



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio, as of June 30, 2014, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 23, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
UNAUDITED**

The discussion and analysis of the Dawson-Bryant Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:***

- Net Position of governmental activities decreased \$776,910.
- General revenues accounted for \$10,569,823 in revenue or 75.6 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,410,740 or 24.4 percent of total revenues of \$13,980,563.
- The School District had \$14,757,473 in expenses related to governmental activities; only \$3,410,740 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily taxes and intergovernmental) of \$10,569,823 were not adequate to cover the remaining expenses.
- Total governmental funds had \$13,981,200 in revenues and \$13,780,750 in expenditures. The total governmental fund balance increased \$200,450.

**USING THE BASIC FINANCIAL STATEMENTS**

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

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

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

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in that position. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
UNAUDITED**

base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. 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 only major governmental fund is the General Fund.

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

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

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2014 compared to 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
UNAUDITED**

**Table 1  
Net Position**

	Governmental Activities		
	2014	2013	Change
<b>Assets</b>			
Current and Other Assets	\$7,980,989	\$7,927,816	\$53,173
Capital Assets	28,088,221	29,325,380	(1,237,159)
Total Assets	36,069,210	37,253,196	(1,183,986)
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	10,706	13,439	(2,733)
<b>Liabilities</b>			
Long-Term Liabilities	2,526,605	2,770,003	(243,398)
Other Liabilities	1,643,261	1,784,436	(141,175)
Total Liabilities	4,169,866	4,554,439	(384,573)
<b>Deferred Inflow of Resources</b>			
Property Taxes	1,082,757	1,107,993	(25,236)
<b>Net Position</b>			
Net Investment in Capital Assets	26,025,863	27,013,590	(987,727)
Restricted	1,196,352	1,173,531	22,821
Unrestricted	3,605,078	3,417,082	187,996
Total Net Position	\$30,827,293	\$31,604,203	(\$776,910)

Total assets of governmental activities decreased \$1,183,986. This is primarily due to a decrease in Capital Assets of \$1,237,159, resulting largely from increases in accumulated depreciation.

In total, liabilities decreased by \$384,573. This was due primarily to the Long-term liabilities decrease of \$243,398 as a result of debt payments, and decreases in Accounts Payable, Accrued Wages and Benefits, and Contracts Payable. The decreases were offset by increases in other liabilities including Intergovernmental and Matured Compensated Absences payables.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
UNAUDITED**

Table 2 shows the changes in Net Position for the fiscal year ended June 30, 2014, and comparisons to fiscal year 2013.

**Table 2  
Changes in Net Position**

	Governmental Activities		
	2014	2013	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,771,521	\$1,498,878	\$272,643
Operating Grants and Contributions	1,639,219	1,777,451	(138,232)
	<u>3,410,740</u>	<u>3,276,329</u>	<u>134,411</u>
General Revenues:			
Property Taxes	1,401,013	1,265,668	135,345
Grants and Entitlements	9,149,074	8,474,156	674,918
Investment Earnings	11,731	13,318	(1,587)
Donations	0	85,576	(85,576)
Miscellaneous	8,005	43,724	(35,719)
	<u>10,569,823</u>	<u>9,882,442</u>	<u>687,381</u>
Total Revenues	<u>13,980,563</u>	<u>13,158,771</u>	<u>821,792</u>
<b>Program Expenses</b>			
Instruction:			
Regular	7,282,798	6,828,799	(453,999)
Special	1,361,547	920,143	(441,404)
Vocational	229,735	252,740	23,005
Student Intervention Services	166,069	423,305	257,236
Support Services:			
Pupils	623,439	618,734	(4,705)
Instructional Staff	221,757	451,318	229,561
Board of Education	58,902	44,755	(14,147)
Administration	865,105	829,785	(35,320)
Fiscal	377,301	371,317	(5,984)
Business	14,481	25,261	10,780
Operation and Maintenance of Plant	1,199,408	1,118,028	(81,380)
Pupil Transportation	877,009	884,551	7,542
Central	204,139	214,714	10,575
Operation of Non-Instructional Services:			
Food Service Operations	608,450	662,733	54,283
Community Services	19,308	0	(19,308)
Extracurricular Activities	532,053	587,056	55,003
Interest and Fiscal Charges	115,972	227,129	111,157
Total Expenses	<u>14,757,473</u>	<u>14,460,368</u>	<u>(297,105)</u>
Decrease in Net Position	(776,910)	(1,301,597)	524,687
Net Position at Beginning of Year	<u>31,604,203</u>	<u>32,905,800</u>	<u>(1,301,597)</u>
Net Position at End of Year	<u>\$30,827,293</u>	<u>\$31,604,203</u>	<u>(\$776,910)</u>

