

**DAWSON-BRYANT LOCAL  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2005**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**



**Kelley,  
Galloway &  
Company, PSC**

**CERTIFIED PUBLIC ACCOUNTANTS**





**Auditor of State  
Betty Montgomery**

Board of Education  
Dawson-Bryant Local School District  
Coal Grove, Ohio

We have reviewed the *Independent Auditor's Report* of the Dawson-Bryant Local School District, Lawrence County, prepared by Kelley, Galloway & Company, PSC, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Dawson-Bryant Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 18, 2006

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Kelley,  
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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Dawson-Bryant Local School District  
222 Lane Street  
Coal Grove, Ohio 45638

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, (the "District"), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, as of June 30, 2005, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The schedule of expenditures of federal awards contained on pages 41 and 42 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kelley, Dalloway & Company, PSC*

February 9, 2006



**Dawson-Bryant Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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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, 2005. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities increased \$188,255.
- General revenues accounted for \$8,392,324 or 73% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,135,703 or 27% of total revenues of \$11,528,027.
- The School District had \$11,339,772 in expenses related to governmental activities; only \$3,135,703 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$8,392,324 were not adequate to provide for these programs.
- The School District only has two major funds; the General Fund and the Classroom Facilities Capital Project Fund. The General Fund had \$8,636,547 in revenues and \$7,971,738 in expenditures. The General Fund's balance increased \$512,283. The Classroom Facilities Fund had \$2,518,538 in revenues and \$1,695,408 in expenditures. The Classroom Facilities Fund balance increased by \$720,257.

**Using this Annual Financial Report**

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

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

**Dawson-Bryant Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 13. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the classroom facilities capital project fund.

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

**Dawson-Bryant Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

Table 1  
Net Assets

	Governmental Activities		
	2005	2004	Change
<b>Assets</b>			
Current and Other Assets	\$21,235,450	\$21,349,088	(\$113,638)
Capital Assets	14,215,058	12,774,560	1,440,498
Total Assets	<u>35,450,508</u>	<u>34,123,648</u>	<u>1,326,860</u>
<b>Liabilities</b>			
Long-term Liabilities	2,190,637	2,237,080	(46,443)
Other Liabilities	3,730,231	2,545,183	1,185,048
Total Liabilities	<u>5,920,868</u>	<u>4,782,263</u>	<u>1,138,605</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	12,500,058	10,994,560	1,505,498
Restricted	13,162,104	15,051,847	(1,889,743)
Unrestricted	3,867,478	3,294,978	572,500
Total Net Assets	<u>\$29,529,640</u>	<u>\$29,341,385</u>	<u>\$188,255</u>

Total assets increased \$1,326,860. Equity in pooled cash and cash equivalents increased \$2,124,704, which was offset by a reduction in intergovernmental receivables of \$2,438,085. Total liabilities increased \$1,138,605, due to the recognition of contracts and retainage payable on a construction project at the high school and early retirement buyouts.

**Dawson-Bryant Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, and comparisons to fiscal year 2004.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$475,809	\$469,020
Operating Grants, Contributions and Interest	2,373,266	2,451,697
Capital Grants and Contributions	286,628	201,111
<b>Total Program Revenues</b>	<b>3,135,703</b>	<b>3,121,828</b>
<b>General Revenues</b>		
Property Taxes	1,240,158	1,233,999
Grants and Entitlements	6,836,252	7,584,704
Gain on Sale of Capital Assets	875	1,250
Investment Earnings	145,662	50,411
Miscellaneous	169,377	120,617
<b>Total General Revenues</b>	<b>8,392,324</b>	<b>8,990,981</b>
<b>Total Revenues</b>	<b>11,528,027</b>	<b>12,112,809</b>
<b>Expenses</b>		
<b>Instruction:</b>		
Regular	4,931,557	4,358,420
Special	1,586,224	1,151,781
Vocational	41,033	34,556
Other	13,871	4,516
<b>Support Services:</b>		
Pupils	416,251	322,470
Instructional Staff	631,003	777,706
Board of Education	19,814	17,716
Administration	752,630	680,257
Fiscal	205,866	238,223
Business	13,319	14,360
Operation and Maintenance of Plant	1,005,685	977,763
Pupil Transportation	618,082	589,763
Central	83,479	149,061
<b>Operation of Non-Instructional Services:</b>		
Food Service Operations	569,027	557,929
Community Services	10,465	-
Other	-	11,018
Extracurricular Activities	331,615	341,193
Interest and Fiscal Charges	109,851	113,111
<b>Total Expenses</b>	<b>11,339,772</b>	<b>10,339,843</b>
<b>Increase (Decrease) in Net Assets</b>	<b>188,255</b>	<b>1,772,966</b>
<b>Net Assets Beginning of Year</b>	<b>29,341,385</b>	<b>27,568,419</b>
<b>Net Assets End of Year</b>	<b>\$29,529,640</b>	<b>\$29,341,385</b>

