



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 21, 2013

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

The discussion and analysis of the Dawson-Bryant Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- Net assets of governmental activities decreased \$547,628.
- General revenues accounted for \$10,147,405 in revenue or 73.9 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,588,913 or 26.1 percent of total revenues of \$13,736,318.
- The School District had \$14,283,946 in expenses related to governmental activities; only \$3,588,913 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$10,147,405 were not adequate to cover the remaining expenses.
- Total governmental funds had \$13,711,512 in revenues and \$14,300,855 in expenditures. The total governmental fund balance decreased \$589,343.

USING THE BASIC FINANCIAL STATEMENTS

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

Table 1
Net Assets

	Governmental Activities		
	2012	2011	Change
Assets			
Current and Other Assets	\$8,160,590	\$9,205,462	(\$1,044,872)
Capital Assets	30,358,363	30,488,064	(129,701)
Total Assets	<u>38,518,953</u>	<u>39,693,526</u>	<u>(1,174,573)</u>
Liabilities			
Long-Term Liabilities	2,992,915	3,152,273	(159,358)
Other Liabilities	2,620,238	3,087,825	(467,587)
Total Liabilities	<u>5,613,153</u>	<u>6,240,098</u>	<u>(626,945)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	27,866,542	28,643,681	(777,139)
Restricted	2,183,408	2,027,255	156,153
Unrestricted	2,855,850	2,782,492	73,358
Total Net Assets	<u>\$32,905,800</u>	<u>\$33,453,428</u>	<u>(\$547,628)</u>

Total assets of governmental activities decreased \$1,174,573. This is primarily due to a decrease in cash and cash equivalents in the amount of \$1,118,146. The decrease noted in cash and cash equivalents is the result of the previous year's unexpended proceeds from the School District's energy conservation program being completed in 2012. In addition, capital assets decreased \$129,701, which is the result of additions not keeping pace with deletions and depreciation.

In total, liabilities decreased \$626,945. This is due to decreases in contracts payable in the amount of \$489,057 and long-term liabilities in the amount of \$159,358. The decrease in contracts payable is the result of the School District's completion of its energy conservation program. The decreases in long-term liabilities are the result of debt payments.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012, and comparisons to fiscal year 2011.

Table 2
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,418,552	\$1,226,490	\$192,062
Operating Grants, Contributions and Interest	2,170,361	2,688,815	(518,454)
Capital Grants, Contributions and Interest	0	50,000	(50,000)
	<u>3,588,913</u>	<u>3,965,305</u>	<u>(376,392)</u>
General Revenues:			
Property Taxes	1,478,417	1,273,829	204,588
Grants and Entitlements	8,467,625	8,184,790	282,835
Investment Earnings	12,959	17,662	(4,703)
Insurance Recoveries	0	6,058	(6,058)
Donations	180,843	59,250	121,593
Miscellaneous	7,561	9,093	(1,532)
	<u>10,147,405</u>	<u>9,550,682</u>	<u>596,723</u>
Total Revenues	<u>13,736,318</u>	<u>13,515,987</u>	<u>220,331</u>
Program Expenses			
Instruction:			
Regular	7,092,507	7,709,407	616,900
Special	553,297	697,253	143,956
Vocational	229,685	203,331	(26,354)
Support Services:			
Pupils	653,272	528,997	(124,275)
Instructional Staff	306,474	326,797	20,323
Board of Education	31,733	36,935	5,202
Administration	925,665	856,344	(69,321)
Fiscal	553,575	444,927	(108,648)
Business	56,363	80,325	23,962
Operation and Maintenance of Plant	1,463,106	1,303,156	(159,950)
Pupil Transportation	881,549	782,490	(99,059)
Central	254,143	189,603	(64,540)
Operation of Non-Instructional Services:			
Food Service Operations	646,769	637,746	(9,023)
Community Services	12,051	13,442	1,391
Extracurricular Activities	458,539	464,205	5,666
Interest and Fiscal Charges	165,218	62,676	(102,542)
Total Expenses	<u>14,283,946</u>	<u>14,337,634</u>	<u>53,688</u>
Decrease in Net Assets	(547,628)	(821,647)	274,019
Net Assets at Beginning of Year	<u>33,453,428</u>	<u>34,275,075</u>	<u>(821,647)</u>
Net Assets at End of Year	<u>\$32,905,800</u>	<u>\$33,453,428</u>	<u>(\$547,628)</u>

Property taxes made up approximately 10.8 percent of revenues for governmental activities for the School District. Of the remaining revenues, the School District receives 77.4 percent from state foundation, federal, and state grants; 10.3 percent from charges for services; and 1.5 percent from interest and local entities.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 10.8 percent of revenues for governmental activities for the School District in 2012. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 55 percent of the School District's budget is used to fund instructional expenses. Support services make up 36 percent of expenses and 9 percent is used for fiscal charges, extracurricular activities, and non-instructional services.

During the fiscal year, the School District experienced changes in the following: a decrease in payroll expenditures and increases in utility and fuel costs.

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

**Table 3
Governmental Activities**

	2012 Total Cost of Services	2012 Net Cost of Services	2011 Total Cost of Services	2011 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,092,507	\$4,733,135	\$7,709,407	\$5,178,437
Special	553,297	275,794	697,253	288,242
Vocational	229,685	159,499	203,331	133,145
Support Services:				
Pupils	653,272	633,153	528,997	523,997
Instructional Staff	306,474	226,230	326,797	307,407
Board of Education	31,733	31,733	36,935	36,935
Administration	925,665	925,665	856,344	849,814
Fiscal	553,575	450,833	444,927	330,669
Business	56,363	56,363	80,325	80,325
Operation and Maintenance of Plant	1,463,106	1,404,029	1,303,156	1,245,085
Pupil Transportation	881,549	881,549	782,490	736,379
Central	254,143	254,143	189,603	189,603
Non-Instructional Services:				
Food Service Operations	646,769	118,239	637,746	101,819
Community Services	12,051	12,051	13,442	13,442
Extracurricular Activities	458,539	367,399	464,205	294,354
Interest and Fiscal Charges	165,218	165,218	62,676	62,676
Totals	\$14,283,946	\$10,695,033	\$14,337,634	\$10,372,329

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 74.9 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 \$13,711,512 and expenditures of \$14,300,855.

The fund balance of the General Fund increased \$378,038. The General Fund's unassigned fund balance of \$2,256,979 represented 22% of current year expenditures.

The fund balance of the Permanent Improvements Capital Projects Fund increased \$141,598. The Permanent Improvement Fund ended the 2012 fiscal year with a fund balance of \$880,289. Most of this balance remains in the School District's treasury.

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 2012, 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 \$11,385,565, which represented only a modest change from original estimates of \$10,965,002. The final budget basis expenditure estimate of \$12,083,018 represented a 8.9 percent increase from the original estimates of \$11,097,659.