Property taxes made up approximately 10 percent of revenues for governmental activities for the Dawson-Bryant Local School District. Of the remaining revenues, the School District receives 77.2 percent from state foundation, federal, and state grants; 12.7 percent from charges for services; and 0.1 percent from investment earnings and miscellaneous.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
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The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 10.02 percent of revenues for governmental activities for Dawson-Bryant Local School District in 2014. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 61.3 percent of the School District's budget for expenditures is used to fund instructional expenses. Support services make up 30.1 percent of expenses and 8.6 percent is used for interest and fiscal charges, extracurricular activities, food service operations, and community services.

During the fiscal year, the School District experienced changes in the following: a 2.0 percent increase in salaries, which was offset by changes to the School District's staffing levels.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
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**Table 3  
Governmental Activities**

	2014 Total Cost of Services	2014 Net Cost of Services	2013 Total Cost of Services	2013 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$7,282,798	\$5,070,996	\$6,828,799	\$4,879,560
Special	1,361,547	1,063,862	920,143	589,859
Vocational	229,735	175,239	252,740	182,554
Student Intervention Services	166,069	166,069	423,305	423,305
Support Services:				
Pupils	623,439	623,439	618,734	557,825
Instructional Staff	221,757	216,007	451,318	444,868
Board of Education	58,902	58,902	44,755	44,755
Administration	865,105	865,105	829,785	829,785
Fiscal	377,301	285,000	371,317	273,701
Business	14,481	14,481	25,261	25,261
Operation and Maintenance of Plant	1,199,408	1,140,097	1,118,028	1,059,057
Pupil Transportation	877,009	877,009	884,551	884,551
Central	204,139	204,139	214,714	214,714
Non-Instructional Services:				
Food Service Operations	608,450	82,293	662,733	115,543
Community Services	19,308	19,308	0	0
Extracurricular Activities	532,053	368,815	587,056	431,572
Interest and Fiscal Charges	115,972	115,972	227,129	227,129
Totals	<u>\$14,757,473</u>	<u>\$11,346,733</u>	<u>\$14,460,368</u>	<u>\$11,184,039</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 76.9 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 \$13,981,200 and expenditures of \$13,780,750.

The fund balance of the General Fund increased \$192,712. The General Fund's unassigned fund balance of \$2,759,914 represented 23.9% of current year expenditures.

***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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
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During the course of fiscal 2014, the School District did amend its General Fund estimated revenues. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$11,892,956, which represented a 3 percent increase from original estimates of \$11,541,000. The final budget basis expenditure estimate of \$12,010,363 represented a 1.7 percent increase from the original estimates of \$11,804,658.

The School District's ending unobligated General Fund balance was \$4,206,625.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2014, the School District had \$28,088,221 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$710,791	\$710,791
Construction in Progress	0	103,685
Land Improvements	774,436	687,932
Buildings and Improvements	26,029,333	27,192,715
Furniture, Fixtures, and		
Equipment	322,938	319,405
Vehicles	250,723	310,852
Totals	\$28,088,221	\$29,325,380

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

***Debt***

At June 30, 2014, the School District had outstanding a Classroom Facilities Improvements Refunding Bonds for \$700,000, Qualified School Construction Bonds in the amount of \$575,000, and a Certificate of Participation in the amount of \$770,000.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2014  
UNAUDITED**

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
2010 Classroom Facilities Improvements		
Refunding Bonds:		
Serial	\$0	\$145,000
Term	700,000	700,000
Bond Amortization of Premium	28,064	35,229
2011 Qualified School Construction Bond	575,000	620,000
2011 Certificates of Participation	<u>770,000</u>	<u>825,000</u>
Totals	<u><u>\$2,073,064</u></u>	<u><u>\$2,325,229</u></u>

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

**CURRENT ISSUES**

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

Externally, the School District is largely dependent on State funding sources (approximately 77.2 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 does not anticipate any significant growth in student enrollment. While State revenue growth has shifted toward school districts with low property tax wealth, the District does not anticipate substantial increases in state funding due to the lack of increase in student enrollment.