**Dawson-Bryant Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2005**

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. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$4,931,557	\$4,248,405	\$4,358,420	\$3,678,728
Special	1,586,224	376,370	1,151,781	(103,146)
Vocational	41,033	(12,903)	34,556	(19,725)
Other	13,871	8,847	4,516	4,516
Support Services:				
Pupils	416,251	363,840	322,470	292,652
Instructional Staff	631,003	476,078	777,706	371,414
Board of Education	19,814	19,814	17,716	17,716
Administration	752,630	752,630	680,257	677,230
Fiscal	205,866	203,217	238,223	238,223
Business	13,319	13,319	14,360	14,360
Operation and Maintenance of Plant	1,005,685	744,409	977,763	977,763
Pupil Transportation	618,082	573,941	589,763	567,465
Central	83,479	74,479	149,061	121,099
Operation of Non-Instructional Services:				
Food Service Operations	569,027	31,783	557,929	70,401
Community Services	10,465	2,212	-	-
Other	-	-	11,018	2,459
Extracurricular Activities	331,615	217,777	341,193	193,749
Interest and Fiscal Charges	109,851	109,851	113,111	113,111
<b>Total</b>	<u><u>\$11,339,772</u></u>	<u><u>\$8,204,069</u></u>	<u><u>\$10,339,843</u></u>	<u><u>\$7,218,015</u></u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2005, approximately 70% of instruction activities were supported through taxes and other general revenues.

**The School District Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,721,253 and expenditures of \$12,901,190. The School District is currently able to operate without additional operating levies and is able to pay bills in a timely manner.

*General Fund* – The General Fund is the primary operating fund of the School District. At the end of 2005, unreserved fund balance was \$3,943,932, while total fund balance was \$4,149,021. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 49% to total General Fund expenditures, while total

**Dawson-Bryant Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

fund balance represents 52% of General Fund Expenditures. The fund balance of the School District's General Fund increased \$512,283 during the current fiscal year.

*Other Major Governmental Funds*

*Classroom Facilities* – The fund balance of the Classroom Facilities Fund at June 30, 2005 is \$2,359,547, an increase of \$720,257 from the prior year. This increase is due to the receipt of Ohio School Facilities Commission funds that have yet to be spent.

**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 2005, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique, which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$8,567,531, above original estimates of \$7,419,038. The \$1,148,493 difference was due to underestimating grant revenue at the beginning of the year. Original appropriations of \$7,649,782 were increased to \$8,055,298.

The School District's ending unobligated general fund balance on a budgetary basis was \$5,090,057.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2005, the School District had \$14,215,058 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land and Land Improvements	\$368,134	\$368,134
Buildings and Improvements	10,888,089	11,184,680
Furniture and Equipment	301,811	326,650
Vehicles	332,782	266,262
Construction in Progress	2,324,242	628,834
Totals	\$14,215,058	\$12,774,560

See Note 9 for more information on Capital Assets.

**Dawson-Bryant Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

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***Debt***

At June 30, 2005, the School District had \$1,715,000 in general obligation bonds outstanding. The bonds were originally issued in 1995 to meet the matching requirement for a classroom facility project involving the Ohio School Facilities Commission. No debt was required to be issued to meet the matching requirement for the current classroom facility project.

See Note 15 for more information on Debt.

**Economic Factors**

Over the past several years the School District has remained in a stable financial position and has increased its cash balance carry-over the last 10 years. The School District's assessed value upon which taxes are collected is \$57,326,510. Another indication that the School District cannot rely on property tax revenue to fully support its programs is that each mill of a tax levy would generate \$57,327, an increase in total revenue of about one-half of a percent.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability and to ensure that significant outlays may be made in the future to address our facility needs.

**Contacting the School District's Financial Management**

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

**Dawson-Bryant Local School District**

*Statement of Net Assets*

June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,109,895
Property Taxes Receivable	1,390,971
Accounts Receivable	5,046
Intergovernmental Receivables	8,590,671
Accrued Interest Receivable	44,946
Prepaid Items	85,256
Materials and Supplies Inventory	8,665
Nondepreciable Capital Assets	2,692,376
Depreciable Capital Assets, Net	<u>11,522,682</u>
<i>Total Assets</i>	<u>35,450,508</u>
<b>Liabilities</b>	
Accounts Payable	114,385
Accrued Wages and Benefits Payable	1,372,042
Contracts Payable	751,341
Retainage Payable	80,724
Accrued Interest Payable	9,037
Vacation Benefits Payable	25,849
Matured Compensated Absences Payable	12,387
Deferred Revenue	1,038,540
Intergovernmental Payable	325,926
Long-Term Liabilities:	
Due within One Year	211,057
Due in More than One Year	<u>1,979,580</u>
<i>Total Liabilities</i>	<u>5,920,868</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	12,500,058
Restricted for:	
Other Purposes	587,366
Bus Purchases	23,354
Capital Projects	11,868,415
Debt Service	682,969
Unrestricted	<u>3,867,478</u>
<i>Total Net Assets</i>	<u><u>\$29,529,640</u></u>

See accompanying notes to the basic financial statements.



