



OHIO AUDITOR OF STATE  
**KEITH FABER**





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

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

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## INDEPENDENT AUDITOR'S REPORT

Dawson-Bryant Local School District  
Lawrence County  
701 High 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, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2018, 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 such 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, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, Ohio, as of June 30, 2018, 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.

**Emphasis of Matter**

As discussed in Notes 3 and 13 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

**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*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio

March 14, 2019

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# Dawson-Bryant Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

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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, 2018. 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 2018 are as follows:*

- Net Position of governmental activities increased \$5,593,241.
- General revenues accounted for \$11,647,634 in revenue or 71.4 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$4,665,261 or 28.6 percent of total revenues of \$16,312,895.
- The School District had \$10,719,654 in expenses related to governmental activities; only \$4,665,261 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$11,647,634 were adequate to cover the remaining expenses.
- Total governmental funds had \$16,435,777 in revenues and \$16,837,010 in expenditures. The total governmental fund balances decreased \$401,233.

### **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 2018?" 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.

# Dawson-Bryant Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

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

### **The School District as a Whole**

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 2018 compared to 2017.

# Dawson-Bryant Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

Table 1  
Net Position

	2018	2017 *	Change
<b>Assets</b>			
Current and Other Assets	\$9,942,442	\$10,379,652	(\$437,210)
Capital Assets	24,004,425	24,420,423	(415,998)
Total Assets	33,946,867	34,800,075	(853,208)
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	0	2,507	(2,507)
Pension	5,448,112	3,853,186	1,594,926
OPEB	339,661	31,535	308,126
Total Deferred Outflows of Resources	5,787,773	3,887,228	1,900,545
<b>Liabilities</b>			
Other Liabilities	1,496,228	1,420,758	75,470
Long-Term Liabilities			
Due Within One Year	128,381	348,388	(220,007)
Due in More Than One Year			
Net Pension Liability	15,843,996	20,495,199	(4,651,203)
Net OPEB Liability	3,615,842	4,241,080	(625,238)
Other Amounts	1,574,671	1,547,546	27,125
Total Liabilities	22,659,118	28,052,971	(5,393,853)
<b>Deferred Inflow of Resources</b>			
Property Taxes	1,005,205	995,267	9,938
Pension	681,390	248,321	433,069
OPEB	404,942	0	404,942
Total Deferred Inflow of Resources	2,091,537	1,243,588	847,949
<b>Net Position</b>			
Net Investment in Capital Assets	23,079,425	23,186,361	(106,936)
Restricted	725,173	974,596	(249,423)
Unrestricted (Deficit)	(8,820,613)	(14,770,213)	5,949,600
Total Net Position	\$14,983,985	\$9,390,744	\$5,593,241

\* As Restated (See Note 3 to the basic financial statements)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

## Dawson-Bryant Local School District, Ohio

### *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

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GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$13,600,289 to \$9,390,744.

Total assets of governmental activities decreased \$853,208. This is primarily due to a decrease in capital assets due to depreciation as well as a decrease in intergovernmental receivables and cash which were partially offset by an increase in property taxes receivable and additions to capital assets. Total

## Dawson-Bryant Local School District, Ohio

### *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

liabilities decreased by \$5,393,853. This was primarily due to the net pension liability decrease of \$4,651,203, the net OPEB liability decrease of \$625,238, and the repayment of debt.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, and comparisons to fiscal year 2017.

Table 2  
Changes in Net Position

<b>Revenues</b>	2018	2017 *	Change
<b>Program Revenues:</b>			
Charges for Services and Sales	\$1,804,195	\$1,685,745	\$118,450
Operating Grants, Contributions and Interest	2,840,066	2,759,969	80,097
Capital Grants and Contributions	21,000	0	21,000
<b>Total Program Revenues</b>	<b>4,665,261</b>	<b>4,445,714</b>	<b>219,547</b>
<b>General Revenues:</b>			
Property Taxes	1,365,357	1,476,585	(111,228)
Grants and Entitlements	10,077,435	10,015,191	62,244
Investment Earnings	106,677	48,229	58,448
Gain on Sale of Capital Assets	0	525	(525)
Miscellaneous	98,165	32,614	65,551
<b>Total General Revenues</b>	<b>11,647,634</b>	<b>11,573,144</b>	<b>74,490</b>
<b>Total Revenues</b>	<b>16,312,895</b>	<b>16,018,858</b>	<b>294,037</b>
<b>Program Expenses</b>			
<b>Instruction:</b>			
Regular	3,880,345	8,120,760	(4,240,415)
Special	1,416,727	1,803,848	(387,121)
Vocational	68,232	258,556	(190,324)
Adult/Continuing	52,629	0	52,629
Student Intervention Services	174,002	147,941	26,061
<b>Support Services:</b>			
Pupils	353,928	626,226	(272,298)
Instructional Staff	219,553	232,881	(13,328)
Board of Education	70,436	69,355	1,081
Administration	445,138	783,569	(338,431)
Fiscal	425,672	414,220	11,452
Business	37,727	28,150	9,577
Operation and Maintenance of Plant	1,283,551	1,298,423	(14,872)
Pupil Transportation	1,062,521	1,159,505	(96,984)
Central	323,121	188,825	134,296
<b>Operation of Non-Instructional Services:</b>			
Food Service Operations	704,871	679,039	25,832
Community Services	12,245	5,583	6,662
Extracurricular Activities	119,857	609,333	(489,476)
Interest and Fiscal Charges	69,099	90,317	(21,218)
<b>Total Expenses</b>	<b>10,719,654</b>	<b>16,516,531</b>	<b>(5,796,877)</b>
<b>Change in Net Position</b>	<b>5,593,241</b>	<b>(497,673)</b>	<b>6,090,914</b>
<b>Net Position at Beginning of Year</b>	<b>9,390,744</b>	N/A	
<b>Net Position at End of Year</b>	<b>\$14,983,985</b>	<b>\$9,390,744</b>	<b>\$5,593,241</b>

\* As restated (see Note 3 to the basic financial statements)