The School District's ending unobligated General Fund balance was \$3,581,911.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the School District had \$30,358,363 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$710,791	\$710,791
Construction in Progress	2,093	1,030,422
Land Improvements	636,911	706,982
Buildings and Improvements	28,356,093	27,366,809
Furniture, Fixtures, and Equipment	373,936	266,307
Vehicles	278,539	406,753
Totals	<u>\$30,358,363</u>	<u>\$30,488,064</u>

For additional information on capital assets, see Note 11 to the basic financial statements.

Debt

At June 30, 2012, the School District had outstanding Classroom Facilities Improvements Refunding Bonds for \$1,006,222, Qualified School Construction Bonds in the amount of \$660,000, and a Certificate of Participation in the amount of \$880,000.

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
2010 Classroom Facilities Improvements Refunding Bonds:		
Serial	\$280,000	\$415,000
Term	700,000	700,000
Bond Amortization of Premium	42,394	49,560
Deferred Amount on Refunding	(16,172)	(18,906)
2011 Qualified School Construction Bond	660,000	705,000
2011 Certificates of Participation	<u>880,000</u>	<u>940,000</u>
Totals	<u>\$2,546,222</u>	<u>\$2,790,654</u>

For additional information on debt, see Note 17 to the basic financial statements.

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes. Due to slow economic growth, 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.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2012

Unaudited

Externally, the School District is largely dependent on State funding sources (approximately 77.6 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District continues to see a slight decline in student enrollment and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment has served to somewhat offset any increase in State funding.

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

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Dawson - Bryant Local School District, Ohio

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,322,129
Materials and Supplies Inventory	10,901
Prepaid Items	8,049
Intergovernmental Receivable	350,422
Property Taxes Receivable	1,413,506
Accounts Receivable	1,182
Deferred Charges	54,401
Nondepreciable Capital Assets	712,884
Depreciable Capital Assets, Net	<u>29,645,479</u>
<i>Total Assets</i>	<u>38,518,953</u>
Liabilities	
Accounts Payable	85,075
Accrued Wages and Benefits Payable	1,152,204
Contracts Payable	75,525
Intergovernmental Payable	288,895
Accrued Interest Payable	6,465
Vacation Benefits Payable	35,963
Deferred Revenue	976,111
Long-Term Liabilities:	
Due within One Year	331,082
Due in More than One Year	<u>2,661,833</u>
<i>Total Liabilities</i>	<u>5,613,153</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	27,866,542
Restricted for:	
Debt Service	687,572
Capital Projects	878,645
Other Purposes	617,191
Unrestricted	<u>2,855,850</u>
<i>Total Net Assets</i>	<u><u>\$32,905,800</u></u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2012

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
			Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$7,092,507	\$1,110,740	\$1,248,632	(\$4,733,135)
Special	553,297	0	277,503	(275,794)
Vocational	229,685	0	70,186	(159,499)
Support Services:				
Pupils	653,272	20,119	0	(633,153)
Instructional Staff	306,474	74,844	5,400	(226,230)
Board of Education	31,733	0	0	(31,733)
Administration	925,665	0	0	(925,665)
Fiscal	553,575	0	102,742	(450,833)
Business	56,363	0	0	(56,363)
Operation and Maintenance of Plant	1,463,106	0	59,077	(1,404,029)
Pupil Transportation	881,549	0	0	(881,549)
Central	254,143	0	0	(254,143)
Operation of Non-Instructional Services:				
Food Service Operations	646,769	121,709	406,821	(118,239)
Community Services	12,051	0	0	(12,051)
Extracurricular Activities	458,539	91,140	0	(367,399)
Interest and Fiscal Charges	165,218	0	0	(165,218)
Totals	<u>\$14,283,946</u>	<u>\$1,418,552</u>	<u>\$2,170,361</u>	<u>(10,695,033)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				1,361,615
Debt Service				94,399
Classroom Facilities Maintenance				22,403
Grants and Entitlements not Restricted to Specific Programs				8,467,625
Investment Earnings				12,959
Donations				180,843
Miscellaneous				7,561
Total General Revenues				<u>10,147,405</u>
Change in Net Assets				(547,628)
Net Assets at Beginning of Year				<u>33,453,428</u>
Net Assets at End of Year				<u>\$32,905,800</u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2012*

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,802,008	\$897,682	\$1,622,439	\$6,322,129
Receivables:				
Property Taxes	1,301,934	0	111,572	1,413,506
Intergovernmental	126,805	0	223,617	350,422
Interfund	289,794	0	0	289,794
Accounts	1,028	0	154	1,182
Prepaid Items	7,888	0	161	8,049
Materials and Supplies Inventory	0	0	10,901	10,901
Total Assets	\$5,529,457	\$897,682	\$1,968,844	\$8,395,983
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$66,741	\$0	\$18,334	\$85,075
Accrued Wages and Benefits Payable	946,162	0	206,042	1,152,204
Contracts Payable	5,000	17,393	53,132	75,525
Interfund Payable	0	0	289,794	289,794
Intergovernmental Payable	252,174	0	36,721	288,895
Deferred Revenue	1,141,904	0	268,330	1,410,234
Total Liabilities	2,411,981	17,393	872,353	3,301,727
Fund Balances				
Nonspendable	7,888	0	11,062	18,950
Restricted	0	0	1,269,989	1,269,989
Committed	12,034	0	0	12,034
Assigned	840,575	880,289	0	1,720,864
Unassigned (Deficits)	2,256,979	0	(184,560)	2,072,419
Total Fund Balances	3,117,476	880,289	1,096,491	5,094,256
Total Liabilities and Fund Balances	\$5,529,457	\$897,682	\$1,968,844	\$8,395,983

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2012*

Total Governmental Fund Balances		\$5,094,256
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,358,363
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	241,934	
Accounts Receivable	20,119	
Grants	172,070	434,123
Unamortized issuance costs represent deferred charges which do not provide current financial resources, and therefore, are not reported in the funds.		54,401
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(1,006,222)	
Qualified School Construction Bonds	(660,000)	
Certificates of Participation	(880,000)	
Accrued Interest Payable	(6,465)	
Sick Leave Benefits Payable	(446,693)	
Vacation Benefits Payable	(35,963)	(3,035,343)
Net Assets of Governmental Activities		\$32,905,800