**Dawson-Bryant Local School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2005*

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,931,557	\$1,517	\$679,637	\$1,998	(\$4,248,405)
Special	1,586,224	-	1,209,854	-	(376,370)
Vocational	41,033	-	53,936	-	12,903
Other	13,871	-	5,024	-	(8,847)
Support Services:					
Pupil	416,251	-	52,411	-	(363,840)
Instructional Staff	631,003	138,560	16,365	-	(476,078)
Board of Education	19,814	-	-	-	(19,814)
Administration	752,630	-	-	-	(752,630)
Fiscal	205,866	-	2,649	-	(203,217)
Business	13,319	-	-	-	(13,319)
Operation and Maintenance of Plant	1,005,685	-	-	261,276	(744,409)
Pupil Transportation	618,082	-	20,787	23,354	(573,941)
Central	83,479	-	9,000	-	(74,479)
Operation of Non-Instructional Services:					
Food Service Operations	569,027	213,641	323,603	-	(31,783)
Community Service	10,465	8,253	-	-	(2,212)
Extracurricular Activities	331,615	113,838	-	-	(217,777)
Interest and Fiscal Charges	109,851	-	-	-	(109,851)
<b>Totals</b>	<b>\$11,339,772</b>	<b>\$475,809</b>	<b>\$2,373,266</b>	<b>\$286,628</b>	<b>(8,204,069)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					1,037,449
Capital Outlay					3,348
Debt Service					181,746
Other Purposes					17,615
Grants and Entitlements not Restricted to Specific Programs					6,836,252
Gain on Sale of Capital Assets					875
Investment Earnings					145,662
Miscellaneous					169,377
<i>Total General Revenues</i>					<u>8,392,324</u>
<i>Change in Net Assets</i>					188,255
<i>Net Assets Beginning of Year</i>					<u>29,341,385</u>
<i>Net Assets End of Year</i>					<u>\$29,529,640</u>

See accompanying notes to the basic financial statements.

**Dawson-Bryant Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,253,597	\$3,191,612	\$2,641,332	\$11,086,541
Receivables:				
Property Taxes	1,167,222	-	223,749	1,390,971
Accounts	-	-	5,046	5,046
Interfund	138,843	-	-	138,843
Intergovernmental	-	8,525,084	65,587	8,590,671
Accrued interest	44,946	-	-	44,946
Prepaid Items	63,094	-	22,162	85,256
Materials and Supplies Inventory	-	-	8,665	8,665
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	23,354	-	-	23,354
<b>Total Assets</b>	<b>\$6,691,056</b>	<b>\$11,716,696</b>	<b>\$2,966,541</b>	<b>\$21,374,293</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$80,903	\$ -	\$33,482	\$114,385
Accrued Wages and Benefits Payable	1,090,577	-	281,465	1,372,042
Matured Compensated Absences Payable	12,387	-	-	12,387
Interfund Payable	-	-	138,843	138,843
Intergovernmental Payable	232,029	-	93,897	325,926
Contracts Payable	-	751,341	-	751,341
Retainage Payable	-	80,724	-	80,724
Deferred Revenue	1,126,139	8,525,084	290,315	9,941,538
<b>Total Liabilities</b>	<b>2,542,035</b>	<b>9,357,149</b>	<b>838,002</b>	<b>12,737,186</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	140,652	-	39,954	180,606
Reserved for Property Taxes	41,083	-	7,365	48,448
Reserved for Bus Purchases	23,354	-	-	23,354
Unreserved, Undesignated, Reported in:				
General Fund	3,943,932	-	-	3,943,932
Special Revenue Funds	-	-	467,590	467,590
Debt Service Funds	-	-	643,828	643,828
Capital Projects Funds	-	2,359,547	969,802	3,329,349
<b>Total Fund Balances</b>	<b>4,149,021</b>	<b>2,359,547</b>	<b>2,128,539</b>	<b>8,637,107</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,691,056</b>	<b>\$11,716,696</b>	<b>\$2,966,541</b>	<b>\$21,374,293</b>

See accompanying notes to the basic financial statements.

**Dawson-Bryant Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005*

<b>Total Governmental Fund Balances</b>		<b>\$8,637,107</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,215,058
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	307,281	
Charges for Services	5,046	
Grants	<u>8,590,671</u>	8,902,998
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(25,849)
Interest Payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(9,037)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(1,715,000)	
Sick Leave Benefit Payable	<u>(475,637)</u>	<u>(2,190,637)</u>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$29,529,640</u></u></b>

See accompanying notes to the basic financial statements.

