

Dawson Bryant Local School District

Lawrence County

Single Audit

July 1, 2000 through June 30, 2001

Fiscal Year Audited Under GAGAS: 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

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

We have reviewed the Independent Auditor's Report of the Dawson-Bryant Local School District, Lawrence County, prepared by Balestra & Company, for the audit period July 1, 2000 to June 30, 2001. 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.

JIM PETRO
Auditor of State

January 2, 2002

This Page is Intentionally Left Blank.

DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditors' Report	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	2-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	7-10
Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type	11
Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type	12
Statement of Cash Flows - Proprietary Fund Type	13
Notes to General Purpose Financial Statements	14-37
Schedule of Federal Awards Expenditures	38
Notes to Schedule of Federal Awards Expenditures	39
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	40
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	41-42
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505	43-44

This Page is Intentionally Left Blank.

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the Dawson Bryant Local School District (the District), Lawrence County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Dawson Bryant Local School District, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund type 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 December 10, 2001, on our consideration of the Dawson Bryant Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 accompanying schedule of federal awards expenditures is presented for purpose 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

As described in Note 3 to the general purpose financial statements, the District implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

Balestra & Company
Balestra & Company

December 10, 2001

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$746,455	\$921,344	\$351,951	\$1,129,601
Receivables:				
Taxes	855,723	0	226,745	20,996
Accounts	0	0	0	0
Intergovernmental	0	118,678	0	8,897
Accrued Interest	2,234	1,000	0	0
Interfund Receivable	164,591	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Prepaid Items	67,085	3,693	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,367	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$1,900,455</u>	<u>\$1,044,715</u>	<u>\$578,696</u>	<u>\$1,159,494</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$1,035	\$950,900	\$0	\$0	\$4,101,286
0	0	0	0	1,103,464
5	0	0	0	5
55,626	0	0	0	183,201
0	0	0	0	3,234
0	0	0	0	164,591
3,437	0	0	0	3,437
232	0	0	0	232
0	0	0	0	70,778
0	0	0	0	64,367
106,740	0	18,550,785	0	18,657,525
0	0	0	354,011	354,011
0	0	0	2,435,801	2,435,801
<u>\$167,075</u>	<u>\$950,900</u>	<u>\$18,550,785</u>	<u>\$2,789,812</u>	<u>\$27,141,932</u>

(Continued)

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$61,368	\$1,990	\$0	\$0
Accrued Wages and Benefits Payable	596,054	78,713	0	0
Compensated Absences Payable	12,626	0	0	0
Interfund Payable	0	0	0	164,591
Intergovernmental Payable	213,870	14,174	0	7
Deferred Revenue	847,914	115,678	224,685	24,641
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>1,731,832</u>	<u>210,555</u>	<u>224,685</u>	<u>189,239</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	338,759	68,452	0	11,295
Reserved for Property Taxes	7,809	0	2,060	192
Reserved for Budget Stabilization	64,367	0	0	0
Unreserved:				
Undesignated (Deficit)	(242,312)	765,708	351,951	958,768
Total Fund Equity and Other Credits	<u>168,623</u>	<u>834,160</u>	<u>354,011</u>	<u>970,255</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,900,455</u>	<u>\$1,044,715</u>	<u>\$578,696</u>	<u>\$1,159,494</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$22,189	\$0	\$0	\$0	\$85,547
15,730	0	0	0	690,497
10,174	0	0	787,420	810,220
0	0	0	0	164,591
15,884	0	0	57,392	301,327
28,582	0	0	0	1,241,500
0	943,724	0	0	943,724
0	7,176	0	0	7,176
0	0	0	1,945,000	1,945,000
<u>92,559</u>	<u>950,900</u>	<u>0</u>	<u>2,789,812</u>	<u>6,189,582</u>
0	0	18,550,785	0	18,550,785
120,061	0	0	0	120,061
(45,545)	0	0	0	(45,545)
0	0	0	0	418,506
0	0	0	0	10,061
0	0	0	0	64,367
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,834,115</u>
<u>74,516</u>	<u>0</u>	<u>18,550,785</u>	<u>0</u>	<u>20,952,350</u>
<u>\$167,075</u>	<u>\$950,900</u>	<u>\$18,550,785</u>	<u>\$2,789,812</u>	<u>\$27,141,932</u>