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,345,007	\$0	\$115,484	\$1,460,491
Intergovernmental	8,547,311	0	2,089,863	10,637,174
Investment Earnings	12,959	0	0	12,959
Tuition and Fees	1,117,766	0	0	1,117,766
Charges for Services	0	0	121,709	121,709
Extracurricular	74,844	0	91,140	165,984
Rent	7,025	0	0	7,025
Donations	180,843	0	0	180,843
Miscellaneous	4,672	0	2,889	7,561
<i>Total Revenues</i>	<u>11,290,427</u>	<u>0</u>	<u>2,421,085</u>	<u>13,711,512</u>
Expenditures				
Current:				
Instruction:				
Regular	5,341,651	0	1,384,307	6,725,958
Special	217,202	6,820	277,609	501,631
Vocational	207,852	0	0	207,852
Support Services:				
Pupils	591,715	0	0	591,715
Instructional Staff	254,393	0	6,226	260,619
Board of Education	31,733	0	0	31,733
Administration	786,292	0	0	786,292
Fiscal	526,765	0	5,012	531,777
Business	56,363	0	0	56,363
Operation and Maintenance of Plant	1,054,151	266,633	44,843	1,365,627
Pupil Transportation	657,191	0	0	657,191
Central	240,112	0	0	240,112
Operation of Non-Instructional Services:				
Food Service Operations	0	0	558,437	558,437
Community Services	13,379	0	0	13,379
Extracurricular Activities	280,826	5,477	97,566	383,869
Capital Outlay	0	79,472	905,110	984,582
Debt Service:				
Principal Retirement	0	0	240,000	240,000
Interest and Fiscal Charges	0	0	163,718	163,718
<i>Total Expenditures</i>	<u>10,259,625</u>	<u>358,402</u>	<u>3,682,828</u>	<u>14,300,855</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,030,802</u>	<u>(358,402)</u>	<u>(1,261,743)</u>	<u>(589,343)</u>
Other Financing Sources (Uses)				
Transfers In	0	500,000	152,764	652,764
Transfers Out	(652,764)	0	0	(652,764)
<i>Total Other Financing Sources (Uses)</i>	<u>(652,764)</u>	<u>500,000</u>	<u>152,764</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	378,038	141,598	(1,108,979)	(589,343)
<i>Fund Balances at Beginning of Year - Restated (See Note 3)</i>	<u>2,739,438</u>	<u>738,691</u>	<u>2,205,470</u>	<u>5,683,599</u>
<i>Fund Balances at End of Year</i>	<u>\$3,117,476</u>	<u>\$880,289</u>	<u>\$1,096,491</u>	<u>\$5,094,256</u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$589,343)

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

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

Capital Asset Additions	1,265,632	
Depreciation Expense	<u>(1,386,463)</u>	(120,831)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets: (8,870)

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

Grants	812	
Tuition and Fees	6,068	
Delinquent Taxes	<u>17,926</u>	24,806

Repayment of principal and the refunding of debt is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the statement of net assets: 240,000

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

Accrued Interest Payable	528	
Amortization of Premium	7,166	
Amortization of Deferred Amount on Refunding	(2,734)	
Amortization of Issuance Costs	<u>(6,460)</u>	(1,500)

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	(85,074)	
Vacation Benefits Payable	<u>(6,816)</u>	(91,890)

Change in Net Assets of Governmental Activities (\$547,628)

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$879,048	\$1,250,134	\$1,254,212	\$4,078
Intergovernmental	8,848,857	8,513,891	8,541,666	27,775
Investment Earnings	12,531	12,917	12,959	42
Tuition and Fees	919,912	1,114,131	1,117,766	3,635
Extracurricular	64,599	74,601	74,844	243
Rent	6,793	7,002	7,025	23
Donations	0	180,255	180,843	588
Miscellaneous	3,844	3,962	3,975	13
<i>Total Revenues</i>	<u>10,735,584</u>	<u>11,156,893</u>	<u>11,193,290</u>	<u>36,397</u>
Expenditures				
Current:				
Instruction:				
Regular	5,218,294	5,681,626	5,339,917	341,709
Special	258,710	281,681	264,740	16,941
Vocational	201,735	219,647	206,437	13,210
Support Services:				
Pupils	555,869	605,225	568,825	36,400
Instructional Staff	249,372	271,514	255,184	16,330
Board of Education	33,045	35,979	33,815	2,164
Administration	774,357	843,112	792,405	50,707
Fiscal	480,785	523,474	491,991	31,483
Business	64,922	70,686	66,435	4,251
Operation and Maintenance of Plant	1,138,256	1,239,321	1,164,785	74,536
Pupil Transportation	671,015	730,594	686,654	43,940
Central	240,303	261,640	245,904	15,736
Operation of Non-Instructional Activities:				
Community Services	13,033	14,190	13,337	853
Extracurricular Activities	276,873	301,456	283,326	18,130
<i>Total Expenditures</i>	<u>10,176,569</u>	<u>11,080,145</u>	<u>10,413,755</u>	<u>666,390</u>
<i>Excess of Revenues Over Expenditures</i>	<u>559,015</u>	<u>76,748</u>	<u>779,535</u>	<u>702,787</u>
Other Financing Sources (Uses)				
Advances In	229,418	228,672	229,418	746
Transfers Out	(637,896)	(694,535)	(652,764)	41,771
Advances Out	(283,194)	(308,338)	(289,794)	18,544
<i>Total Other Financing Sources (Uses)</i>	<u>(691,672)</u>	<u>(774,201)</u>	<u>(713,140)</u>	<u>61,061</u>
<i>Net Change in Fund Balance</i>	<u>(132,657)</u>	<u>(697,453)</u>	<u>66,395</u>	<u>763,848</u>
<i>Fund Balance at Beginning of Year - Restated (See Note 3)</i>	3,336,123	3,336,123	3,336,123	0
Prior Year Encumbrances Appropriated	179,393	179,393	179,393	0
<i>Fund Balance at End of Year</i>	<u>\$3,382,859</u>	<u>\$2,818,063</u>	<u>\$3,581,911</u>	<u>\$763,848</u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$11,976</u></u>
Liabilities	
Due to Others	\$2,848
Due to Students	<u>9,128</u>
Total Liabilities	<u><u>\$11,976</u></u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 58 classified employees and 109 certified teaching and administrative personnel who provide services to 1,236 students and other community members.

Reporting Entity

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

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

The School District participates in the South Central Ohio Computer Association and the Coalition of Rural and Appalachian Schools, which are defined as a jointly governed organizations, and the Optimal Health Initiatives Workers' Compensation Group Rating Program and the Lawrence County Schools Council of Governments Health Benefits Program, which are defined as insurance purchasing pools. These organizations are presented in Notes 19 and 20.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Permanent Improvements Capital Projects Fund The Permanent Improvements Capital Projects Fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, 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, 2012, but which were levied to finance fiscal year 2013 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".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$12,959, which includes \$4,505 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, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

G. Materials and Supplies Inventory

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

H. Capital Assets

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

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

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

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

I. Internal Activity

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

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

J. Compensated Absences

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

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

K. Accrued Liabilities and Long-term Obligations

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

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

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

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

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

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

M. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

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 represents 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 or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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

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.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