**Dawson-Bryant Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$989,148	\$8,363	\$209,574	\$1,207,085
Intergovernmental	7,374,174	2,493,274	1,855,975	11,723,423
Investment Earnings	131,311	14,351	-	145,662
Charges for Services	-	-	229,898	229,898
Tuition and Fees	1,517	-	8,253	9,770
Rent	-	-	22,500	22,500
Extracurricular Activities	-	-	213,538	213,538
Miscellaneous	140,397	2,550	26,430	169,377
<i>Total Revenues</i>	<u>8,636,547</u>	<u>2,518,538</u>	<u>2,566,168</u>	<u>13,721,253</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,757,098	-	1,000,725	4,757,823
Special	600,999	-	927,239	1,528,238
Vocational	41,033	-	-	41,033
Other	6,540	-	7,331	13,871
<b>Support Services:</b>				
Pupil	341,318	-	64,178	405,496
Instructional Staff	333,719	-	266,132	599,851
Board of Education	20,315	-	-	20,315
Administration	702,145	-	-	702,145
Fiscal	202,096	-	7,055	209,151
Business	13,319	-	-	13,319
Operation and Maintenance of Plant	1,038,029	-	-	1,038,029
Pupil Transportation	622,204	-	56,800	679,004
Central	72,792	-	11,845	84,637
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	-	-	595,255	595,255
Community Service	-	-	10,465	10,465
Extracurricular Activities	220,131	-	111,886	332,017
Capital Outlay	-	1,695,408	-	1,695,408
<b>Debt Service:</b>				
Principal	-	-	65,000	65,000
Interest and Fiscal Charges	-	-	110,133	110,133
<i>Total Expenditures</i>	<u>7,971,738</u>	<u>1,695,408</u>	<u>3,234,044</u>	<u>12,901,190</u>
<i>Excess of Revenues Over Expenditures</i>	<u>664,809</u>	<u>823,130</u>	<u>(667,876)</u>	<u>820,063</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	-	-	875	875
Transfers In	180,264	-	435,663	615,927
Transfers Out	(332,790)	(102,873)	(180,264)	(615,927)
<i>Total Other Financing Sources (Uses)</i>	<u>(152,526)</u>	<u>(102,873)</u>	<u>256,274</u>	<u>875</u>
<i>Net Change in Fund Balance</i>	512,283	720,257	(411,602)	820,938
<i>Fund Balances Beginning of Year</i>	<u>3,636,738</u>	<u>1,639,290</u>	<u>2,540,141</u>	<u>7,816,169</u>
<i>Fund Balances End of Year</i>	<u>\$4,149,021</u>	<u>\$2,359,547</u>	<u>\$2,128,539</u>	<u>\$8,637,107</u>

See accompanying notes to the basic financial statements.

**Dawson-Bryant Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$820,938</b>
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*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 in the current period:

Capital Asset Additions	1,889,664	
Depreciation Expense	(449,166)	1,440,498

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

Grants	(2,227,277)	
Charges for Services	103	
Delinquent Taxes	33,073	(2,194,101)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	65,000
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In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.	282
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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:

Intergovernmental Payables	94,070	
Vacation Benefits Payable	(19,875)	
Sick Leave Benefits Payable	(18,557)	55,638

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$188,255</u></u>
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See accompanying notes to the basic financial statements.

**Dawson-Bryant Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 833,881	\$ 775,964	\$ 963,730	\$ 187,766
Intergovernmental	6,380,611	7,378,710	7,374,174	(4,536)
Investment Earnings	75,730	100,000	87,522	(12,478)
Tuition and Fees	1,313	1,000	1,517	517
Miscellaneous	127,503	93,668	140,588	46,920
<i>Total Revenues</i>	<u>7,419,038</u>	<u>8,349,342</u>	<u>8,567,531</u>	<u>218,189</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,476,866	3,755,792	3,582,061	173,731
Special	562,908	562,398	599,895	(37,497)
Vocational	29,547	29,547	40,424	(10,877)
Other	2,846	2,846	6,665	(3,819)
Support Services:				
Pupil	283,416	283,416	344,246	(60,830)
Instructional Staff	264,383	264,383	322,417	(58,034)
Board of Education	17,465	17,465	22,356	(4,891)
Administration	667,213	667,213	697,215	(30,002)
Fiscal	237,749	237,749	209,971	27,778
Business	13,890	13,890	12,665	1,225
Operation and Maintenance of Plant	924,841	1,051,941	1,061,523	(9,582)
Pupil Transportation	856,751	856,751	671,924	184,827
Central	90,632	90,632	73,049	17,583
Extracurricular Activities:				
Academic Oriented Activities	28,925	28,925	28,324	601
Sport Oriented Activities	192,350	192,350	210,461	(18,111)
School and Public Service Co-Curricular Activities	-	-	1,832	(1,832)
<i>Total Expenditures</i>	<u>7,649,782</u>	<u>8,055,298</u>	<u>7,885,028</u>	<u>170,270</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(230,744)	294,044	682,503	388,459
<b>Other Financing Sources (Uses)</b>				
Transfers In	192,508	-	180,264	180,264
Transfers Out	(116,391)	(246,310)	(332,790)	(86,480)
Advances Out	(57,278)	(136,343)	(136,343)	-
<i>Total Other Financing Sources (Uses)</i>	<u>18,839</u>	<u>(382,653)</u>	<u>(288,869)</u>	<u>93,784</u>
<i>Net Change in Fund Balance</i>	(211,905)	(88,609)	393,634	482,243
<i>Fund Balance Beginning of Year</i>	4,405,817	4,405,817	4,405,817	-
Prior Year Encumbrances Appropriated	290,606	290,606	290,606	-
<i>Fund Balance End of Year</i>	<u>\$ 4,484,518</u>	<u>\$4,607,814</u>	<u>\$5,090,057</u>	<u>\$ 482,243</u>

See accompanying notes to the basic financial statements.