## Dawson-Bryant Local School District, Ohio

### *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$31,535 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$486,981. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$10,719,654
Negative OPEB expense under GASB 75	486,981
2018 contractually required contribution	<u>41,441</u>
Adjusted 2018 program expenses	11,248,076
Total 2017 program expenses under GASB 45	<u>16,516,531</u>
Decrease in program expenses not related to OPEB	<u><u>(\$5,268,455)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from \$1,577,964 in fiscal year 2017 to a negative pension expense of \$4,758,144 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

<b>Program Expenses</b>	<b>2018 Program Expenses Related to Negative Pension Expense</b>
Instruction:	
Regular	(\$2,972,914)
Special	(443,783)
Vocational	(114,986)
Intervention	(31,306)
Support Services :	
Pupils	(244,187)
Instructional Staff	(114,028)
Board of Education	(864)
Administration	(341,148)
Fiscal	(11,717)
Operation and Maintenance of Plant	(42,743)
Pupil Transportation	(31,582)
Central	(6,402)
Operation of	
Non-Instructional	
Food Service Operations	(16,115)
Community Services	(4,320)
Extracurricular Activities	<u>(382,049)</u>
Total Expenses	<u><u>(\$4,758,144)</u></u>

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

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

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Property taxes made up approximately 8.4 percent of revenues for governmental activities for the Dawson-Bryant Local School District. Of the remaining revenues, the School District receives 79.3 percent from state foundation, federal, and state grants, and contributions; 11.1 percent from charges for services; and 1.2 percent from investment earnings and miscellaneous.

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 8.4 percent of revenues for governmental activities for Dawson-Bryant Local School District in 2018. 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 52.2 percent of the School District's budget for expenditures is used to fund instructional expenses. Support services make up 39.3 percent of expenses and 8.5 percent is used for interest and fiscal charges, extracurricular activities, food service operations, and community services.

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, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

Table 3  
Cost of Services

	2018 Total Cost of Services	2018 Net Cost of Services	2017 Total Cost of Services	2017 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$3,880,345	\$1,789,931	\$8,120,760	\$6,066,377
Special	1,416,727	2,657	1,803,848	399,501
Vocational	68,232	11,267	258,556	223,031
Adult/Continuing	52,629	52,629	0	0
Student Intervention Services	174,002	174,002	147,941	147,941
Support Services:				
Pupils	353,928	292,293	626,226	503,231
Instructional Staff	219,553	138,658	232,881	179,944
Board of Education	70,436	60,360	69,355	58,168
Administration	445,138	414,661	783,569	783,569
Fiscal	425,672	425,672	414,220	413,538
Business	37,727	37,727	28,150	28,150
Operation and Maintenance of Plant	1,283,551	1,206,230	1,298,423	1,240,710
Pupil Transportation	1,062,521	977,079	1,159,505	1,106,294
Central	323,121	251,694	188,825	183,425
Non-Instructional Services:				
Food Service Operations	704,871	159,464	679,039	130,245
Community Services	12,245	12,245	5,583	5,583
Extracurricular Activities	119,857	(21,275)	609,333	510,793
Interest and Fiscal Charges	69,099	69,099	90,317	90,317
Totals	<u>\$10,719,654</u>	<u>\$6,054,393</u>	<u>\$16,516,531</u>	<u>\$12,070,817</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 56.5 percent of total expenses are supported through taxes and other general revenues.

### THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,435,777 and expenditures of \$16,837,010.

The fund balance of the General Fund decreased \$240,566. The General Fund's unassigned fund balance of \$4,563,771 represented 33.0% of current year expenditures. The fund balance of the Permanent Improvement Fund increased \$6,910 due to transfers from the General Fund.

#### *General Fund Budgeting Highlights*

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

During the course of fiscal 2018, the School District amended 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.



# Dawson-Bryant Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2018

Unaudited

For the General Fund, final estimated revenue was \$14,333,269. Original estimated revenues were increased \$23,922, to account for various increases in funding sources. The final revenues of \$14,423,354 were \$90,085 above final budget basis revenue. Final expenditures of \$14,136,038 were \$209,013 above the final appropriations of \$13,927,025. Original appropriations were increased \$1,115,568.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2018, the School District had \$24,004,425 invested in capital assets. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4  
Capital Assets  
(Net of Depreciation)

	2018	2017
Land	\$878,678	\$710,791
Construction in Progress	18,525	18,637
Land Improvements	836,532	556,985
Buildings and Improvements	21,693,619	22,539,194
Furniture, Fixtures, and Equipment	248,466	276,643
Vehicles	328,605	318,173
Totals	<u>\$24,004,425</u>	<u>\$24,420,423</u>

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

#### Debt

The School has three bonds outstanding. Table 5 shows fiscal year 2018 balances compared to 2017.

Table 5  
Outstanding Debt, at Fiscal Year End

	2018	2017
2006 Classroom Facilities Improvements Refunding Bonds:		
Term	\$0	\$200,000
Bond Amortization of Premium	0	6,569
2011 Qualified School Construction Bond	395,000	440,000
2011 Certificates of Participation	530,000	590,000
Totals	<u>\$925,000</u>	<u>\$1,236,569</u>

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

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

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2018*

*Unaudited*

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## **CURRENT ISSUES**

The School District is not without its challenges. These challenges are external and internal in nature. The internal challenges continued to exist, as the School District relied heavily on local property taxes. Due to slow economic growth, management diligently planned expenses from the modest growth attained, staying carefully within its five-year forecast.

Externally, the School District is largely dependent on State funding sources (approximately 79.3 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.

As the preceding information shows, the School District continued 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, 701 High Street, Coal Grove, Ohio 45638.