R. Budgetary Process

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

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

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

Note 3 - Restatement of Prior Year Balances

A. Restatement of Fund Balance

During fiscal years 2008, 2009, and 2010, the School District receipted the ½ mill equalization payment into the General Fund, it should have been receipted in the Classroom Maintenance Special Revenue Fund. In addition, the Energy Conservation Fund no longer meets the requirements for major fund reporting whereas the Permanent Improvement Fund met the requirements for major fund reporting for fiscal year 2012. These corrections had the following impact on the fund balances of major and nonmajor funds as they were previously reported:

	General Fund	Major Energy Conservation Fund	Major Permanent Improvement Fund	Other Governmental Funds
Fund Balance at June 30, 2011	\$2,908,400	\$938,572	\$0	\$1,836,627
Change in Fund Structure	<u>(168,962)</u>	<u>(938,572)</u>	<u>738,691</u>	<u>368,843</u>
Adjusted Fund Balance at June 30, 2011	<u><u>\$2,739,438</u></u>	<u><u>\$0</u></u>	<u><u>\$738,691</u></u>	<u><u>\$2,205,470</u></u>

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Restatement of Prior Year Budgetary Balance

During fiscal years 2008, 2009, and 2010, the School District received the ½ mill equalization payment into the General Fund, it should have been received in the Classroom Maintenance Special Revenue Fund. This correction had the following impact on the fund balance which was previously reported:

	<u>General</u>
Fund Balance, June 30, 2011, as Previously Reported	\$3,505,087
Change in Fund Structure	<u>(168,964)</u>
Fund Balance, June 30, 2011, as Restated	<u><u>\$3,336,123</u></u>

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2012:

	<u>Deficit</u>
Capital Projects Fund:	
H.B. 264 Energy Conservation	\$10,549
Special Revenue Funds:	
Food Service	28,675
High Schools that Work	1,044
Education Jobs	51,420
Title VI-B	8,607
Title II	3,594
Title I	66,557
Title II-A	3,046

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

Note 5 - Fund Balances

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

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

Fund Balances	General Fund	Permanent Improvements Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid Items	\$7,888	\$0	\$161	\$8,049
Materials and Supplies Inventory	0	0	10,901	10,901
<i>Total Nonspendable</i>	<u>7,888</u>	<u>0</u>	<u>11,062</u>	<u>18,950</u>
Restricted for:				
Athletics	0	0	130,089	130,089
Capital Improvements	0	0	471,867	471,867
Debt Service	0	0	668,033	668,033
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>1,269,989</u>	<u>1,269,989</u>
Committed to:				
Scholarships	2,600	0	0	2,600
After School Programs	9,434	0	0	9,434
<i>Total Committed</i>	<u>12,034</u>	<u>0</u>	<u>0</u>	<u>12,034</u>
Assigned to:				
Other Purposes	184,106	0	0	184,106
FY 2013 Appropriations In Excess of Estimated Receipts	656,469	0	0	656,469
Capital Improvements	0	880,289	0	880,289
<i>Total Assigned</i>	<u>840,575</u>	<u>880,289</u>	<u>0</u>	<u>1,720,864</u>
Unassigned:	<u>2,256,979</u>	<u>0</u>	<u>(184,560)</u>	<u>2,072,419</u>
<i>Total Fund Balances</i>	<u><u>\$3,117,476</u></u>	<u><u>\$880,289</u></u>	<u><u>\$1,096,491</u></u>	<u><u>\$5,094,256</u></u>

Note 6 - Budgetary Basis of Accounting

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

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

Net Change in Fund Balance	
GAAP Basis	\$378,038
Revenue Accruals	(97,137)
Expenditure Accruals	38,279
Prepaid Items:	
Beginning of Year	35,576
End of Year	(7,888)
Advances	(60,376)
Encumbrances	<u>(220,097)</u>
Budget Basis	<u><u>\$66,395</u></u>

Note 7 - Deposits and Investments

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

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

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

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

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

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,123,607 of the School District's bank balance of \$6,402,277 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$180,149 in the General Fund, \$12,498 in the Bond Retirement Debt Service Fund, and \$2,814 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2011, was \$89,354 in the General Fund, \$6,254 in the Bond Retirement Debt Service Fund, and \$1,390 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
Agricultural/Residential	\$62,780,790	88.51%	\$62,612,510	88.32%
Commercial/Industrial and Public Utility Real	2,797,200	3.94%	2,714,320	3.83%
Public Utility Personal	5,355,910	7.55%	5,566,270	7.85%
Total	\$70,933,900	100.00%	\$70,893,100	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$22.50		\$22.50	

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 9 - Receivables

Receivables at June 30, 2012, 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>
Public Preschool	\$9,560
High Schools That Work	2,306
Education Jobs	67,387
Title VI-B IDEA	11,991
Title II-D	3,594
Title I	81,870
Title II-A	46,909
Speech Therapy	119,800
Miscellaneous	7,005
Total	<u><u>\$350,422</u></u>

Note 10 - Contractual Commitments

As of June 30, 2012, the School District's contractual purchase commitments for an elementary school playground and track resurfacing project are as follows:

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/12</u>
Track Resurfacing	Permanent Improvements Capital Projects Fund	\$4,650	\$2,093	\$2,557
Elementary Playground Project	Permanent Improvements Capital Projects Fund	123,900	0	123,900
Total Contractual Commitments		<u><u>\$128,550</u></u>	<u><u>\$2,093</u></u>	<u><u>\$126,457</u></u>

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Deductions	Balance at 6/30/12
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$710,791	\$0	\$0	\$710,791
Construction in Progress	1,030,422	1,019,979	2,048,308	2,093
Total Nondepreciable Capital Assets	1,741,213	1,019,979	2,048,308	712,884
Depreciable Capital Assets:				
Land Improvements	1,492,040	0	0	1,492,040
Buildings and Improvements	37,466,230	2,100,939	0	39,567,169
Furniture, Fixtures, and Equipment	1,718,320	193,022	0	1,911,342
Vehicles	1,196,255	0	88,690	1,107,565
Total Depreciable Capital Assets	41,872,845	2,293,961	88,690	44,078,116
Less Accumulated Depreciation:				
Land Improvements	(785,058)	(70,071)	0	(855,129)
Buildings and Improvements	(10,099,421)	(1,111,655)	0	(11,211,076)
Furniture, Fixtures, and Equipment	(1,452,013)	(85,393)	0	(1,537,406)
Vehicles	(789,502)	(119,344)	(79,820)	(829,026)
Total Accumulated Depreciation	(13,125,994)	(1,386,463) *	(79,820)	(14,432,637)
Total Capital Assets being Depreciated, Net	28,746,851	907,498	8,870	29,645,479
Capital Assets, Net	\$30,488,064	\$1,927,477	\$2,057,178	\$30,358,363

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$596,396
Special	49,169
Vocational	21,106
Support Services:	
Pupils	63,200
Instructional Staff	42,094
Administration	77,232
Fiscal	21,106
Operation and Maintenance of Plant	113,764
Pupil Transportation	227,778
Central	14,031
Food Service Operations	85,917
Extracurricular Activities	74,670
Total Depreciation Expense	\$1,386,463

The School District's total capital assets being depreciated amount above includes \$4,176,484 in fully depreciated capital assets.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 12 - 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 2012, the School District contracted with The Argonaut Insurance Company for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$43,168,275
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Products - Completed Operations Aggregate Limit	0	3,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Employers' Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit		3,000,000
Educators Legal Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit		3,000,000
Vehicles:		
Bodily Injury and Property Damage:		
Combined Single Limit	0	1,000,000
Uninsured and Underinsured Motorist:		
Bodily Injury Per Accident	0	1,000,000
Uninsured Motorist:		
Property Damage Per Accident	250	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2011.