**Dawson-Bryant Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2005*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$466,933</u>
<b>Liabilities</b>	
Due to Others	\$435,935
Due to Students	<u>30,998</u>
<b>Total Liabilities</b>	<u>\$466,933</u>

See accompanying notes to the basic financial statements.

**Dawson-Bryant Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's three instructional/support facilities staffed by 47 classified employees, 108 certified teaching personnel, and 7 administrators, who provide services to 1,281 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 insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Dawson-Bryant Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District serves as fiscal agent for the Pilasco-Ross Special Education Regional Resource Center. The organization is presented as a fiduciary fund within the School District's financial statements. The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Plan, and the Lawrence County Schools Insurance Purchasing Consortium. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

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



## Dawson-Bryant Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

### ***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using two categories, governmental and fiduciary.

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

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

## Dawson-Bryant Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Classroom Facilities Capital Projects Fund** The Classroom Facilities Capital Projects Fund accounts for transactions related to the acquiring, constructing, improving, and renovating the School District's school facilities.

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

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

### C. Measurement Focus

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., 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 statements for governmental funds.

### D. Basis of Accounting

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

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

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

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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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, investment earnings, tuition, grants, fees, and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

#### ***E. Cash and Cash Equivalents***

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

During fiscal year 2005, investments consisted solely of overnight repurchase agreements. These nonparticipating investment contracts are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$131,311, which includes \$62,338 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as

**Dawson-Bryant Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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investments.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 services are consumed.

***G. Inventory***

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

***H. Capital Assets***

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

Description	Estimated Lives
Buildings and Improvements	50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 15 years

***I. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets represent amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

**Dawson-Bryant Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation for all eligible employees with one year of service with the School District.

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 classified and certified employees after fifteen years of current service with the School District.

The entire sick leave benefit liability is reported on the government-wide financial statements.

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

***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, compensated absences, and contractually required pension contributions 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. Bonds are recognized as a liability on the governmental fund financial statements when due.

***L. Interfund Activity***

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.

***M. Interfund Balances***

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

**Dawson-Bryant Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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***N. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, bus purchases, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specific purposes. The government-wide statement of net assets reports \$13,162,104 of restricted net assets. Of the restricted net assets, \$804,323 has resulted from enabling legislation.

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

***P. Extraordinary and Special Items***

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

***Q. Estimates***

The preparation of financial statements in conformity with U.S. 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.

***R. Budgetary Process***

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

**Dawson-Bryant Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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of control has been established by the Board of Education at the fund level. The Treasurer has the authority to allocate appropriations to the function and objects within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement 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 by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

### **Note 3 - Change in Accounting Principle**

#### ***Change in Accounting Principle***

For fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 identifies the disclosure requirements for deposits and investments.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The effect of the implementation of this technical bulletin had no material effect on fund balances and net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

The implementation of these Statements had no effect on the School District's financial statements for fiscal year 2005.

### **Note 4 - Accountability**

The following funds had deficit fund balances at June 30, 2005:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Food Service	\$ 21,319
Entry Year	19
Summer Intervention	2,843
ODE Tech Prep	144

**Dawson-Bryant Local School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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Miscellaneous State Grants	2,501
Title VI-B	13,097
Title I	41,295
Title V	16,621
Class Size Reduction	14,242

These deficits are due to adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

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

The following tables summarize 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	\$512,283
Revenue Accruals	(69,016)
Prepaid Items at Beginning of Fiscal Year	52,736
Prepaid Items at End of Fiscal Year	(63,094)
Advances In	(136,343)
Expenditure Accruals	286,462
Encumbrances	<u>(189,394)</u>
Budget Basis	<u>\$393,634</u>



**Dawson-Bryant Local School District**  
Notes to the Basic Financial Statements  
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**Note 6 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

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

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

## Dawson-Bryant Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,954,730 of the School District's bank balance of \$3,154,730 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments** As of June 30, 2005, the School District had an investment in a repurchase agreement which is part of the internal investment pool. The fair value of the repurchase agreement was \$8,836,812, and the investment has an average maturity of one day.

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

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

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer and 100% of the School District's total investments is invested in the repurchase agreement.