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

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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



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

*Statement of Net Position*

*June 30, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,224,908
Accounts Receivable	11,012
Intergovernmental Receivable	319,101
Materials and Supplies Inventory	18,511
Prepaid Items	20,386
Property Taxes Receivable	1,387,071
Nondepreciable Capital Assets	710,791
Depreciable Capital Assets, Net	<u>27,377,430</u>
<i>Total Assets</i>	<u>36,069,210</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	
Deferred Charge on Refunding	<u>10,706</u>
<i>Total Deferred Outflows of Resources</i>	<u>10,706</u>
<b>Liabilities</b>	
Accounts Payable	32,835
Accrued Wages and Benefits Payable	1,150,960
Accrued Interest Payable	5,510
Vacation Benefits Payable	50,705
Matured Compensated Absences Payable	12,082
Intergovernmental Payable	391,169
Long-Term Liabilities:	
Due within One Year	265,000
Due in More than One Year	<u>2,261,605</u>
<i>Total Liabilities</i>	<u>4,169,866</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>	
Property Taxes	<u>1,082,757</u>
<i>Total Deferred Inflow of Resources</i>	<u>1,082,757</u>
<b>Net Position</b>	
Net Investment in Capital Assets	26,025,863
Restricted for:	
Debt Service	511,747
Capital Projects	10,341
Other Purposes	674,264
Unrestricted	<u>3,605,078</u>
<i>Total Net Position</i>	<u><u>\$30,827,293</u></u>

See accompanying notes to the general purpose external financial statements

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

*Statement of Activities*

*For the Fiscal Year Ended June, 30, 2014*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Instruction:				
Regular	\$7,282,798	\$1,496,370	\$715,432	(\$5,070,996)
Special	1,361,547	9,141	288,544	(1,063,862)
Vocational	229,735	0	54,496	(175,239)
Student Intervention Services	166,069	0	0	(166,069)
Support Services:				
Pupils	623,439	0	0	(623,439)
Instructional Staff	221,757	0	5,750	(216,007)
Board of Education	58,902	0	0	(58,902)
Administration	865,105	0	0	(865,105)
Fiscal	377,301	0	92,301	(285,000)
Business	14,481	0	0	(14,481)
Operation and Maintenance of Plant	1,199,408	0	59,311	(1,140,097)
Pupil Transportation	877,009	0	0	(877,009)
Central	204,139	0	0	(204,139)
Operation of Non-Instructional Services:				
Food Service Operations	608,450	102,772	423,385	(82,293)
Community Services	19,308	0	0	(19,308)
Extracurricular Activities	532,053	163,238	0	(368,815)
Interest and Fiscal Charges	115,972	0	0	(115,972)
<b>Totals</b>	<b>\$14,757,473</b>	<b>\$1,771,521</b>	<b>\$1,639,219</b>	<b>(11,346,733)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,289,898
Debt Service	89,833
Classroom Facilities Maintenance	21,282
Grants and Entitlements not Restricted to Specific Programs	9,149,074
Investment Earnings	11,731
Miscellaneous	8,005

*Total General Revenues* 10,569,823

*Change in Net Position* (776,910)

*Net Position at Beginning of Year* 31,604,203

*Net Position at End of Year* \$30,827,293

See accompanying notes to the general purpose external financial statements

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

*Balance Sheet  
Governmental Funds  
June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,495,327	\$1,729,581	\$6,224,908
Receivables:			
Property Taxes	1,277,288	109,783	1,387,071
Accounts	0	11,012	11,012
Intergovernmental	158,211	160,890	319,101
Prepaid Items	20,386	0	20,386
Materials and Supplies Inventory	0	18,511	18,511
<b>Total Assets</b>	<b>\$5,951,212</b>	<b>\$2,029,777</b>	<b>\$7,980,989</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$28,512	\$4,323	\$32,835
Accrued Wages and Benefits Payable	1,000,209	150,751	1,150,960
Matured Compensated Absences Payable	7,575	4,507	12,082
Intergovernmental Payable	362,120	29,049	391,169
<b>Total Liabilities</b>	<b>1,398,416</b>	<b>188,630</b>	<b>1,587,046</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	996,912	85,845	1,082,757
Unavailable Revenue	186,625	187,316	373,941
<i>Total Deferred Inflows of Resources</i>	<i>1,183,537</i>	<i>273,161</i>	<i>1,456,698</i>
<b>Fund Balances</b>			
Nonspendable	20,386	18,511	38,897
Restricted	0	1,123,583	1,123,583
Committed	15,115	0	15,115
Assigned	573,844	511,878	1,085,722
Unassigned (Deficits)	2,759,914	(85,986)	2,673,928
<b>Total Fund Balances</b>	<b>3,369,259</b>	<b>1,567,986</b>	<b>4,937,245</b>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<i>\$5,951,212</i>	<i>\$2,029,777</i>	<i>\$7,980,989</i>