The School District participates in the Optimal Health Initiatives Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Note 20) to provide employee medical benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is placed into a Council Fund from which claim payments are made for all participating school districts.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$200,325, \$203,322, and \$242,134, respectively; 49.55 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

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

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Funding Policy – For the fiscal year ended June 30, 2012, 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. 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, 2012, 2011, and 2010, were \$641,454, \$697,392, and \$679,838, respectively; 83.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$10,307 made by the School District and \$7,362 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, 2012, one member of the Board of Education had elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer postemployment benefit 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, Medicare Advantage, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Active members do not make contributions to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents of the their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$23,595, \$51,735, and \$30,081, respectively; 0.00 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$11,246, \$13,600, and \$12,631, respectively; 46.93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

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 2012, 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, 2012, 2011, and 2010, were \$49,343, \$53,064, and \$52,295, respectively; 83.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 15 - 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 325 days for certified employees and 320 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 70 days for certified employees and 72.5 days for classified employees.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

B. Insurance Benefits

The School District provides medical, health, and prescription card coverage through Anthem Blue Cross and Blue Shield. The School District pays 79% of the total monthly premiums of \$1,611.44 for family coverage and 80% of total monthly premiums of \$652.40 for single coverage.

The School District provides group term life insurance to employees through Anthem Life Insurance in the amount of \$30,000.

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

The School District provides vision insurance to employees through Guardian. Monthly premiums are \$21.03 for family coverage and \$9.78 for single coverage.

Note 16 - Termination Benefits Payable

The School District offers an early retirement incentive program, whereby any full-time certified employee who has completed or attained 30 years of service credit, or has completed 25 years of service credit, and is eligible for retirement under the State Teachers Retirement System. Teachers who qualify and retire by June 30, 2013, will receive a one-time lump sum payment equal to 5% to 35% of their current annual salary depending upon years of service credit.

In fiscal year 2012, no teachers retired who qualified for this additional benefit.

Note 17 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts Due in One Year
Governmental Activities:					
2006 Classroom Facilities					
Improvements Refunding Bonds:					
Serial Bonds	\$415,000	\$0	\$135,000	\$280,000	\$135,000
Term Bonds	700,000	0	0	700,000	0
Deferred Amount on Refunding	(18,906)	0	(2,734)	(16,172)	0
Serial Bond Premium	49,560	0	7,166	42,394	0
2011 6.90% Qualified School					
Construction Bonds	705,000	0	45,000	660,000	40,000
2011 7.25% Certificates of					
Participation	940,000	0	60,000	880,000	55,000
Sick Leave Benefits Payable	361,619	109,020	23,946	446,693	101,082
Total Governmental Activities					
Long-Term Liabilities	<u>\$3,152,273</u>	<u>\$109,020</u>	<u>\$268,378</u>	<u>\$2,992,915</u>	<u>\$331,082</u>

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Classroom Facilities Improvements Refunding Bonds On June 1, 2006, the School District issued \$1,640,000 of Classroom Facilities Improvements Refunding Bonds to retire the 1995 School Construction General Obligation Bonds. The bonds were issued for a 12 year period with final maturity at December 1, 2017. The refunding bonds issued included serial and term bonds in the amount of \$940,000 and \$700,000, respectively. These refunding bonds were issued with a premium of \$85,982, which is reported as an increase to bonds payable. The amount is amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2012 was \$7,166. The issuance costs of \$51,925 are reported as deferred charges and are amortized over the life of the bond using the straight-line method. The amortization of the issuance costs for 2012 was \$4,327. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$32,800. This difference, reported as a decrease in bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the difference for fiscal year 2012 was \$2,734. The bonds are being retired from the Bond Retirement Debt Service Fund.

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Serial		Term	
	Principal	Interest	Principal	Interest
2013	\$135,000	\$45,250	\$0	\$0
2014	145,000	21,275	0	18,375
2015	0	0	160,000	32,550
2016	0	0	165,000	24,019
2017	0	0	175,000	15,093
2018	0	0	200,000	5,250
	<u>\$280,000</u>	<u>\$66,525</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
2015	\$160,000
2016	165,000
2017	175,000
2018	200,000
Total	<u>\$700,000</u>

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

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

The issuance costs of \$32,000 are reported as deferred charges and are amortized over the life of the bond using the straight-line method. The amortization of the issuance costs for 2012 was \$2,133.

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

Upon a determination of Loss of Qualifies School Construction Bond status, the Tax Credit bonds are subject to extraordinary mandatory redemption prior to their fixed maturity date, in whole, on the date designated by the School District, which date shall be a date prior to 60 days succeeding, after a Determination of Loss of Qualified School Construction Bond status, at a redemption price equal to (i) the principal amount of the Tax Credit Bonds called for redemption, plus (ii) the redemption premium, plus (iii) accrued interest on the principal amount of the Tax Credit Bonds called for redemption plus the interest owed from the supplemental coupon from the Tax Credit Allowance Date immediately preceding the redemption date, to the date of redemption.

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

Annual base rent requirements to retire the Qualified School Construction Bonds outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2013	\$40,000	\$44,160	(\$33,728)	\$50,432
2014	45,000	41,227	(31,488)	54,739
2015	45,000	38,123	(29,117)	54,006
2016	45,000	35,017	(26,745)	53,272
2017	45,000	31,913	(24,374)	52,539
2018-2022	240,000	111,435	(85,111)	266,324
2023-2026	200,000	27,600	(21,080)	206,520
Total	<u>\$660,000</u>	<u>\$329,475</u>	<u>(\$251,643)</u>	<u>\$737,832</u>

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

In accordance with the lease terms, the project assets are leased to All Points Capital Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of fifteen years which includes the right renew for fifteen successive one-year terms through December 1, 2025, subject to annual appropriations.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 7.25 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date after June 1, 2021, by paying a 1 percent premium plus the amount necessary to defease the indenture.