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Taxes	\$768,401	\$0	\$203,499	\$18,844	\$990,744
Intergovernmental	6,035,099	1,290,308	33,132	320,517	7,679,056
Interest	161,438	1,000	0	0	162,438
Tuition and Fees	4,069	15,233	0	0	19,302
Extracurricular Activities	0	208,670	0	0	208,670
Miscellaneous	2,151	0	0	187,423	189,574
Total Revenues	6,971,158	1,515,211	236,631	526,784	9,249,784
<u>Expenditures:</u>					
<u>Current:</u>					
<u>Instruction</u>					
Regular	3,978,575	352,449	0	12,653	4,343,677
Special	786,738	585,732	0	79,277	1,451,747
Adult/Continuing	2,853	0	0	0	2,853
Other	16,014	5,099	0	0	21,113
<u>Support Services</u>					
Pupils	178,313	50,706	0	0	229,019
Instructional Staff	200,542	173,455	0	1,230	375,227
Board of Education	14,686	0	0	0	14,686
Administration	367,860	24,801	0	0	392,661
Fiscal	148,408	107	3,840	969	153,324
Operation and Maintenance of Plant	767,479	0	0	11,768	779,247
Pupil Transportation	405,647	0	0	20,300	425,947
Central	5,383	0	0	0	5,383
Non-Instructional Services	0	900	0	0	900
Extracurricular Activities	162,014	78,072	0	0	240,086
Capital Outlay	0	0	0	122,265	122,265
<u>Debt Service</u>					
Principal Retirement	0	0	45,000	0	45,000
Interest and Fiscal Charges	0	0	121,320	0	121,320
Total Expenditures	7,034,512	1,271,321	170,160	248,462	8,724,455
Excess of Revenues Over/(Under) Expenditures	(63,354)	243,890	66,471	278,322	525,329
<u>Other Financing Sources (Uses) :</u>					
Operating Transfers In	4,525	40,000	0	0	44,525
Operating Transfers Out	(85,000)	(4,525)	0	0	(89,525)
Total Other Financing Sources (Uses)	(80,475)	35,475	0	0	(45,000)
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(143,829)	279,365	66,471	278,322	480,329
Fund Balances at Beginning of Year	315,251	554,795	287,540	691,933	1,849,519
Decrease in Reserve for Inventory	(2,799)	0	0	0	(2,799)
Fund Balances at End of Year	\$168,623	\$834,160	\$354,011	\$970,255	\$2,327,049

See accompanying notes to the general purpose financial statements

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$780,118	\$780,118	\$0
Intergovernmental	6,085,214	6,085,214	0
Interest	163,812	163,812	0
Tuition and Fees	4,069	4,069	0
Extracurricular Activities	0	0	0
Miscellaneous	2,151	2,151	0
Total Revenues	<u>7,035,364</u>	<u>7,035,364</u>	<u>0</u>
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	4,068,505	4,068,505	0
Special	813,567	813,567	0
Adult/Continuing	2,852	2,852	0
Other	16,058	16,058	0
Support Services			
Pupils	209,720	209,720	0
Instructional Staff	195,166	195,166	0
Board of Education	14,464	14,464	0
Administration	365,905	365,905	0
Fiscal	155,473	155,473	0
Operation and Maintenance of Plant	784,751	784,751	0
Pupil Transportation	465,607	465,607	0
Central	5,383	5,383	0
Non-Instructional Services	0	0	0
Extracurricular Activities	151,481	151,481	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>7,248,932</u>	<u>7,248,932</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(213,568)</u>	<u>(213,568)</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	4,525	4,525	0
Operating Transfers Out	(85,000)	(85,000)	0
Total Other Financing Sources (Uses)	<u>(80,475)</u>	<u>(80,475)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(294,043)</u>	<u>(294,043)</u>	<u>0</u>
Fund Balances at Beginning of Year	652,056	652,056	0
Prior Year Encumbrances Appropriated	<u>623,314</u>	<u>623,314</u>	<u>0</u>
Fund Balances at End of Year	<u>\$981,327</u>	<u>\$981,327</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements (Continued)

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	1,252,121	1,252,121	0
Interest	0	0	0
Tuition and Fees	15,233	15,233	0
Extracurricular Activities	208,670	208,670	0
Miscellaneous	0	0	0
Total Revenues	1,476,024	1,476,024	0
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	350,089	350,089	0
Special	595,332	595,332	0
Adult/Continuing	0	0	0
Other	6,649	6,649	0
Support Services			
Pupils	46,001	46,001	0
Instructional Staff	227,097	227,097	0
Board of Education	0	0	0
Administration	34,202	34,202	0
Fiscal	132	132	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	1,024	1,024	0
Extracurricular Activities	93,421	93,421	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,353,947	1,353,947	0
Excess of Revenues Over (Under) Expenditures	122,077	122,077	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	350,707	40,000	(310,707)
Operating Transfers Out	(315,232)	(4,525)	310,707
Total Other Financing Sources (Uses)	35,475	35,475	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	157,552	157,552	0
Fund Balances at Beginning of Year	262,084	262,084	0
Prior Year Encumbrances Appropriated	59,074	59,074	0
Fund Balances at End of Year	\$478,710	\$478,710	\$0