See accompanying notes to the general purpose external financial statements

**Dawson - Bryant Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2014*

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<b>Total Governmental Fund Balances</b>	\$4,937,245
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***Amounts reported for governmental activities in the statement of net position are different because***

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,088,221
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
Property Taxes	196,202
Accounts Receivable	11,012
Grants	166,727
	373,941

Deferred Outflows of Resources represent deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds.	10,706
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Classroom Facilities Bonds	(728,064)
Qualified School Construction Bonds	(575,000)
Certificates of Participation	(770,000)
Accrued Interest Payable	(5,510)
Sick Leave Benefits Payable	(453,541)
Vacation Benefits Payable	(50,705)
	(2,582,820)

Net Position of Governmental Activities	\$30,827,293
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See accompanying notes to the general purpose external financial statements

**Dawson - Bryant Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,293,462	\$111,313	\$1,404,775
Intergovernmental	9,202,162	1,571,325	10,773,487
Investment Earnings	11,731	0	11,731
Tuition and Fees	1,374,455	1,375	1,375,830
Charges for Services	152,374	91,760	244,134
Extracurricular	60,206	103,032	163,238
Miscellaneous	8,005	0	8,005
<i>Total Revenues</i>	<u>12,102,395</u>	<u>1,878,805</u>	<u>13,981,200</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	5,901,175	803,198	6,704,373
Special	1,027,946	268,315	1,296,261
Vocational	203,492	0	203,492
Student Intervention Services	166,069	0	166,069
Support Services:			
Pupils	564,857	0	564,857
Instructional Staff	175,363	2,250	177,613
Board of Education	58,902	0	58,902
Administration	807,563	0	807,563
Fiscal	344,653	4,758	349,411
Business	14,481	0	14,481
Operation and Maintenance of Plant	990,543	51,013	1,041,556
Pupil Transportation	750,203	12,840	763,043
Central	181,862	5,400	187,262
Operation of Non-Instructional Services:			
Food Service Operations	0	527,570	527,570
Community Services	19,308	0	19,308
Extracurricular Activities	327,443	182,556	509,999
Debt Service:			
Principal Retirement	0	245,000	245,000
Interest and Fiscal Charges	0	143,990	143,990
<i>Total Expenditures</i>	<u>11,533,860</u>	<u>2,246,890</u>	<u>13,780,750</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>568,535</u>	<u>(368,085)</u>	<u>200,450</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	375,823	375,823
Transfers Out	(375,823)	0	(375,823)
<i>Total Other Financing Sources (Uses)</i>	<u>(375,823)</u>	<u>375,823</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	192,712	7,738	200,450
<i>Fund Balances at Beginning of Year</i>	<u>3,176,547</u>	<u>1,560,248</u>	<u>4,736,795</u>
<i>Fund Balances at End of Year</i>	<u><u>\$3,369,259</u></u>	<u><u>\$1,567,986</u></u>	<u><u>\$4,937,245</u></u>

See accompanying notes to the general purpose external financial statements

**Dawson Bryant Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

**Net Change in Fund Balances - Total Governmental Funds** \$200,450

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

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

Capital Asset Additions	126,322	
Depreciation Expense	<u>(1,362,949)</u>	(1,236,627)

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.

Loss on Disposal of Capital Assets		(532)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Grants	14,806	
Tuition and Fees	(22,693)	
Charges for Services	11,012	
Delinquent Taxes	<u>(3,762)</u>	(637)

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

245,000

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

Accrued Interest Payable	23,586	
Amortization of Serial Premium	7,165	
Amortization of Deferred Amount on Refunding	<u>(2,733)</u>	28,018

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

Vacation Benefits Payable	(3,815)	
Sick Leave Benefits Payable	<u>(8,767)</u>	<u>(12,582)</u>

*Change in Net Position of Governmental Activities* (\$776,910)