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

Annual base rent requirements to retire the certificates of participation at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2013	\$55,000	\$61,806	(\$44,927)	\$71,879
2014	55,000	57,819	(42,028)	70,791
2015	60,000	53,650	(38,998)	74,652
2016	60,000	49,300	(35,836)	73,464
2017	60,000	44,950	(32,674)	72,276
2018-2022	315,000	157,869	(114,754)	358,115
2023-2026	275,000	40,419	(29,380)	286,039
Total	<u>\$880,000</u>	<u>\$465,813</u>	<u>(\$338,597)</u>	<u>\$1,007,216</u>

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

The School District's overall legal debt margin was \$5,382,190, with an unvoted debt margin of \$708,931 at June 30, 2012.

Note 18 - Interfund Activity and Balances

A. Transfers

During fiscal year 2012, the General Fund made transfers to the Bond Retirement Debt Service Fund, the Permanent Improvements Capital Projects Fund, and the Athletics Special Revenue Funds, the amounts of \$134,143, \$500,000, and \$18,621, respectively. The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

B. Interfund Balances

Interfund balances at June 30, 2012, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	<u>\$289,794</u>	<u>\$0</u>
Other Governmental Funds:		
High Schools that Work	0	2,306
Education Jobs	0	67,387
Title VI-B Idea	0	60,540
Title II-D	0	4,264
Title I	0	104,449
Title II-A	<u>0</u>	<u>50,848</u>
Total Other Governmental Funds	<u>0</u>	<u>289,794</u>
Total All Funds	<u><u>\$289,794</u></u>	<u><u>\$289,794</u></u>

Note 19 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. The School District paid \$100,791 for services provided during fiscal year 2012. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2012. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 20 - Insurance Purchasing Pools

A. Optimal Health Initiatives Workers' Compensation Group Rating Program

The School District participates in the Optimal Health Initiatives Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of trustees consisting of the President, the Vice President, and the Secretary. The Executive Director of the Northwest Division of OHI, or a designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Lawrence County Schools Council of Governments Health Benefits Program

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

Note 21 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 also required to set aside money for budget stabilization and textbooks.

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

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2011	\$0
Current Year Set-Aside Requirement	211,511
Current Year Offsets	<u>(580,900)</u>
Totals	<u><u>(\$369,389)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-Aside Reserve Balance as of June 30, 2012	<u><u>\$0</u></u>

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

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 22 - Contingencies

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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 23 – Subsequent Events

On October 29, 2012 the Board of Education approved a resolution to award the bid for the High School Track Renovation Project to Vasco Sports Contractors in the amount of \$164,475 which will be paid from the Permanent Improvements Fund.

On December 10, 2012 the Board of Education approved a resolution to purchase one 2014 78 Passenger Thomas C2 School Bus from Edwin H. Davis and Son, Inc. in the amount of \$77,427 which will be paid from the Permanent Improvements Fund.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2012	10.555	\$ 8,668	\$ 8,668
Cash Assistance:				
School Breakfast Program	2012	10.553	95,077	95,077
National School Lunch Program	2012	10.555	268,283	268,283
Summer Food Service Program	2011/2012	10.559	3,996	3,996
Cash Assistance Subtotal			<u>367,356</u>	<u>367,356</u>
Total Child Nutrition Cluster			<u>376,024</u>	<u>376,024</u>
Total U.S. Department of Agriculture			376,024	376,024
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	57,799	68,502
	2012		412,587	402,501
Total Title I Grants to Local Educational Agencies			<u>470,386</u>	<u>471,003</u>
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	70,185	97,925
Total Title I, Part A Cluster			540,571	568,928
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	2011	84.027	12,172	24,470
	2012		264,592	247,567
Total Special Education - Grants to States (IDEA, Part B)			<u>276,764</u>	<u>272,037</u>
ARRA - Special Education - Grants to States (IDEA, Part B)	2011	84.391	18,817	84,369
Total Special Education Cluster (IDEA)			295,581	356,406
Education Technology State Grants	2011	84.318	890	
Improving Teacher Quality State Grants	2011	84.367	4,197	8,759
	2012		54,663	83,303
Total Improving Teacher Quality State Grants			<u>58,860</u>	<u>92,062</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants	2011	84.394		338,720
ARRA - Race to the Top	2012	84.395	700	700
Education Jobs Fund	2012	84.410	444,342	429,523
Total U.S. Department of Education			<u>1,340,944</u>	<u>1,786,339</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,716,968</u>	<u>\$ 2,162,363</u>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – PRIOR YEAR PROGRAM EXPENDITURE ADJUSTMENT

During fiscal year 2011, the School District spent \$69,247 that were not allowable expenditures to be made from the ARRA Special Education grant. As a result of this, the School District made adjusting entries in fiscal year 2012 to reduce the current year expenditures by that amount. Therefore, these adjustments affect 2011 fiscal year program expenditures previously reported as follows:

<u>Grant</u>	<u>CFDA #</u>	<u>FY11 Federal Expenditures Reported</u>	<u>Adjustment posted in FY12</u>	<u>Adjusted 2011 Federal Expenditures Reported</u>
ARRA- Special Education	84.391	\$125,567	\$69,247	\$56,320

After this adjustment was posted an adjusted Final Expenditure Report was submitted to the Ohio Department of Education to show total expenditures for the fiscal year 2011 as \$140,689. This is in agreement with the adjusted total above plus the amount reported on this year's Federal Awards Receipts and Expenditures Schedule.

NOTE E – PRIOR YEAR PROGRAM CORRECTION

During fiscal year 2011, the School District spent \$13,094 ARRA-Special Education monies and \$75,848 ARRA-State Fiscal Stabilization Fund monies that were not allowable costs for these grants. Due to this, the School District made adjusting entries in fiscal year 2012 to reduce the current year expenditures by these amounts. However, correspondingly, the School District also posted another adjusting entry to increase expenditures by the same amounts. These increases in expenditures were to move allowable fiscal year 2011 costs from the General Fund to the federal funds so that the School District did not have to repay any actual monies back to the Ohio Department of Education. This had no affect on the School District's federal schedule for 2011 or 2012 since the correcting entries netted to zero.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 21, 2013.

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



Dave Yost
Auditor of State

February 21, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

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

As described in Findings 2012-01, 2012-02, 2012-03, and 2012-04 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Cash Management, Davis-Bacon Act, and Procurement and Suspension and Debarment applicable to its ARRA – State Fiscal Stabilization Fund – Education State Grants major federal program. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2012-01 through 2012-04 to be material weaknesses.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 21, 2013.

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



Dave Yost
Auditor of State

February 21, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – ARRA – State Fiscal Stabilization Fund – Education State Grants Unqualified – Special Education Cluster (IDEA); Child Nutrition Cluster; Education Jobs Fund
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553, #10.555 and #10.559 Special Education (IDEA) Cluster: CFDA #84.027 and #84.391 ARRA – State Fiscal Stabilization Fund – Education State Grants: CFDA #84.394 Education Jobs Fund: CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-01
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Cash Management

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

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

State Fiscal Stabilization Fund program funds were advanced to School Districts through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a new form in FY 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments were automatically sent to School Districts on a bi-monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. SFSF funds were required to be deposited into USAS Fund 532. School Districts must have an internal control system in place to ensure advance SFSF payments are spent timely (i.e., within 30 days). While obligations could be made through September 30, 2011, districts must exercise caution, because federal regulations prevent cash to be accumulated for the SFSF program for any reason.