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

*Statement of Net Position*

*June 30, 2018*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,367,675
Intergovernmental Receivable	142,942
Accounts Receivable	2,878
Accrued Interest Receivable	9,833
Inventory Held for Resale	4,711
Materials and Supplies Inventory	2,020
Prepaid Items	35,434
Property Taxes Receivable	1,376,949
Nondepreciable Capital Assets	897,203
Depreciable Capital Assets, Net	<u>23,107,222</u>
<i>Total Assets</i>	<u>33,946,867</u>
<b>Deferred Outflow of Resources</b>	
Pension	5,448,112
OPEB	<u>339,661</u>
<i>Total Deferred Outflows of Resources</i>	<u>5,787,773</u>
<b>Liabilities</b>	
Accounts Payable	156,467
Accrued Wages and Benefits Payable	1,092,639
Accrued Interest Payable	5,473
Intergovernmental Payable	241,649
Long-Term Liabilities:	
Due within One Year	128,381
Due in More than One Year	
Net Pension Liability (See Note 12)	15,843,996
Net OPEB Liability (See Note 13)	3,615,842
Other Amounts Due in More Than One Year	<u>1,574,671</u>
<i>Total Liabilities</i>	<u>22,659,118</u>
<b>Deferred Inflow of Resources</b>	
Property Taxes	1,005,205
Pensions	681,390
OPEB	<u>404,942</u>
<i>Total Deferred Inflow of Resources</i>	<u>2,091,537</u>
<b>Net Position</b>	
Net Investment in Capital Assets	23,079,425
Restricted for:	
Debt Service	2,306
Classroom Facilities Maintenance	644,629
State Grant Expenditures	2,456
Athletics	75,782
Unrestricted (Deficit)	<u>(8,820,613)</u>
<i>Total Net Position</i>	<u>\$14,983,985</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, 2018

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,880,345	\$1,578,959	\$511,455	\$0	(\$1,789,931)
Special	1,416,727	3,939	1,410,131	0	(2,657)
Vocational	68,232	0	56,965	0	(11,267)
Adult/Continuing	52,629	0	0	0	(52,629)
Student Intervention Services	174,002	0	0	0	(174,002)
Support Services:					
Pupils	353,928	0	61,635	0	(292,293)
Instructional Staff	219,553	39,087	41,808	0	(138,658)
Board of Education	70,436	9,511	565	0	(60,360)
Administration	445,138	0	30,477	0	(414,661)
Fiscal	425,672	0	0	0	(425,672)
Business	37,727	0	0	0	(37,727)
Operation and Maintenance of Plant	1,283,551	0	56,321	21,000	(1,206,230)
Pupil Transportation	1,062,521	0	85,442	0	(977,079)
Central	323,121	0	71,427	0	(251,694)
Operation of Non-Instructional Services:					
Food Service Operations	704,871	31,567	513,840	0	(159,464)
Community Services	12,245	0	0	0	(12,245)
Extracurricular Activities	119,857	141,132	0	0	21,275
Interest and Fiscal Charges	69,099	0	0	0	(69,099)
<i>Totals</i>	<u>\$10,719,654</u>	<u>\$1,804,195</u>	<u>\$2,840,066</u>	<u>\$21,000</u>	<u>(6,054,393)</u>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					1,365,357
Grants and Entitlements not Restricted to Specific Programs					10,077,435
Investment Earnings					106,677
Miscellaneous					98,165
<i>Total General Revenues</i>					<u>11,647,634</u>
<i>Change in Net Position</i>					5,593,241
<i>Net Position at Beginning of Year - Restated See Note 3</i>					<u>9,390,744</u>
<i>Net Position at End of Year</i>					<u><u>\$14,983,985</u></u>

See accompanying notes to the general purpose external financial statements

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

*Balance Sheet*

*Governmental Funds*

*June 30, 2018*

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,589,369	\$1,037,533	\$740,773	\$8,367,675
Receivables:				
Property Taxes	1,376,949	0	0	1,376,949
Intergovernmental	26,451	0	116,491	142,942
Accounts	1,056	0	1,822	2,878
Accrued Interest	9,833	0	0	9,833
Interfund	54,545	0	0	54,545
Prepaid Items	34,358	0	1,076	35,434
Inventory Held for Resale	0	0	4,711	4,711
Materials and Supplies Inventory	0	0	2,020	2,020
<b>Total Assets</b>	<b>\$8,092,561</b>	<b>\$1,037,533</b>	<b>\$866,893</b>	<b>\$9,996,987</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$145,878	\$0	\$10,589	\$156,467
Accrued Wages and Benefits Payable	984,713	0	107,926	1,092,639
Intergovernmental Payable	230,815	0	10,834	241,649
Interfund Payable	0	0	54,545	54,545
<b>Total Liabilities</b>	<b>1,361,406</b>	<b>0</b>	<b>183,894</b>	<b>1,545,300</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,005,205	0	0	1,005,205
Unavailable Revenue	169,693	0	65,092	234,785
<b>Total Deferred Inflows of Resources</b>	<b>1,174,898</b>	<b>0</b>	<b>65,092</b>	<b>1,239,990</b>
<b>Fund Balances</b>				
Nonspendable				
Inventories	0	0	2,020	2,020
Prepaid Items	34,358	0	1,076	35,434
Restricted for:				
Athletics	0	0	75,782	75,782
Classroom Facilities Maintenance	0	0	644,629	644,629
Debt Service	0	0	7,779	7,779
Committed to:				
Capital Improvements	0	101,494	0	101,494
Severance Benefits	104,865	0	0	104,865
Assigned to:				
Purchases on Order	399,521	0	0	399,521
Subsequent Year Appropriations	418,527	0	0	418,527
Student Support	35,215	0	0	35,215
Capital Improvements	0	936,039	0	936,039
Unassigned (Deficit)	4,563,771	0	(113,379)	4,450,392
<b>Total Fund Balances</b>	<b>5,556,257</b>	<b>1,037,533</b>	<b>617,907</b>	<b>7,211,697</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$8,092,561</b>	<b>\$1,037,533</b>	<b>\$866,893</b>	<b>\$9,996,987</b>

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, 2018*

<b>Total Governmental Fund Balances</b>		<b>\$7,211,697</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,004,425
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	161,822	
Tuition and Fees	2,297	
Grants	65,092	
Accrued Interest	5,574	234,785
The net pension liability and net opeb liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	5,448,112	
Deferred Inflows - Pension	(681,390)	
Net Pension Liability	(15,843,996)	
Deferred Outflows - OPEB	339,661	
Deferred Inflows - OPEB	(404,942)	
Net OPEB Liability	(3,615,842)	(14,758,397)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Qualified School Construction Bonds	(395,000)	
Certificates of Participation	(530,000)	
Accrued Interest Payable	(5,473)	
Compensated Absences	(778,052)	(1,708,525)
 Net Position of Governmental Activities		 <b><u><u>\$14,983,985</u></u></b>