See accompanying notes to the basic financial statements

**Dawson - Bryant Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,226,769	\$1,267,496	\$1,267,496	\$0
Intergovernmental	8,909,404	9,182,931	9,205,184	22,253
Investment Earnings	11,298	11,250	11,673	423
Tuition and Fees	1,356,157	1,391,279	1,401,180	9,901
Miscellaneous	37,372	40,000	38,613	(1,387)
<i>Total Revenues</i>	<u>11,541,000</u>	<u>11,892,956</u>	<u>11,924,146</u>	<u>31,190</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,001,341	6,105,919	5,958,406	147,513
Special	1,039,919	1,058,040	1,032,479	25,561
Vocational	208,602	212,237	207,110	5,127
Student Intervention Services	166,117	169,012	164,929	4,083
Support Services:				
Pupils	583,636	593,807	579,461	14,346
Instructional Staff	116,319	118,346	115,487	2,859
Board of Education	64,978	66,110	64,513	1,597
Administration	814,763	828,961	808,934	20,027
Fiscal	377,150	383,722	374,452	9,270
Business	16,440	16,726	16,322	404
Operation and Maintenance of Plant	1,093,801	1,112,861	1,085,976	26,885
Pupil Transportation	796,609	810,491	790,910	19,581
Central	182,312	185,489	181,008	4,481
Operation of Non-Instructional Services	19,658	20,001	19,518	483
Extracurricular Activities	323,013	328,641	320,701	7,940
<i>Total Expenditures</i>	<u>11,804,658</u>	<u>12,010,363</u>	<u>11,720,206</u>	<u>290,157</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(263,658)</u>	<u>(117,407)</u>	<u>203,940</u>	<u>321,347</u>
<b>Other Financing Uses</b>				
Transfers Out	(387,823)	(387,823)	(387,823)	0
<i>Total Other Financing Uses</i>	<u>(387,823)</u>	<u>(387,823)</u>	<u>(387,823)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(651,481)</u>	<u>(505,230)</u>	<u>(183,883)</u>	<u>321,347</u>
<i>Fund Balance at Beginning of Year (Restated - See Note 21)</i>	4,023,867	4,023,867	4,023,867	0
Prior Year Encumbrances Appropriated	366,641	366,641	366,641	0
<i>Fund Balance at End of Year</i>	<u>\$3,739,027</u>	<u>\$3,885,278</u>	<u>\$4,206,625</u>	<u>\$321,347</u>

See accompanying notes to the general purpose external financial statements

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

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*June 30, 2014*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$12,525</u>
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**Liabilities**

Undistributed Monies	\$4,702
Due to Students	<u>7,823</u>

Total Liabilities	<u>\$12,525</u>
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See accompanying notes to the general purpose external financial statements



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 57 classified employees and 102 certified teaching and administrative personnel who provide services to 1,221 students and other community members.

***Reporting Entity***

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

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

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

**2. Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

**B. Fund Accounting**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

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

**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.

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

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

**C. Measurement Focus**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**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 and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition and fees, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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 2014 amounted to \$11,731, which includes \$3,594 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents. The School District's certificates of deposit are reported on the financial statements as equity in pooled cash and cash equivalents.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**G. Materials and Supplies Inventory**

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

**H. Capital Assets**

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

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

**I. Internal Activity**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**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.

**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**

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

**M. Deferred Charge on Refunding**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**N. Fund Balance**

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

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

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

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

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

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

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



**DAWSON - BRYANT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**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 Position**

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net Positions restricted for other purposes include resources restricted for athletic programs, classroom facilities maintenance, 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 position is available.

**Q. Extraordinary and Special Items**

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

**R. Budgetary Process**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

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

**3. Fund Deficits**

The following funds had deficit fund balances as of June 30, 2014:

	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Food Service	\$8,643
Title I	55,023
Title II-A	10,661

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.

**4. 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.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. Fund Balances (Continued)**

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepaid Items	\$20,386	\$0	\$20,386
Materials and Supplies Inventory	0	18,511	18,511
<i>Total Nonspendable</i>	20,386	18,511	38,897
Restricted for:			
Athletics	0	50,312	50,312
Classroom Facilities Maintenance	0	530,025	530,025
Capital Improvements	0	10,341	10,341
Debt Service	0	504,620	504,620
Other Purposes	0	28,285	28,285
<i>Total Restricted</i>	0	1,123,583	1,123,583
Committed to:			
Encumbrances for Contracts	15,115	0	15,115
<i>Total Committed</i>	15,115	0	15,115
Assigned to:			
Purchases on Order	208,566	0	208,566
Fiscal Year 2015 Appropriations	327,800	0	327,800
School Support Services	37,478	0	37,478
Capital Improvements	0	511,878	511,878
<i>Total Assigned</i>	573,844	511,878	1,085,722
Unassigned:	2,759,914	(85,986)	2,673,928
<i>Total Fund Balances</i>	<u>\$3,369,259</u>	<u>\$1,567,986</u>	<u>\$4,937,245</u>