### **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December

**Dawson-Bryant Local School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$41,083 in the General Fund and \$7,365 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$39,290,110	82%	\$46,417,840	81%
Public Utility Personal	2,503,570	5%	3,106,470	5%
Tangible Personal Property	6,204,500	13%	7,802,200	14%
<b>Total</b>	<b>\$47,998,180</b>	<b>100%</b>	<b>\$57,326,510</b>	<b>100%</b>
 Tax Rate per \$1,000 of assessed valuation	 \$26.50		 \$26.50	

**Dawson-Bryant Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Note 8 - Receivables**

Receivables at June 30, 2005, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Ohio School Facilities Grant	\$8,525,084
Title IDEA-B	10,971
Title I	33,393
Title V	659
Drug Free Schools	2,947
Improving Teacher Quality	12,233
Miscellaneous State Grants	5,384
Total	<u>\$8,590,671</u>

On November 15, 2001, the School District was awarded \$12,164,584 for the construction of an elementary school and renovation of a middle/high school under the State's "Classroom Facilities Program". As of the end of fiscal year 2005, the School District has received \$3,639,500 of the amount awarded under this program. The remaining amount of \$8,525,084 is recorded as a receivable. Although the project was approved in fiscal year 2001, the land on which to build the facility was not purchased until fiscal year 2004, and the construction contracts were not awarded until fiscal year 2005.

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

**Dawson-Bryant Local School District**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

	<u>Balance</u> <u>6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2005</u>
<b>Capital Assets:</b>				
<b>Capital Assets not being depreciated:</b>				
Land and Land Improvements	\$368,134	\$ -	\$ -	\$368,134
Construction in Progress	628,834	1,695,408	-	2,324,242
<b>Total Capital Assets not being Depreciated</b>	<u>996,968</u>	<u>1,695,408</u>	<u>-</u>	<u>2,692,376</u>
<b>Depreciable Capital Assets:</b>				
Buildings and Improvements	14,829,500	-	-	14,829,500
Furniture and Equipment	1,251,174	65,085	-	1,316,259
Vehicles	768,202	129,171	(57,699)	839,674
<b>Total Capital Assets being Depreciated</b>	<u>16,848,876</u>	<u>194,256</u>	<u>(57,699)</u>	<u>16,985,433</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	(3,644,820)	(296,591)	-	(3,941,411)
Furniture and Equipment	(924,524)	(89,924)	-	(1,014,448)
Vehicles	(501,940)	(62,651)	57,699	(506,892)
<b>Total Accumulated Depreciation</b>	<u>(5,071,284)</u>	<u>(449,166) *</u>	<u>57,699</u>	<u>(5,462,751)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>11,777,592</u>	<u>(254,910)</u>	<u>-</u>	<u>11,522,682</u>
<b>Capital Assets, Net</b>	<u>\$12,774,560</u>	<u>\$1,440,498</u>	<u>\$ -</u>	<u>\$14,215,058</u>

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

<b>Instruction:</b>	
Regular	\$156,335
Special	57,986
<b>Support Services:</b>	
Pupil	13,297
Instructional Staff	37,309
Administration	34,075
Fiscal	5,113
Operation and Maintenance of Plant	34,093
Pupil Transportation	88,256
<b>Operation of Non-Instructional Services:</b>	
Food Service Operations	22,702
<b>Total Depreciation Expense</b>	<u>\$449,166</u>

**Note 10 - 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. During fiscal year 2005, the School District contracted with the Cincinnati Insurance Company for property and fleet insurance and inland marine coverage. The type and amount of coverage provided by the Cincinnati Insurance Company follows:

Building and Contents-replacement cost (\$500 deductible)	\$21,471,250
Boiler and Machinery (\$1,000 deductible)	500,000
<b>Inland Marine:</b>	
Band Uniforms (\$250 deductible)	32,516

## Dawson-Bryant Local School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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Computers (\$100 deductible)	50,000
Crime - Public Employee Dishonesty (\$4,000 deductible)	25,000
Automobile Liability (\$100 deductible):	
Bodily Injury and Property Damage - combined single limit	1,000,000
Medical Payments - each person	5,000
Uninsured Motorists	1,000,000

During fiscal year 2005, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 17).

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

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Complete Operations Aggregate Limit	1,000,000
Fire Legal Liability	500,000
Medical Expense Limit - per person/accident	10,000
Employers Liability - Stop Gap:	
Per Accident	1,000,000
Per Disease Each Employee	1,000,000
Per Disease Policy Limit	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	2,000,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

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 coverage in fiscal year 2004.

### **Note 11 - Employee Benefits**

#### ***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon retirement, employees receive payment for one-fourth of their accumulated sick leave accumulation, up to a maximum of

**Dawson-Bryant Local School District**  
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65 days.

***B. Insurance***

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays seventy-seven per cent of the total monthly premiums of \$1,071.59 for family coverage and \$434.15 for single coverage.

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

Dental insurance is provided through CoreSource. The School District pays one hundred percent of the monthly premium of \$53.50 for each employee.