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, 2018*

	General	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,364,387	\$0	\$0	\$1,364,387
Intergovernmental	11,328,938	0	1,712,284	13,041,222
Investment Earnings	105,682	0	0	105,682
Tuition and Fees	1,581,038	0	0	1,581,038
Charges for Services and Sales	0	0	31,567	31,567
Extracurricular Activities	49,234	0	141,132	190,366
Gifts and Donations	23,350	0	0	23,350
Miscellaneous	92,505	2,000	3,660	98,165
<i>Total Revenues</i>	<u>14,545,134</u>	<u>2,000</u>	<u>1,888,643</u>	<u>16,435,777</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,665,599	70,418	522,991	7,259,008
Special	1,558,794	0	330,789	1,889,583
Vocational	210,568	0	0	210,568
Adult/Continuing	52,629	0	0	52,629
Student Intervention Services	207,710	0	726	208,436
Support Services:				
Pupils	612,648	0	0	612,648
Instructional Staff	201,909	0	41,131	243,040
Board of Education	66,207	0	0	66,207
Administration	772,925	20,891	30,477	824,293
Fiscal	425,743	2,113	0	427,856
Business	37,727	0	0	37,727
Operation and Maintenance of Plant	1,118,139	66,676	84,384	1,269,199
Pupil Transportation	876,236	91,743	36,934	1,004,913
Central	255,887	0	71,405	327,292
Operation of Non-Instructional Services:				
Food Service Operations	0	0	664,908	664,908
Community Services	17,862	0	0	17,862
Extracurricular Activities	357,945	11,457	163,220	532,622
Capital Outlay	376,769	431,792	0	808,561
Debt Service:				
Principal Retirement	0	0	305,000	305,000
Interest and Fiscal Charges	0	0	74,658	74,658
<i>Total Expenditures</i>	<u>13,815,297</u>	<u>695,090</u>	<u>2,326,623</u>	<u>16,837,010</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>729,837</u>	<u>(693,090)</u>	<u>(437,980)</u>	<u>(401,233)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	700,000	270,403	970,403
Transfers Out	(970,403)	0	0	(970,403)
<i>Total Other Financing Sources (Uses)</i>	<u>(970,403)</u>	<u>700,000</u>	<u>270,403</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(240,566)	6,910	(167,577)	(401,233)
<i>Fund Balances at Beginning of Year</i>	<u>5,796,823</u>	<u>1,030,623</u>	<u>785,484</u>	<u>7,612,930</u>
<i>Fund Balances at End of Year</i>	<u>\$5,556,257</u>	<u>\$1,037,533</u>	<u>\$617,907</u>	<u>\$7,211,697</u>

See accompanying notes to the general purpose external financial statements

**Dawson-Bryant Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2018*

**Net Change in Fund Balances - Total Governmental Funds** (\$401,233)

*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	952,314	
Depreciation Expense	(1,368,312)	(415,998)

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

Delinquent Property Taxes	970	
Tuition and Fees	1,224	
Grants	(126,071)	
Accrued Interest	995	(122,882)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 305,000

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	1,497	
Amortization of Serial Premium	6,569	
Amortization of Deferred Amount on Refunding	(2,507)	5,559

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	1,054,916	
OPEB	41,441	1,096,357

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension	4,758,144	
OPEB	486,981	5,245,125

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:

Compensated Absences	(118,687)	(118,687)
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*Change in Net Position of Governmental Activities* \$5,593,241

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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$1,340,459	\$1,342,700	\$1,318,484	(\$24,216)
Intergovernmental	11,276,716	11,295,569	11,343,150	47,581
Investment Earnings	78,619	78,750	102,928	24,178
Tuition and Fees	1,578,611	1,581,250	1,587,327	6,077
Miscellaneous	34,942	35,000	71,465	36,465
<i>Total Revenues</i>	<u>14,309,347</u>	<u>14,333,269</u>	<u>14,423,354</u>	<u>90,085</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,130,578	6,670,157	6,746,788	(76,631)
Special	1,404,017	1,528,944	1,570,354	(41,410)
Vocational	198,171	215,693	217,170	(1,477)
Adult/Continuing	48,214	52,526	52,629	(103)
Student Intervention Services	190,947	208,025	208,433	(408)
Support Services:				
Pupils	566,303	616,384	622,416	(6,032)
Instructional Staff	128,652	140,133	140,119	14
Board of Education	48,816	53,000	52,526	474
Administration	706,521	769,108	779,099	(9,991)
Fiscal	444,806	479,595	450,926	28,669
Business	40,258	43,598	42,019	1,579
Operation and Maintenance of Plant	1,099,584	1,190,330	1,262,008	(71,678)
Pupil Transportation	865,948	937,728	961,515	(23,787)
Central	235,945	256,902	281,591	(24,689)
Operation of Non-Instructional Services	29,064	32,375	18,062	14,313
Extracurricular Activities	337,697	366,917	361,038	5,879
Capital Outlay	335,936	365,610	369,345	(3,735)
<i>Total Expenditures</i>	<u>12,811,457</u>	<u>13,927,025</u>	<u>14,136,038</u>	<u>(209,013)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,497,890</u>	<u>406,244</u>	<u>287,316</u>	<u>(118,928)</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	3,153	3,158	3,158	0
Transfers Out	(982,403)	(982,403)	(982,403)	0
<i>Total Other Financing Uses</i>	<u>(979,250)</u>	<u>(979,245)</u>	<u>(979,245)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	518,640	(573,001)	(691,929)	(118,928)
<i>Fund Balance at Beginning of Year</i>	6,305,945	6,305,945	6,305,945	0
Prior Year Encumbrances Appropriated	346,376	346,376	346,376	0
<i>Fund Balance at End of Year</i>	<u>\$7,170,961</u>	<u>\$6,079,320</u>	<u>\$5,960,392</u>	<u>(\$118,928)</u>

See accompanying notes to the general purpose external financial statements

**Dawson-Bryant Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2018*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$21,172</u></u>
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**Liabilities**

Undistributed Monies	\$13,349
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Due to Students	<u>7,823</u>
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Total Liabilities	<u><u>\$21,172</u></u>
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See accompanying notes to the general purpose external financial statements

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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## **Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 49 classified employees, 83 certified teaching personnel, and 14 administrative personnel who provide services to 1,019 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 Metropolitan Educational Technology Association (META) and the Coalition of Rural and Appalachian Schools 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.