**5. Budgetary Basis of Accounting**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**5. Budgetary Basis of Accounting (Continued)**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Unreported and prepaid items are reported on the balance sheet (GAAP basis), but not on the cash basis.
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	\$192,712
Revenue Accruals	(178,191)
Unreported Cash	(58)
Expenditure Accruals	83,317
Prepaid Items:	
Beginning of Year	6,479
End of Year	(20,386)
Transfers	(12,000)
To reclassify excess of revenues over expenditures into financial statement fund types	(8,171)
Encumbrances	<u>(247,585)</u>
Budget Basis	<u><u>(\$183,883)</u></u>

**6. Deposits and Investments**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**6. Deposits and Investments (Continued)**

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;
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 training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,067,407 of the School District's bank balance of \$6,338,058 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**6. Deposits and Investments (Continued)**

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.

**7. Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 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, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014 was \$99,588 in the General Fund, \$ 6,953 in the Bond Retirement Debt Service Fund, and \$1,571 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2013, was \$73,722 in General Fund, \$5,095 in the Bond Retirement Debt Service Fund, and \$1,134 in the Classroom Facilities Maintenance Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenues.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. Property Taxes (Continued)**

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$62,828,560	87.94%	\$64,628,780	87.74%
Commercial/Industrial and Public Utility Real	2,693,260	3.77%	2,842,540	3.86%
Public Utility Personal	5,921,620	8.29%	6,190,740	8.40%
<b>Total</b>	<b>\$71,443,440</b>	<b>100.00%</b>	<b>\$73,662,060</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$22.50		\$22.50	

**8. Receivables**

Receivables at June 30, 2014, consisted of property taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Tuition	5,837
Speech Therapy	152,374
Special Education - Grants to States (IDEA, Part B)	20,025
Title I Grants to Local Educational Agencies	115,881
Improving Teacher Quality State Grants	24,984
<b>Total</b>	<b>\$319,101</b>

**9. Significant Commitments**

**Encumbrances**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the governmental funds were as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**9. Significant Commitments (Continued)**

Fund	Amount
General	\$247,586
Nonmajor Governmental Funds	216,471
Total	\$464,057

On May 12, 2014 the Board of Education approved a resolution to purchase one 2015 78 passenger school bus for a price of \$85,365 and on June 30, 2014 the Board of Education approved a resolution to purchase a 2015 handicapped accessible van for \$45,972. These items are included in the encumbrance amounts above.

**10. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Deductions	Balance at 6/30/14
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$710,791	\$0	\$0	\$710,791
Construction in Progress	103,685	69,372	(173,057)	0
Total Nondepreciable Capital Assets	814,476	69,372	(173,057)	710,791
Depreciable Capital Assets:				
Land Improvements	1,618,940	173,057	0	1,791,997
Buildings and Improvements	39,567,169	0	0	39,567,169
Furniture, Fixtures, and Equipment	1,911,342	56,950	(10,617)	1,957,675
Vehicles	1,142,992	0	0	1,142,992
Total Depreciable Capital Assets	44,240,443	230,007	(10,617)	44,459,833
Less Accumulated Depreciation:				
Land Improvements	(931,008)	(86,554)	0	(1,017,562)
Buildings and Improvements	(12,374,454)	(1,163,381)	0	(13,537,835)
Furniture, Fixtures, and Equipment	(1,591,937)	(52,885)	10,085	(1,634,737)
Vehicles	(832,140)	(60,129)	0	(892,269)
Total Accumulated Depreciation	(15,729,539)	(1,362,949) *	10,085	(17,082,403)
Total Capital Assets being Depreciated, Net	28,510,904	(1,132,942)	(532)	27,377,430
Capital Assets, Net	\$29,325,380	(\$1,063,570)	(\$173,589)	\$28,088,221

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. Capital Assets (Continued)**

Instruction:	
Regular	\$599,175
Special	59,071
Vocational	25,316
Support Services:	
Pupils	67,510
Instructional Staff	42,194
Administration	92,826
Fiscal	25,316
Operation and Maintenance of Plant	146,523
Pupil Transportation	126,581
Central	16,877
Food Service Operations	81,493
Extracurricular Activities	80,067
Total Depreciation Expense	<u><u>\$1,362,949</u></u>

The School District's total capital assets being depreciated amount above included \$4,245,501 in fully depreciated capital assets.