Vision insurance is provided through Vision Service Plan. The School District pays one hundred percent of the monthly premium of \$20.13 for each employee.

**Note 12 - Contractual Commitments**

As of June 30, 2005, the School District had contractual purchase commitments for architectural and preliminary services on the renovation of school facilities for \$5,836,484. The contracts are accounted for in the Classroom Facilities Capital Projects Fund. As of June 30, 2005, the School District paid \$1,765,878 on these contracts, leaving a remaining balance on the contracts of \$4,070,606. In addition, the State paid \$261,276 of construction payments on behalf of the School District for the year ending June 30, 2005.

**Note 13 - Defined Benefit Pension Plans**

***A. State Teachers Retirement System***

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

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

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

Notes to the Basic Financial Statements  
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This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$733,333, \$314,339, and \$267,029, respectively; 86.97% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$2,597 made by the School District and \$6,129 made by the plan members.

### ***B. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$139,414, \$67,179, and \$54,639, respectively; 49.6% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.



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

Notes to the Basic Financial Statements  
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### **Note 14 - Postemployment Benefits**

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

STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$56,410 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll, a decrease of 1.48% from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400; however, the surcharge is capped at 2% of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$66,822 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

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

The changes in the School District's long-term obligations during the fiscal year consist of the following:

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	Principal Outstanding 6/30/04	Additions	Reductions	Principal Outstanding 6/30/05	Amounts Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
1995 School Building, 4.3-6.7%	\$1,780,000	\$ -	\$65,000	\$1,715,000	\$75,000
Sick Leave Benefits	457,080	87,072	68,515	475,637	136,057
Total Governmental Activities					
Long-Term Liabilities	<u>\$2,237,080</u>	<u>\$87,072</u>	<u>\$133,515</u>	<u>\$2,190,637</u>	<u>\$211,057</u>

The School District issued classroom facility improvement bonds in 1995 in the amount of \$2,170,010 to meet the matching requirement for a classroom facility project involving the Ohio School Facilities Commission. The project included the construction of a new high school, as well as renovations to a middle school and an elementary school. The bonds bear variable interest rates and are retired through the bond retirement debt service fund.

Sick leave benefits paid as severance to employees will be paid from the General Fund out of regular instruction, regardless of the fund and function from which the regular salary is paid.

The overall debt margin of the School District as of June 30, 2005, was \$5,842,355, with an unvoted debt margin of \$57,327.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$75,000	\$108,443	\$183,443
2007	80,000	104,467	184,467
2008	85,000	100,148	185,148
2009	100,000	95,473	195,473
2010	105,000	89,872	194,872
2011-2015	690,000	339,545	1,029,545
2016-2018	580,000	80,400	660,400
Total	<u>\$1,715,000</u>	<u>\$918,348</u>	<u>\$2,633,348</u>

**Note 16 - Jointly Governed Organizations**

***A. South Central Ohio Computer Association***

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. Dawson-Bryant Local School District paid \$49,200 for services

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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provided during fiscal year 2005. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

### ***B. Pilasco-Ross Special Education Regional Resource Center***

Pilasco-Ross is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the South Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Dawson-Bryant Local School District serves as the fiscal agent for Pilasco-Ross. Financial information can be obtained by contacting Jim Tordiff, Treasurer, 222 Lane Street, Coal Grove, Ohio 45638.

### **Note 17 - Insurance Purchasing Pools**

#### ***Ohio School Plan***

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

### **Note 18 - Set asides**

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

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

**Dawson-Bryant Local School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2004	\$57,745	(\$112,056)	(\$651,097)
Current Year Set-aside Requirement	-	190,629	190,629
Current Year Offsets	-	(8,714)	-
Qualifying Disbursements	<u>(57,745)</u>	<u>(230,615)</u>	<u>(206,083)</u>
Total	<u>\$ -</u>	<u>(\$160,756)</u>	<u>(\$666,551)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ -</u>	<u>(\$160,756)</u>	<u>(\$666,551)</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Note 19 - Interfund Balances and Transfers**

***A. Interfund Balances***

Interfund receivables and payables at June 30, 2005, consist of the following individual balances:

	Interfund Receivable	Interfund Payable
General Fund:	<u>\$138,843</u>	<u>\$ -</u>
Special Revenue Funds:		
Tech Prep	-	144
Miscellaneous State Grants	-	2,500
IDEA-B	-	28,423
Title I	-	22,132
Title V	-	38,037
Drug Free Schools	-	9,817
Miscellaneous Federal Grants	-	9,470
Class Size Reduction	-	28,320
Total Special Revenue Funds	<u>-</u>	<u>138,843</u>
Total All Funds	<u>\$138,843</u>	<u>\$138,843</u>

The General Fund made advances to these special revenue funds in anticipation of receiving grant proceeds at a later date. The advances will be repaid upon receipt of the grant monies.