## **Note 2 - Summary of Significant Accounting Policies**

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

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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## **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.

**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 major governmental funds:

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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

**Permanent Improvement Fund** This fund accounts for the acquisition, construction, or improvement of capital facilities of governmental activities.

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 fund is an agency fund which accounts for student activities.

## **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net 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.

## **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, in the recording of deferred outflows/inflows of resources, 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

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

***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 are reported on the government-wide statement of net position for deferred charges for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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, interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### ***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".

During fiscal year 2018, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Treasury notes, negotiable certificates of deposit, and a money market mutual fund.

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 2018 amounted to \$105,682, which includes \$22,226 assigned from other School District funds.

During Fiscal Year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

### ***G. Materials and Supplies Inventory***

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

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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## 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 acquisition 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.

## 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. A liability is recorded for vacation eligible employees after one year of service with the School District.



## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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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 fourteen or more years of current service with the School District.

### ***K. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

### ***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. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. Bond premiums were fully amortized in fiscal year 2018.

### ***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. Deferred Charges were fully amortized in fiscal year 2018.

### ***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.

## Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**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.

### ***O. Pensions/Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

### ***P. 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.

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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## ***Q. 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.

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

## ***R. 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.

## ***S. Budgetary Process***

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

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

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

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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## Note 3 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position at June 30, 2017	\$13,600,289
Adjustments:	
Net OPEB Liability	(4,241,080)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>31,535</u>
Restated Net Position at June 30, 2017	<u><u>\$9,390,744</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

## Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2018:

Special Revenue Funds:	
Food Service	\$37,273
Title VI-B	33,694
Title I	36,275
Improving Teacher Quality	1,715
Miscellaneous State Grants	726
ODE Tech Prep Grant	600

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.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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## Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Prepaid and unreported items are reported on the balance sheet (GAAP basis), but not on the cash basis.
5. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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	(\$240,566)
Revenue Accruals	(65,325)
Expenditure Accruals	256,593
Prepaid Items:	
Beginning of Year	30,146
End of Year	(34,358)
Unreported Items:	
Beginning of Year	(995)
End of Year	454
Negative Cash Advances:	
Beginning of Year	(172,168)
End of Year	54,545
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	22,860
Encumbrances	<u>(543,115)</u>
Budget Basis	<u><u>(\$691,929)</u></u>

# Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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## **Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

### ***Deposits***

***Custodial credit risk*** for deposits is the risk that in the event of a 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 June 30, 2018, \$1,227,655 of the School District's total bank balance of \$1,545,002 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

### ***Investments***

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level 1 Inputs				
Money Market Mutual Fund	\$14,606	Less than one year	AAAm	0.00%
U.S. Treasury Notes	574,857	10/26/2018-2/28/2022	AA+	8.00%
Fair Value - Level 2 Inputs				
Negotiable Certificates of Deposit	3,497,000	9/28/2018-6/16/2022	N/A	49.00%
Net Asset Value Per Share				
STAR Ohio	<u>3,043,282</u>	48.9 days	AAAm	43.00%
Total Investments	<u>\$7,129,745</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

### Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



## Dawson-Bryant Local School District, Ohio

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Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2018, 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 for June 30, 2018, was \$209,922 in the General Fund. The amount available as an advance at June 30, 2017, was \$164,019 in the General 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.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$70,698,910	88.44%	\$70,958,080	88.14%
Commercial/Industrial and Public Utility Real	2,758,770	3.45%	2,557,940	3.18%
Public Utility Personal	6,482,790	8.11%	6,987,750	8.68%
Total	\$79,940,470	100.00%	\$80,503,770	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$20.60		\$20.60	

### Note 8 - Receivables

Receivables at June 30, 2018, consisted of property taxes, interfund, accounts, accrued interest, 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. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. The delinquent property taxes amounted to \$161,822.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Special Education Grants to States	\$54,757
Title I Grants to Local Educational Agencies	52,883
Ohio Bureau of Workers' Compensation	16,866
Student Support and Academic Enrichment Grants	5,795
Medicaid Reimbursements	5,110
State Foundation	4,475
High Schools That Work	3,056
Total	\$142,942

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

### Note 9 - Significant Commitments

#### A. 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:

Fund	Amount
General	\$556,755
Nonmajor Governmental Funds	196,411
Total	\$753,166

#### B. Contractual Commitments

During 2018, the School District began retrofitting parking lot lighting at the elementary school. As of June 30, 2018, \$18,525 has been spent from the Classroom Facilities Maintenance Special Revenue Fund, while \$18,525 remained to complete the project. The School District has also contracted to upgrade the district-wide network for \$54,573 and prepared for demolition of the old administration building by contracting for asbestos removal in the amount of \$46,921. As of June 30, 2018, no amounts have been expended for either project.

### Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at 6/30/17	Additions	Deductions	Balance at 6/30/18
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$710,791	\$167,887	\$0	\$878,678
Construction in Progress	18,637	489,603	489,715	18,525
Total Nondepreciable Capital Assets	729,428	657,490	489,715	897,203
Depreciable Capital Assets:				
Land Improvements	1,791,997	360,683	0	2,152,680
Buildings and Improvements	39,567,169	321,828	0	39,888,997
Furniture, Fixtures, and Equipment	2,040,859	10,285	(402,072)	1,649,072
Vehicles	1,240,584	91,743	0	1,332,327
Total Depreciable Capital Assets	44,640,609	784,539	(402,072)	45,023,076
Less Accumulated Depreciation:				
Land Improvements	(1,235,012)	(81,136)	0	(1,316,148)
Buildings and Improvements	(17,027,975)	(1,167,403)	0	(18,195,378)
Furniture, Fixtures, and Equipment	(1,764,216)	(38,462)	402,072	(1,400,606)
Vehicles	(922,411)	(81,311)	0	(1,003,722)
Total Accumulated Depreciation	(20,949,614)	(1,368,312) *	402,072	(21,915,854)
Total Capital Assets being Depreciated, Net	23,690,995	(583,773)	0	23,107,222
Capital Assets, Net	\$24,420,423	\$73,717	\$489,715	\$24,004,425

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$422,641
Special	112,958
Vocational	18,826
Student Intervention Services	6,275
Support Services:	
Pupils	43,928
Instructional Staff	125,509
Board of Education	6,275
Administration	69,030
Fiscal	18,826
Operation and Maintenance of Plant	161,090
Pupil Transportation	213,984
Central	14,093
Food Service Operations	64,092
Extracurricular Activities	90,785
	<hr/>
Total Depreciation Expense	<u><u>\$1,368,312</u></u>

The School District's total capital assets being depreciated amount above included \$4,780,903 in fully depreciated capital assets.

### **Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2018, the School District contracted with The Catlin Insurance Company for the following coverage:

## Dawson-Bryant Local School District, Ohio

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Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$2,500	\$47,340,698
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Employers' Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Educators Legal Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Vehicles:		
Bodily Injury:		
Per Person	500	1,000,000
Per Accident	500	1,000,000
Property Damage	500	1,000,000
Uninsured Motorist:		
Per Person	500	1,000,000
Per Accident	500	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2017.

For fiscal year 2018, 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 Districts.

### **Note 12 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

## Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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### A. Net Pension Liability / Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

### **Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$264,326 for fiscal year 2018. Of this amount \$29,829 is reported as an intergovernmental payable.

### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$790,590 for fiscal year 2018. Of this amount \$110,358 is reported as an intergovernmental payable.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
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### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	
Proportion of the Net Pension Liability Prior Measurement Date	0.05652160%	0.04887023%	
Proportion of the Net Pension Liability Current Measurement Date	0.05841250%	0.05200533%	
Change in Proportionate Share	0.00189090%	0.00313510%	
			Total
Proportionate Share of the Net Pension Liability	\$3,490,018	\$12,353,978	\$15,843,996
Pension Expense	(\$144,329)	(\$4,613,815)	(\$4,758,144)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$150,198	\$477,053	\$627,251
Changes of assumptions	180,472	2,701,951	2,882,423
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	82,782	800,740	883,522
School District contributions subsequent to the measurement date	264,326	790,590	1,054,916
Total Deferred Outflows of Resources	\$677,778	\$4,770,334	\$5,448,112
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$99,568	\$99,568
Net difference between projected and actual earnings on pension plan investments	16,566	407,696	424,262
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	55,967	101,593	157,560
Total Deferred Inflows of Resources	\$72,533	\$608,857	\$681,390



## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
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\$1,054,916 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$125,235	\$712,314	\$837,549
2020	221,765	1,266,921	1,488,686
2021	75,278	996,376	1,071,654
2022	(81,359)	395,276	313,917
Total	\$340,919	\$3,370,887	\$3,711,806

### ***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

## Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,843,238	\$3,490,018	\$2,356,420

### **Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00%	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$17,709,006	\$12,353,978	\$7,843,168

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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### ***B. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2018, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 13 - Postemployment Benefits**

See Note 12 for a description of the net OPEB liability.

#### ***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is 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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$31,651.

## Dawson-Bryant Local School District, Ohio

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For the Fiscal Year Ended June 30, 2018*

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$41,441 for fiscal year 2018. Of this amount \$32,756 is reported as an intergovernmental payable.

### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS 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 to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.05709740%	0.04887023%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.05912600%	0.05200533%	
Change in Proportionate Share	0.00202860%	0.00313510%	
Proportionate Share of the Net			Total
OPEB Liability	\$1,586,786	\$2,029,056	\$3,615,842
OPEB Expense	\$108,226	(\$595,207)	(\$486,981)

## Dawson-Bryant Local School District, Ohio

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At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$117,130	\$117,130
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	37,376	143,714	181,090
School District contributions subsequent to the measurement date	41,441	0	41,441
Total Deferred Outflows of Resources	\$78,817	\$260,844	\$339,661
<b>Deferred Inflows of Resources</b>			
Changes of assumptions	\$150,578	\$163,447	\$314,025
Net difference between projected and actual earnings on OPEB plan investments	4,190	86,727	90,917
Total Deferred Inflows of Resources	\$154,768	\$250,174	\$404,942

\$41,441 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$42,063)	(\$5,449)	(\$47,512)
2020	(42,063)	(5,449)	(47,512)
2021	(32,219)	(5,449)	(37,668)
2022	(1,047)	(5,449)	(6,496)
2023	0	16,233	16,233
Thereafter	0	16,233	16,233
Total	(\$117,392)	\$10,670	(\$106,722)

### ***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.



## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,916,247	\$1,586,786	\$1,325,770
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$1,287,558	\$1,586,786	\$1,982,820

### **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

## Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
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expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$2,723,975	\$2,029,056	\$1,479,843
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$1,409,701	\$2,029,056	\$2,844,200

### Note 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 of vacation per fiscal year, depending upon length of service. Bargaining unit employees shall be permitted to carry over two years worth of vacation from year to 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 all employees.

## Dawson-Bryant Local School District, Ohio

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### **B. Insurance Benefits**

The School District provides medical, health, and prescription card coverage through Anthem Blue Cross and Blue Shield. The School District pays 80% of the total monthly premiums of \$2,156.46 for family coverage and 80% of total monthly premiums of \$873.06 for single coverage.

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

The School District provides dental insurance to certificated and administrative employees through Guardian. The School District pays 100% of the total monthly premiums of \$66.53 for family coverage and \$21.95 for single coverage.

The School District provides vision insurance to certificated and administrative employees through the Guardian Plan. The School District pays 100% of the total monthly premiums of \$19.56 for family coverage and \$9.10 for single coverage.