**11. Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2014, the School District contracted with The Argonaut Insurance Company for the following coverage:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**11. Risk Management (Continued)**

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$45,002,982
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	2,500	3,000,000
Educators Legal Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	3,000,000
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	0	1,000,000
Per Accident	0	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 2013.

For fiscal year 2014, the School District participated in the Optimal Health Initiatives Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

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

**DAWSON - BRYANT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. Defined Benefit Pension Plans**

**School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$209,725, \$194,070 and \$200,325, respectively. For fiscal year 2014, 60.28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 9.5 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 lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**DAWSON - BRYANT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. Defined Benefit Pension Plans (Continued)**

A DB or Combined Plan member with five or more years of 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.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$704,772 and \$2,987 for the fiscal year ended June 30, 2014, \$670,966 and \$10,348 for the fiscal year ended June 30, 2013, and \$641,454 and \$8,887 for the fiscal year ended June 30, 2012. For fiscal year 2014, 79.78 percent has been contributed for the DB plan and 79.78 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$5,975 made by the School District and \$4,694 made by the plan members. In addition, member contributions of \$2,347 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**13. Postemployment Benefits**

**School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**13. Postemployment Benefits (Continued)**

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 fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$27,476 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$29,591, \$27,535, and \$23,595, respectively. For fiscal year 2014, 4.14 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$12,293, \$10,703, and \$11,246, respectively. For fiscal year 2014, 60.69 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**State Teachers Retirement System**

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$54,213, \$51,613, and \$49,343, respectively. For fiscal year 2014, 79.78 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**14. Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days 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 370 days for certified employees and 320 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 81 days for certified employees and 81 days for classified employees.

**B. Insurance Benefits**

The School District provides medical, health, and prescription card coverage through Anthem Blue Cross and Blue Shield. The School District pays 79% of the total monthly premiums of \$1,605.17 for family coverage and 80% of total monthly premiums of \$649.86 for single coverage.

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

The School District provides dental insurance to certificated and administrative employees through Guardian. Monthly premiums are \$63.36 for family coverage and \$20.90 for single coverage.

The School District provides vision insurance to certificated and administrative employees through the Guardian. Monthly premiums are \$19.56 for family coverage and \$9.10 for single coverage.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due in One Year
<b>Governmental Activities:</b>					
2006 Classroom Facilities Improvements Refunding Bonds:					
Serial Bonds	\$145,000	\$0	\$145,000	\$0	\$0
Term Bonds	700,000	0	0	700,000	160,000
Serial Bond Premium	35,229	0	7,165	28,064	0
2011 6.90% Qualified School Construction Bonds	620,000	0	45,000	575,000	45,000
2011 7.25% Certificates of Participation	825,000	0	55,000	770,000	60,000
Sick Leave Benefits Payable	444,774	109,788	101,021	453,541	0
<b>Total Governmental Activities Long-Term Liabilities</b>	<b><u>\$2,770,003</u></b>	<b><u>\$109,788</u></b>	<b><u>\$353,186</u></b>	<b><u>\$2,526,605</u></b>	<b><u>\$265,000</u></b>

Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds.

**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 2014 was \$7,165. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$32,800. This difference, reported as deferred outflows, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the difference for fiscal year 2014 was \$2,733. 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, 2014, are as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. Long-Term Obligations (Continued)**

Fiscal Year Ending June 30,	Term	
	Principal	Interest
2015	\$160,000	\$32,550
2016	165,000	24,019
2017	175,000	15,094
2018	200,000	5,250
	\$700,000	\$76,913

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	\$700,000

**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.

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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. Long-Term Obligations (Continued)**

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

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

Annual base rent requirements to retire the Qualified School Construction Bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
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	45,000	28,808	(22,002)	51,806
2019	45,000	25,703	(19,630)	51,073
2020-2024	250,000	77,624	(59,288)	268,336
2025-2026	100,000	6,900	(5,270)	101,630
Total	<u>\$575,000</u>	<u>\$244,088</u>	<u>(\$186,426)</u>	<u>\$632,662</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) of the Internal Revenue Service Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. Long-Term Obligations (Continued)**

In accordance with the lease terms, the project assets are leased to All Points Capital Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of fifteen years which includes the right renew for fifteen successive one-year terms through December 1, 2025, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 7.25 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date after June 1, 2021, by paying a 1 percent premium plus the amount necessary to defease the indenture. The COPs are being retired from the Bond Retirement Debt Service Fund.

