The general obligation bonds were sold at a premium of \$85,982 with issuance costs associated with the refunding bonds at \$51,925.

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest
2009	\$ 110,000	\$ 67,150	\$ -	\$ -
2010	115,000	62,750	-	-
2011	120,000	58,150	-	-
2012	135,000	53,350	-	-
2013	135,000	47,950	-	-
2014 - 2017	145,000	42,550	700,000	95,287
	<u>\$ 760,000</u>	<u>\$ 331,900</u>	<u>\$ 700,000</u>	<u>\$ 95,287</u>

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

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

The School District's overall legal debt margin was \$4,589,463, with an unvoted debt margin of \$630,339 at June 30, 2008.

Note 19 - Interfund Activity and Balances

A. Transfers

	Transfer to			Total
	Bond Retirement	Classroom Facilities	Other Nonmajor Governmental	
General fund	\$ 118,631	\$ 8,086	\$ 339,681	\$ 466,398
Classroom facilities fund	11,716	-	-	11,716
Other nonmajor governmental fund	-	23,000	-	23,000
Total all funds	<u>\$ 130,347</u>	<u>\$ 31,086</u>	<u>\$ 339,681</u>	<u>\$ 501,114</u>

The transfers were to use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, to move money in the Permanent Improvements Capital Projects Fund to the Classroom Facilities Capital Projects Fund to be used as a local match for the School District's construction project, and to move money from the Classroom Facilities Capital Projects Fund to the Bond Retirement Debt Service Fund to be used for debt service payments.

B. Interfund Balances

Interfund balances at June 30, 2008, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 4,401	\$ -
Other governmental funds:		
Tech prep	-	880
Miscellaneous state grants	-	612
Title II-A	-	2,909
Total other governmental funds	<u>-</u>	<u>4,401</u>
Total all funds	<u>\$ 4,401</u>	<u>\$ 4,401</u>

Note 20 - Set-Aside Calculations

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balances as of June 30, 2007	\$ (699,310)	\$ -
Current year set-aside requirement	195,857	195,857
Current year offsets	-	(26,119)
Qualifying disbursements	<u>(242,277)</u>	<u>(3,942,774)</u>
Totals	<u>\$ (745,730)</u>	<u>\$ (3,773,036)</u>
 Set-aside balance carried forward to future fiscal years	 <u>\$ (745,730)</u>	 <u>\$ -</u>
 Set-aside reserve balance as of June 30, 2008	 <u>\$ -</u>	 <u>\$ -</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbook amount below zero. This extra amount in the textbook set-aside 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, 2008

<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>				
Passed through Ohio Department of Education:				
Food Donation	10.550	N/A	\$ 37,005	\$ 37,005
National School Breakfast Program	10.553	05-PU	79,208	79,208
National School Lunch Program	10.555	LL-P4	280,239	280,239
Summer Food Service Program	10.559	24-PU	<u>28,544</u>	<u>28,544</u>
Total U.S. Department of Agriculture			<u>424,996</u>	<u>424,996</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I	84.010	3M00	594,017	710,424
IDEA, Part B	84.027	3M20	612,991	743,007
Drug-Free Schools and Communities	84.186	3D10	13,701	23,758
Innovative Education Programs	84.298	3M10	4,438	4,438
Education Technology State Grant	84.318	3520	2,229	3,972
State Personnel Development Grants	84.323	3700	16,917	28,731
Improving Teacher Quality State Grant	84.367	3Y60	<u>137,497</u>	<u>154,304</u>
Total U.S. Department of Education			<u>1,381,790</u>	<u>1,668,634</u>
Total receipts/expenditures of Federal Awards			<u>\$ 1,806,786</u>	<u>\$ 2,093,630</u>

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (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.



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

- 1200 BATH AVENUE ▪ P. O. BOX 990 ▪ ASHLAND, KENTUCKY 41105-0990 ▪
- Phone (606) 329-1811 ▪ Fax (606) 329-8756 ▪ E-mail contact@kelleygalloway.com ▪ Web site www.kelleygalloway.com ▪

Member of the Center for Public Company Audit Firms, the Private Companies Practice Section of the American Institute of Certified Public Accountants and PKF North American Network

**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, 2008, and have issued our report thereon dated February 10, 2009. 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

However, we noted certain matters that we reported to management of the District in a separate letter dated February 10, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the District in a separate letter dated February 10, 2009.

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 users.

Kelley, Gallaway + Company, PSC
February 10, 2009



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

- 1200 BATH AVENUE ▪ P. O. BOX 990 ▪ ASHLAND, KENTUCKY 41105-0990 ▪
- Phone (606) 329-1811 ▪ Fax (606) 329-8756 ▪ E-mail contact@kelleygalloway.com ▪ Web site www.kelleygalloway.com ▪

Member of the Center for Public Company Audit Firms, the Private Companies Practice Section of the American Institute of Certified Public Accountants and PKF North American Network

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, 2008. 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; 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, 2008. 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 February 10, 2009.

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, but not the purpose of expressing an opinion on the effectiveness of internal

control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 February 10, 2009.

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, P.C.
February 10, 2009

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

(1) Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant deficiencies 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 -Food Service Cluster - CFDA #10.550, #10.553, #10.555, and #10.559
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no findings in the prior year.

DAWSON-BRYANT LOCAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2008

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
MARCH 26, 2009