### **Note 15 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Restated Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18	Amounts Due in One Year
<b>Governmental Activities:</b>					
2006 Classroom Facilities Improvements Refunding Bonds:					
Term Bonds - 5.25%	\$200,000	\$0	\$200,000	\$0	\$0
Bond Premium	6,569	0	6,569	0	0
2011 6.90% Qualified School Construction Bonds	440,000	0	45,000	395,000	45,000
2011 7.25% Certificates of Participation	590,000	0	60,000	530,000	60,000
	<u>1,236,569</u>	<u>0</u>	<u>311,569</u>	<u>925,000</u>	<u>105,000</u>
Net Pension Liability					
STRS	16,358,339	0	4,004,361	12,353,978	0
SERS	4,136,860	0	646,842	3,490,018	0
Total Net Pension Liability	<u>20,495,199</u>	<u>0</u>	<u>4,651,203</u>	<u>15,843,996</u>	<u>0</u>
Net OPEB Liability					
STRS	2,613,593	0	584,537	2,029,056	0
SERS	1,627,487	0	40,701	1,586,786	0
Total Net OPEB Liability	<u>4,241,080</u>	<u>0</u>	<u>625,238</u>	<u>3,615,842</u>	<u>0</u>
Compensated Absences	659,365	128,692	10,005	778,052	23,381
Total Governmental Activities Long-Term Liabilities	<u>\$26,632,213</u>	<u>\$128,692</u>	<u>\$5,598,015</u>	<u>\$21,162,890</u>	<u>\$128,381</u>

## Dawson-Bryant Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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Compensated absences are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, and the Food Service, Title I, IDEA-B, and Title II-A Special Revenue Funds. For additional information related to the net pension and net OPEB liabilities, see Notes 12 and 13.

***Classroom Facilities Improvements Refunding Bonds*** On June 1, 2006, the School District issued \$1,640,000 of Classroom Facilities Improvements Refunding Bonds to retire 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 2018 was \$6,569. 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 2018 was \$2,507. The bonds were retired from the Bond Retirement Debt Service Fund in 2018.

***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 of 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.

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.

## Dawson-Bryant Local School District, Ohio

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Annual base rent requirements to retire the Qualified School Construction Bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2019	\$45,000	\$25,703	(\$19,630)	\$51,073
2020	50,000	22,425	(17,128)	55,297
2021	50,000	18,975	(14,493)	54,482
2022	50,000	15,525	(11,858)	53,667
2023	50,000	12,075	(9,223)	52,852
2024-2026	150,000	15,525	(11,857)	153,668
Total	<u>\$395,000</u>	<u>\$110,228</u>	<u>(\$84,189)</u>	<u>\$421,039</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.

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 to 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, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2019	\$60,000	\$36,250	(\$26,350)	\$69,900
2020	65,000	31,719	(23,056)	73,663
2021	65,000	27,006	(19,631)	72,375
2022	65,000	22,294	(16,205)	71,089
2023	65,000	17,581	(12,780)	69,801
2024-2026	210,000	22,838	(16,601)	216,237
Total	<u>\$530,000</u>	<u>\$157,688</u>	<u>(\$114,623)</u>	<u>\$573,065</u>

## Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

The School District's overall legal debt margin was \$6,858,118, with an unvoted debt margin of \$80,504 at June 30, 2018.

### Note 16 - Interfund Activity

#### A. Transfers

During fiscal year 2018, the General Fund made transfers to the following funds:

	<u>Amount</u>
Permanent Improvements Capital Projects Fund	\$700,000
Bond Retirement Debt Service Fund	130,403
Food Service Special Revenue Fund	105,000
Athletics Special Revenue Fund	<u>35,000</u>
Total Transfers	<u><u>\$970,403</u></u>

The transfers were used to move unrestricted revenue collected in the General Fund to make debt payments, provide funds to be used for permanent improvements, and to finance various athletic and food service programs accounted for in other funds in accordance with budgetary authorizations.

#### B. Interfund Balances

Interfund balances at June 30, 2018, represent \$54,545 due to the General Fund from Special Revenue Funds for cash deficits. The interfund payables are anticipated to be repaid within one year.

	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$54,545</u>	<u>\$0</u>
Other Governmental Funds:		
Miscellaneous State Grants	0	726
High Schools That Work	0	600
Title IV-B	0	27,505
Title I	0	18,099
Title II-A	0	1,820
Title IV-A	<u>0</u>	<u>5,795</u>
Total Other Governmental Funds	<u>0</u>	<u>54,545</u>
Total All Funds	<u><u>\$54,545</u></u>	<u><u>\$54,545</u></u>

### Note 17 - Jointly Governed Organizations

#### A. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2018, the School District paid \$89,154 for services with META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

### ***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 2018. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

### **Note 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, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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## Note 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.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirements for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board of education be returned to the school district's General Fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future fiscal years. The bill placed special conditions on any Bureau or Workers' Compensation monies remaining in the budget reserve. The School District does not maintain a budget reserve set aside.

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, 2017	\$0
Current Year Set-Aside Requirement	204,811
Current Year Qualifying Expenditures	(162,729)
Current Year Offsets	<u>(700,000)</u>
Totals	<u>(\$657,918)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

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.

## Note 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, 2018, if applicable, cannot be determined at this time.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2018*

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### ***B. Litigation***

As of June 30, 2018, the School District is currently a party to legal proceedings; however, the outcome is unknown at this time.

### ***C. School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District and does not anticipate any further FTE adjustments for FY 2018. The School District has recorded a liability in the amount of \$18,174.

### **Note 21 – Subsequent Events**

On August 9, 2018 the Board of Education Approved Resolution 2018-153 to enter into a contract with Sullivan Excavating for \$119,000 for demolishing the old Administrative Building.

On September 4, 2018 the Board of Education Approved Resolution 2018-178 to enter into a contract with Greenlawn Landscaping to construct a softball field in the amount of \$158,000.

On November 5, 2018 the Board of Education Approved Resolution 2018-214 to enter into a contract with Emanuel Graber and Sons to construct a storage facility at a cost of \$67,000.