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

Annual base rent requirements to retire the certificates of participation at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
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	60,000	40,600	(29,512)	71,088
2019	60,000	36,250	(26,350)	69,900
2020-2024	330,000	111,288	(80,893)	360,395
2025-2026	140,000	10,150	(7,378)	142,772
Total	<u>\$770,000</u>	<u>\$346,188</u>	<u>(\$251,641)</u>	<u>\$864,547</u>

The School District's overall legal debt margin was \$5,831,141, with an unvoted debt margin of \$73,662 at June 30, 2014.

**16. Interfund Activity**

During fiscal year 2014, the General Fund made transfers to the Bond Retirement Debt Service Fund, the Permanent Improvements Capital Projects Fund, the Athletics Special Revenue Funds, and the Food Service Special Revenue Fund in the amounts of \$130,823, \$200,000, \$15,000 and \$30,000, 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  
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**17. Jointly Governed Organizations**

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

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCARCoG is an association of public School Districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCARCoG \$99,759 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., 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 School District's membership fee was \$325 for fiscal year 2014. 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  
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**17. Jointly Governed Organizations**

**C. Lawrence County Academy**

The School District is a participant in the Lawrence County Academy, a jointly governed, non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a seven-member Board of Directors. The Board membership consists of superintendents from Chesapeake Union Exempted Village School District, Fairland Local School District, Dawson Bryant Local School District, South Point Local School District, Symmes Valley Local School District, Ironton City School District, and Rock Hill Local School District. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Teresa Lawless, fiscal agent for the Lawrence County Academy, at the Lawrence County Educational Service Center, 3rd Floor Courthouse, 111 South 4th Street, Ironton, Ohio 45638, or by calling 740-532-4223.

**18. Insurance Purchasing Pools**

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

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

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**19. Set-Aside Calculations**

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

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, 2013	\$0
Current Year Set-Aside Requirement	204,834
Current Year Qualifying Expenditures	(162,642)
Current Year Offsets	(281,177)
Totals	(\$238,985)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0

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

**20. Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

At June 30, 2014, the School District was not party to any legal proceedings.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**21. Restatement of Beginning Budgetary Fund Balance**

For fiscal year ended June 30, 2013, the General Fund Budget Basis presentation included funds that are legally budgeted in separate funds and are considered part of the General Fund on a GAAP Basis. For Fiscal Year ended June 30, 2014, the General Fund Budget Basis presentation does not include these funds. As a result, the June 30, 2013 General Fund Budget Basis Fund Balance of \$4,055,819 was restated to \$4,023,867, a decrease of \$31,952.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	2013/2014	10.553	\$ 102,403	\$ 102,403
National School Lunch Program	2013/2014	10.555	<u>335,847</u>	<u>335,847</u>
Total Child Nutrition Cluster			<u>438,250</u>	<u>438,250</u>
Total U.S. Department of Agriculture			438,250	438,250
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	83,037	112,285
	2014		<u>372,272</u>	<u>356,993</u>
Total Title I Grants to Local Educational Agencies			455,309	469,278
Special Education - Grants to States (IDEA, Part B)	2013	84.027	17,744	31,045
	2014		<u>292,398</u>	<u>225,468</u>
Total Special Education - Grants to States (IDEA, Part B)			310,142	256,513
Improving Teacher Quality State Grants	2013	84.367	11,758	18,263
	2014		<u>86,068</u>	<u>80,336</u>
Total Improving Teacher Quality State Grants			<u>97,826</u>	<u>98,599</u>
Total U.S. Department of Education			<u>863,277</u>	<u>824,390</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 1,301,527</u></b>	<b><u>\$ 1,262,640</u></b>

*The accompanying notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Dawson Bryant Local School District's (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 entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 23, 2015.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of the Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 23, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

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

We have audited the Dawson-Bryant Local School District's, Lawrence County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Dawson-Bryant Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

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

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Dawson-Bryant Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

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

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 23, 2015

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA #10.553 and #10.555  Title I Grants to Local Educational Agencies: CFDA #84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 10, 2015**