The School District did not ensure that SFSF monies were spent in a timely manner (i.e., by the end of the month or within 30 days of receipt, whichever occurs earlier). During Fiscal Year 2011, the School District allowed SFSF monies to accumulate in its 532 fund. This was due to the fact that the School District planned to use a significant portion of the funds to replace chillers at its high school building and repair a roof at its elementary building. As a result, the beginning balance at July 1, 2011 was \$338,720. Payment of contracts and other expenditures occurred during July, August, and September 2011 resulting in month end fund balances decreasing to: \$34,817 for July 2011; \$11,519 for August 2011; and \$7,716 for September 2011.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-01 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Cash Management (Continued)

Further, the School District did not liquidate all funds prior to September 30, 2011. The School District had a balance of \$7,716 remaining in Fund 532 for retainage payable to Mechanical Construction. The School District was aware that the funds needed to be liquidated prior to September 30, 2011. The School District was not able to comply because it was waiting on verification from its project manager, Sabo-Limbach, that the chiller project was complete before retainage funds of \$7,716 were released to Mechanical Construction. The School District liquidated this balance on January 25, 2012 by expending \$7,716 for the retainage payment to Mechanical Construction.

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

Officials' Response:

Finding is legitimate. However, an explanation of events is as follows: During the summer of 2009 the Superintendent, federal Programs Coordinator, Treasurer, and Assistant Treasurer met numerous times to discuss estimated federal dollars coming to the district for 2009/2010 and 2010/2011 school years and how the School District would budget those dollars. State Fiscal Stabilization Fund monies (one of several federal funds) were initially earmarked by the district to be utilized for qualifying employee salaries and benefits. That would have made it easy to spend the money as it came in. However, after much debate, the Superintendent and Treasurer decided that since these monies were going to be awarded to the School District for a two year period only (2009/2010 and 2010/2011) that it was important for the Board of Education and everyone to understand the importance of not misleading anyone as to the true financial condition of the School District's General Fund. In other words, if the School District were to use approximately half a million dollars of "one time federal monies" for salaries and benefits during 2009/2010 and 2010/2011 that were normally paid from the School District's General Fund, it could appear to some that the School District's General Fund balance was enjoying substantial growth when comparing annual General Fund revenues vs expenditures. For this reason it was recommended to the Board of Education that those monies instead be utilized primarily for the upcoming high school chiller project and the School District's utility electric payments. The Superintendent, Treasurer, Federal Programs Coordinator and others fully understood that the Federal government's preference was for the monies to be spent monthly. However, everyone knew that the chiller project would not be a quick project allowing payments to be made to the contractor monthly. But everyone agreed that the penalty was not to be forfeiture of federal monies. Everyone acknowledged beforehand that there would most likely be a finding in the audit for those expenditures but that when all options were considered, it was best not to use those monies for salaries and benefits.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-01 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Cash Management (Continued)

Officials’ Response (Continued):

It is also important to understand that all federal funds except State Fiscal Stabilization Funds require a draw down periodically executed by the School District. In other words, the School District gets reimbursed by the federal government after the School District has “up-fronted” the expenses, so to speak. That procedure makes it easy for the School District to comply with the cash management compliance that the finding addresses. However, with federal State Fiscal Stabilization Funds, the process is completely different. The School District has no control over when the School District receives those monies. There is no draw down procedure. Instead, the federal government attaches those federal monies monthly to the School District’s state foundation settlement distribution. Thus, unless the School District spent the annual federal allotment monthly on a 1/12th basis, it is technically out of compliance. It becomes at least, difficult, to not be out of compliance. Again, if the School District had utilized the federal funds for payroll and benefits and not for the chiller project, there would have been no retainage issue with the contractor. We simply felt using those particular federal funds for salaries and benefits was not in the best interest of the School District.

Finding Number	2012-02
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Davis-Bacon Act

Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-02 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Davis-Bacon Act (Continued)

49 U.S.C. 3141-3147 states when required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance fund must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

29 C.F.R. part 5 requires that Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor's regulations.

29 C.F.R. Sections 5.5 and 5.6 includes a requirement for a contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

The School District planned to use a significant portion of its State Fiscal Stabilization Fund program funds to replace chillers at its high school building. The project occurred in the latter part of fiscal year 2011 and contract payments were not made until fiscal year 2012. The School District accepted bids and on March 14, 2011 awarded the project to Mechanical Construction Company in the amount of \$259,850. During this process, the School District failed to secure a written contract with Mechanical Construction, Inc., the contractor for the chiller project. As a result, we could not determine whether the required prevailing wage rate language was included and nor could we determine whether the contractor was made aware of the requirements. Further, the School District failed to obtain copies of the weekly payroll and statement of compliance (certified payrolls).

Although contract documents could not be located for the chiller project, the bidding specifications included in the scope portion of the description of work section indicated that all work shall be prevailing wage.

This could result in the contractor being unaware of the Davis-Bacon requirements. Further, failure to receive and review contractor certified payrolls could result in the contractors paying wages which are less than the prevailing wage.

We recommend the School District ensure that the Davis-Bacon requirements are included in all contracts awarded with federal funds, and that the District obtain and retain a copy of written contracts for all such awards. We further recommend the School District require all contractors subject to the Davis-Bacon requirements to submit weekly payroll and a statement of compliance (certified payrolls) to the School District for review.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-02 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Davis-Bacon Act (Continued)

Officials’ Response:

Finding is legitimate. I would note that during the audit I secured payroll records from Mechanical Construction that documented provisions of the Davis-Bacon Act were adhered to during the entire project.

Finding Number	2012-03
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Procurement and Suspension and Debarment

2 C.F.R. part 180 contain suspension and debarment requirements which implement Executive Orders 12549 and 12689. These requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 C.F.R. Section 180.220 of the government wide non-procurement debarment and suspension guidance contains those additional limited circumstances. All non-procurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 C.F.R. Section 180.300).

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-03 (Continued)
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Procurement and Suspension and Debarment (Continued)

The School District planned to use a significant portion of its State Fiscal Stabilization Fund program funds to replace chillers at its high school building. The project occurred in the latter part of fiscal year 2011 and contract payments were not made until fiscal year 2012. The School District accepted bids and on March 14, 2011 awarded the project to Mechanical Construction Company in the amount of \$259,850. During this process, the District failed to secure a written contract with Mechanical Construction, Inc., the contractor for the chiller project. As a result, we were unable to determine whether suspension and debarment requirements were communicated to the contractor and whether the contractor provided a certification to the School District. Further, the School District failed to execute a search on the Excluded Parties List System. This could result in the School District awarding a contract to a contractor which has been suspended or debarred and is included on the Excluded Parties List System.