On November 19, 2018 the Board of Education Approved Resolution 2018-227 to enter into a contract with Greenlawn Landscaping Company to perform grading, underground utilities and concrete work at the softball field in the amount of \$134,000.

On November 19, 2018 the Board of Education Approved Resolution 2018-228 to enter into a contract with Newman's Fencing to furnish and install fencing at the softball field in the amount of \$69,000.

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Fiscal Years (1)\**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05841250%	0.05652160%	0.05770120%	0.05920500%	0.05920500%
School District's Proportionate Share of the Net Pension Liability	\$3,490,018	\$4,136,860	\$3,292,486	\$2,996,331	\$3,520,731
School District's Covered Payroll	\$1,901,264	\$1,764,086	\$1,729,097	\$1,726,782	\$1,625,031
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	183.56%	234.50%	190.42%	173.52%	216.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.05912600%	0.05709740%
School District's Proportionate Share of the Net OPEB Liability	\$1,586,786	\$1,627,487
School District's Covered Payroll	\$1,901,264	\$1,764,086
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	83.46%	92.26%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1)\**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05200533%	0.04887023%	0.04834887%	0.04921499%	0.04921499%
School District's Proportionate Share of the Net Pension Liability	\$12,353,978	\$16,358,339	\$13,362,213	\$11,970,789	\$14,259,526
School District's Covered Payroll	\$5,601,036	\$5,170,593	\$5,069,729	\$5,467,285	\$5,240,877
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	220.57%	316.37%	263.57%	218.95%	272.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2018	2017
School District's Proportion of the Net OPEB Liability	0.05200533%	0.04887023%
School District's Proportionate Share of the Net OPEB Liability	\$2,029,056	\$2,613,593
School District's Covered Payroll	\$5,601,036	\$5,170,593
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	36.23%	50.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2018	2017	2016	2015
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$264,326	\$266,177	\$246,972	\$227,895
Contributions in Relation to the Contractually Required Contribution	(264,326)	(266,177)	(246,972)	(227,895)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,957,970	\$1,901,264	\$1,764,086	\$1,729,097
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	41,441	31,535	28,115	43,714
Contributions in Relation to the Contractually Required Contribution	(41,441)	(31,535)	(28,115)	(43,714)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.12%</u>	<u>1.66%</u>	<u>1.59%</u>	<u>2.53%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.62%</u>	<u>15.66%</u>	<u>15.59%</u>	<u>15.71%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information



2014	2013	2012	2011	2010	2009
\$239,332	\$224,904	\$211,095	\$210,014	\$216,488	\$153,018
<u>(239,332)</u>	<u>(224,904)</u>	<u>(211,095)</u>	<u>(210,014)</u>	<u>(216,488)</u>	<u>(153,018)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,726,782	\$1,625,031	\$1,569,480	\$1,670,756	\$1,598,877	\$1,555,060
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
29,893	31,102	32,133	48,304	33,602	90,822
<u>(29,893)</u>	<u>(31,102)</u>	<u>(32,133)</u>	<u>(48,304)</u>	<u>(33,602)</u>	<u>(90,822)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.73%</u>	<u>1.91%</u>	<u>2.05%</u>	<u>2.89%</u>	<u>2.10%</u>	<u>5.84%</u>
<u>15.59%</u>	<u>15.75%</u>	<u>15.50%</u>	<u>15.46%</u>	<u>15.64%</u>	<u>15.68%</u>

**Dawson-Bryant Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$790,590	\$784,145	\$723,883	\$709,762
Contributions in Relation to the Contractually Required Contribution	<u>(790,590)</u>	<u>(784,145)</u>	<u>(723,883)</u>	<u>(709,762)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$5,647,071	\$5,601,036	\$5,170,593	\$5,069,729
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$710,747	\$681,314	\$651,761	\$697,392	\$688,106	\$659,541
(710,747)	(681,314)	(651,761)	(697,392)	(688,106)	(659,541)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,467,285	\$5,240,877	\$5,013,546	\$5,364,554	\$5,293,123	\$5,073,392
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$54,673	\$52,409	\$50,135	\$53,646	\$52,931	\$50,734
(54,673)	(52,409)	(50,135)	(53,646)	(52,931)	(50,734)
\$0	\$0	\$0	\$0	\$0	\$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

## Net Pension Liability

### Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

### Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

# Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

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For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

## Net OPEB Liability

### Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

### Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grant Year</b>	<b>Provided Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2017-2018	\$ 0	\$ 39,556
Cash Assistance:				
School Breakfast Program	10.553	2017-2018	0	127,439
National School Lunch Program	10.555	2017-2018	0	333,584
Total Child Nutrition Cluster			<u>0</u>	<u>500,579</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>500,579</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	2017	0	59,391
		2018	0	264,831
Total Title I Grants to Local Educational Agencies			<u>0</u>	<u>324,222</u>
Special Education Cluster:				
Special Education Grants to States	84.027	2017	0	52,412
		2018	0	288,926
Total Special Education Cluster			<u>0</u>	<u>341,338</u>
Twenty-First Century Community Learning Centers	84.287	2018	0	200,000
Supporting Effective Instruction State Grants	84.367	2017	0	11,962
		2018	0	49,416
Total Supporting Effective Instruction State Grant			<u>0</u>	<u>61,378</u>
Student Support and Academic Enrichment Program	84.424	2018	0	10,000
Total U.S. Department of Education			<u>0</u>	<u>936,938</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 0</b></u>	<u><b>\$ 1,437,517</b></u>

*The accompanying notes are an integral part of this schedule.*

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Dawson-Bryant Local School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – 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 E – 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.



# OHIO AUDITOR OF STATE KEITH FABER



## 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  
701 High 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, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, Lawrence County, (the School District) as of and for the year ended June 30, 2018, 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 March 14, 2019 wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

### ***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 material 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 this 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 14, 2019

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Dawson-Bryant Local School District  
Lawrence County  
701 High Street  
Coal Grove, Ohio 45638

To the Board of Education:

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

We have audited the Dawson-Bryant Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Dawson-Bryant Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

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

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the School District's compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 the 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 its major federal programs for the year ended June 30, 2018.

***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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 14, 2019

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA #10.553 & 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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 28, 2019**