**Dawson-Bryant Local School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**B. Transfers**

	General	Transfer to Nonmajor Governmental	Totals
Transfer from:			
General	\$ -	\$332,790	\$332,790
Classroom Facilities	-	102,873	102,873
Other Nonmajor Governmental	180,264	-	180,264
Total	<u>\$180,264</u>	<u>\$435,663</u>	<u>\$615,927</u>

During fiscal year 2005, the General Fund made transfers to other non-major governmental funds, in the amount of \$332,790, to subsidize various programs in other funds. The Classroom Facilities Major Capital Project Fund transferred \$102,873 to the Classroom Facilities Maintenance Special Revenue Fund. The IDEA-B Fund, a non-major special revenue fund transferred \$180,264 to the General Fund to close out program-years within the fund.

**Note 20 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigation**

The School District is not party to legal proceedings.

**SUPPLEMENTAL INFORMATION**

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through Ohio Department of Education:				
Food Donation	10.550	N/A	\$ 6,330	\$ 6,330
National School Breakfast Program	10.553	05-PU	75,893	78,617
National School Lunch Program	10.555	LL-P4/P1	242,402	242,403
Summer Food Service Program	10.559	23/24-PU	<u>45,650</u>	<u>45,650</u>
Total U.S. Department of Agriculture			<u>370,275</u>	<u>373,000</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I	84.010	C1-S1	554,253	659,916
IDEA, Part B	84.027	6B-SI/AA/SF/SA/II	1,049,749	1,354,578
Drug-Free Schools and Communities	84.186	DR-S1	10,725	11,120
Innovative Education Programs	84.298	C2-S1	9,899	12,437
Education Technology State Grant	84.318	TJ-S1	16,781	122,003
State Personnel Development Grants	84.323	STS1	52,159	-
Improving Teacher Quality State Grant	84.367	TR-S1	<u>145,446</u>	<u>120,762</u>
Total U.S. Department of Education			<u>1,839,012</u>	<u>2,280,816</u>
Total expenditures of Federal Awards			<u>\$ 2,209,287</u>	<u>\$ 2,653,816</u>

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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

**NOTE C - SPECIAL EDUCATION CLUSTER**

A portion of the Special Education Program (CFDA 84.027) is administered by Pilasco-Ross Special Educational Regional resources Center. Pilasco-Ross SERRC is a multi-county special education service organization which selects its own board, adopts its own budget, and receives direct Federal and State grants for its operation. The Dawson-Bryant Local School District serves as fiscal agent for the Pilasco-Ross SERRC.

Although, not authorized by the School District, the financial transactions of Pilasco-Ross SERRC are recorded and maintained by the School District Treasurer and are included in the basic financial statements as an Agency fund. The Ohio Department of Education requires the School District to include on their Schedule of Federal Award Expenditures, the federal receipts and expenditures of Pilasco-Ross SERRC.





Kelley,  
Galloway &  
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board  
Dawson-Bryant Local School District  
222 Lane Street  
Coal Grove, Ohio 45638

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, (the "District") as of and for the year ended June 30, 2005, and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to management of the District in a separate letter dated February 9, 2006.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the District in a separate letter dated February 9, 2006.

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

*Kelley, Galloway & Company, PSC*

February 9, 2006



Kelley,  
Galloway &  
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

▪ 1200 BATH AVENUE ▪ P. O. BOX 990 ▪ ASHLAND, KENTUCKY 41105-0990 ▪  
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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
Dawson-Bryant Local School District  
222 Lane Street  
Coal Grove, Ohio 45638

### Compliance

We have audited the compliance of the Dawson-Bryant Local School District, (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated February 9, 2006.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 9, 2006.

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

*Kelley, Galloway & Company, PSC*  
February 9, 2006

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**(1) Summary of Auditor's Results**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any reportable internal control conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	-Title I Grants to Local Educational Agencies - CFDA #84.010 -IDEA Part B - CFDA #84.027 -Food Service Cluster - CFDA #10.553, #10.555, and #10.559
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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

None.

**(3) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

None.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT  
STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-002	Personal Computer Purchase	No	Partially corrected - A payment plan has been put in place to allow the employees to reimburse the District the required amounts.
2003-008 & 2004-001	Appropriations Exceeded Estimated Resources	Yes	All instances were corrected.
2003-009 & 2004-002	Use of 412 Certificates	Yes	All instances were corrected.
2003-016	Fixed Asset Tracking	Yes	The District contracted with a firm in the current year to appraise fixed assets and update their fixed asset system.
2003-017	Improper Posting	Yes	All improper posting issues were corrected.
2003-019	Equipment and Real Property Management	Yes	The District contracted with a firm in the current year to appraise fixed assets and update their fixed asset system.
2003-023	Cash Management	Yes	Partially corrected - The Ohio Department of Education did not request repayment of the questioned costs.

**DAWSON-BRYANT LOCAL SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED JUNE 30, 2005**

**NAME OF CONTACT PERSON**

Jim Tordiff, Treasurer

**CORRECTIVE ACTION PLANNED**

None.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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**DAWSON BRYANT LOCAL SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**