We recommend the School District perform a search on the Excluded Parties List System before awarding any contracts with federal funds. We further recommend the School District establish procedures to perform a verification check for covered transactions, by checking the EPLS, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity whenever purchases are being made from federal grant funds.

Officials’ Response:

Finding is legitimate. It is understood that databases must be checked for suspended or debarred vendors when the School District is utilizing federal or state funds in excess of \$25,000 for vendor payments. As a corrective action, the School District is now performing database evaluations.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-04
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants CFDA # 84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Material Weakness – Procurement and Suspension and Debarment

Section 1605 of ARRA prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. This results in making the Buy-American Act apply to these ARRA awards. 2 CFR Section 176.140 indicates an award term is required in all ARRA-funded awards for construction, alteration, maintenance, or repair of a public building or public work.

Although contract documents could not be located for the chiller project, the bidding specifications included in the description of work scope that the contractor shall ensure that all products used for the project are in complete compliance with the 2009 American Recovery and Re-investment Act (ARRA). However, the School District failed to obtain documentation to ensure that the iron, steel, and manufactured goods used in the project were produced in the United States.

This could result in the School District awarding contracts for materials not made in America and could also result in an inability to provide support for compliance with the Buy-American Act.

We recommend the School District ensure that the requirements of Section 1605 of the Recovery Act (Buy-American Act) are included in all contracts awarded with ARRA funds, and that the School District obtain and retain a copy of written contracts for all such awards. We further recommend the School District requires all contractors subject to the Buy-American Act provide support for the School District to review to document that the iron, steel, and manufactured goods used in the project were produced in the United States.

Officials’ Response:

Finding is legitimate. It is understood that awarded Federal Fiscal Stabilization Funds brought with them the School District’s responsibility to adhere to provisions of the Buy American Act. The Treasurer’s Office did discuss with the Superintendent various times as to the necessity of the School District to be in compliance with the matter. I have no doubt that the verification was secured by the Superintendent. However, because the School District cannot produce an executed copy of the mentioned contract, the issue is unresolved. It is also understood that in addition to an executed contract acknowledging the vendors intent to comply with the mentioned Buy American Act, the Treasurer’s Office needs to secure documentation verifying compliance by the vendor.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(B)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants Question Cost and Material Weakness regarding activities allowed or unallowed and allowable costs/cost principles in which the School District charged county treasurer and auditor fees to the SFSF grant.	Yes	
2011-02	ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants Noncompliance Finding / material Weakness regarding cash management in which the School District allowed SFSF funds to accumulate to a June 30, 2011 balance of 338,720	No	Reported as Finding Number 2012-01 in current report.
2011-03	Special Education (IDEA) Cluster Questioned Cost and Material Weakness regarding activities allowed or unallowed and allowable costs/cost principles in which the School District charged expenses not strictly related to the Special Education Program to the Special Education Cluster and also the School District had no time and effort documentation or semi annual certification to support an individual's salary and benefits that were charged to the Special Education (IDEA) Grant.	Yes	

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-01	<p>Finding is legitimate. However, an explanation of events is as follows: During the summer of 2009 the Superintendent, federal Programs Coordinator, Treasurer, and Assistant Treasurer met numerous times to discuss estimated federal dollars coming to the district for 2009/2010 and 2010/2011 school years and how the School District would budget those dollars. State Fiscal Stabilization Fund monies (one of several federal funds) were initially earmarked by the district to be utilized for qualifying employee salaries and benefits. That would have made it easy to spend the money as it came in. However, after much debate, the Superintendent and Treasurer decided that since these monies were going to be awarded to the School District for a two year period only (2009/2010 and 2010/2011) that it was important for the Board of Education and everyone to understand the importance of not misleading anyone as to the true financial condition of the School District's General Fund. In other words, if the School District were to use approximately half a million dollars of "one time federal monies" for salaries and benefits during 2009/2010 and 2010/2011 that were normally paid from the School District's General Fund, it could appear to some that the School District's General Fund balance was enjoying substantial growth when comparing annual General Fund revenues vs expenditures. For this reason it was recommended to the Board of Education that those monies instead be utilized primarily for the upcoming high school chiller project and the School District's utility electric payments. The Superintendent, Treasurer, Federal Programs Coordinator and others fully understood that the Federal government's preference was for the monies to be spent monthly. However, everyone knew that the chiller project would not be a quick project allowing payments to be made to the contractor monthly. But everyone agreed that the penalty was not to be forfeiture of federal monies. Everyone acknowledged beforehand that there would most likely be a finding in the audit for those expenditures but that when all options were considered, it was best not to use those monies for salaries and benefits.</p>	FY 2013	Brad Miller, Treasurer

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2012
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-01 (Continued)	It is also important to understand that all federal funds except State Fiscal Stabilization Funds require a draw down periodically executed by the School District. In other words, the School District gets reimbursed by the federal government after the School District has "up-fronted" the expenses, so to speak. That procedure makes it easy for the School District to comply with the cash management compliance that the finding addresses. However, with federal State Fiscal Stabilization Funds, the process is completely different. The School District has no control over when the School District receives those monies. There is no draw down procedure. Instead, the federal government attaches those federal monies monthly to the School District's state foundation settlement distribution. Thus, unless the School District spent the annual federal allotment monthly on a 1/12 th basis, it is technically out of compliance. It becomes at least, difficult, to not be out of compliance. Again, if the School District had utilized the federal funds for payroll and benefits and not for the chiller project, there would have been no retainage issue with the contractor. We simply felt using those particular federal funds for salaries and benefits was not in the best interest of the School District.	FY 2013	Brad Miller, Treasurer
2012-02	Finding is legitimate. I would note that during the audit I secured payroll records from Mechanical Construction that documented provisions of the Davis – Bacon Act were adhered to during the entire project.	FY 2013	Brad Miller, Treasurer
2012-03	Finding is legitimate. It is understood that databases must be checked for suspended or debarred vendors when the School District is utilizing federal or state funds in excess of \$25,000 for vendor payments. As a corrective action, the School District is now performing database evaluations.	FY 2013	Brad Miller, Treasurer

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2012
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-04	Finding is legitimate. It is understood that awarded Federal Fiscal Stabilization Funds brought with them the School District's responsibility to adhere to provisions of the Buy American Act. The Treasurer's Office did discuss with the Superintendent various times as to the necessity of the School District to be in compliance with the matter. I have no doubt that the verification was secured by the Superintendent. However, because the School District cannot produce an executed copy of the mentioned contract, the issue is unresolved. It is also understood that in addition to an executed contract acknowledging the vendors intent to comply with the mentioned Buy American Act, the Treasurer's Office needs to secure documentation verifying compliance by the vendor.	FY 2013	Brad Miller, Treasurer



Dave Yost • Auditor of State

DAWSON-BRYANT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2013