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$206,634	\$206,634	\$0	\$19,133	\$19,133	\$0
33,132	33,132	0	315,457	315,457	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	187,423	187,423	0
<u>239,766</u>	<u>239,766</u>	<u>0</u>	<u>522,013</u>	<u>522,013</u>	<u>0</u>
0	0	0	33,448	33,448	0
0	0	0	79,278	79,278	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,130	2,130	0
0	0	0	0	0	0
0	0	0	0	0	0
3,840	3,840	0	969	969	0
0	0	0	11,768	11,768	0
0	0	0	20,300	20,300	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	122,265	122,265	0
45,000	45,000	0	0	0	0
<u>121,320</u>	<u>121,320</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>170,160</u>	<u>170,160</u>	<u>0</u>	<u>270,158</u>	<u>270,158</u>	<u>0</u>
<u>69,606</u>	<u>69,606</u>	<u>0</u>	<u>251,855</u>	<u>251,855</u>	<u>0</u>
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
69,606	69,606	0	251,855	251,855	0
282,345	282,345	0	564,808	564,808	0
0	0	0	137,050	137,050	0
<u>\$351,951</u>	<u>\$351,951</u>	<u>\$0</u>	<u>\$953,713</u>	<u>\$953,713</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

(Continued)

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$1,005,885	\$1,005,885	\$0
Intergovernmental	7,685,924	7,685,924	0
Interest	163,812	163,812	0
Tuition and Fees	19,302	19,302	0
Extracurricular Activities	208,670	208,670	0
Miscellaneous	189,574	189,574	0
Total Revenues	<u>9,273,167</u>	<u>9,273,167</u>	<u>0</u>
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	4,452,042	4,452,042	0
Special	1,488,177	1,488,177	0
Adult/Continuing	2,852	2,852	0
Other	22,707	22,707	0
Support Services			
Pupils	255,721	255,721	0
Instructional Staff	424,393	424,393	0
Board of Education	14,464	14,464	0
Administration	400,107	400,107	0
Fiscal	160,414	160,414	0
Operation and Maintenance of Plant	796,519	796,519	0
Pupil Transportation	485,907	485,907	0
Central	5,383	5,383	0
Non-Instructional Services	1,024	1,024	0
Extracurricular Activities	244,902	244,902	0
Capital Outlay	122,265	122,265	0
Debt Service:			
Principal Retirement	45,000	45,000	0
Interest and Fiscal Charges	121,320	121,320	0
Total Expenditures	<u>9,043,197</u>	<u>9,043,197</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>229,970</u>	<u>229,970</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	355,232	44,525	(310,707)
Operating Transfers Out	<u>(400,232)</u>	<u>(89,525)</u>	<u>310,707</u>
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	184,970	184,970	0
Fund Balances at Beginning of Year	1,761,293	1,761,293	0
Prior Year Encumbrances Appropriated	<u>819,438</u>	<u>819,438</u>	<u>0</u>
Fund Balances at End of Year	<u>\$2,765,701</u>	<u>\$2,765,701</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$169,024
Total Operating Revenues	169,024
<u>Operating Expenses:</u>	
Salaries	112,089
Fringe Benefits	37,939
Purchased Services	33,350
Materials and Supplies	80,538
Cost of Sales	186,593
Depreciation	150
Total Operating Expenses	450,659
Operating Loss	(281,635)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	16,871
Federal and State Subsidies	179,896
Total Non-Operating Revenues	196,767
Net Loss Before Transfers	(84,868)
Operating Transfers In	45,000
Net Loss	(39,868)
Retained Earnings/(Deficit) at Beginning of Year	(5,677)
Retained Earnings/(Deficit) at End of Year	(45,545)
Contributed Capital at Beginning and End of Year	120,061
Total Fund Equity at End of Year	\$74,516

See accompanying notes to the general purpose financial statements

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$169,019	\$169,019	\$0
Federal and State Subsidies	196,722	196,722	0
Total Revenues	<u>365,741</u>	<u>365,741</u>	<u>0</u>
<u>Expenses</u>			
Salaries	128,531	128,531	0
Fringe Benefits	19,836	19,836	0
Purchased Services	33,350	33,350	0
Materials and Supplies	226,569	226,569	0
Capital Outlay	3,000	3,000	0
Total Operating Expenses	<u>411,286</u>	<u>411,286</u>	<u>0</u>
Excess of Revenues Under Expenses	(45,545)	(45,545)	0
Operating Transfers In	<u>45,000</u>	<u>45,000</u>	<u>0</u>
Excess of Revenues Under Expenses and Transfers	(545)	(545)	0
Fund Equity at Beginning of Year	360	360	0
Prior Year Encumbrances Appropriated	<u>950</u>	<u>950</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$765</u></u>	<u><u>\$765</u></u>	<u><u>\$0</u></u>

See accompanying notes to the general purpose financial statements

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$169,019
Cash Payments to Suppliers for Goods and Services	(259,649)
Cash Payments for Employee Services and Benefits	(148,367)
Net Cash Used for Operating Activities	(238,997)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	196,722
Operating Transfers In	45,000
Net Cash Provided by Noncapital Financing Activities	241,722
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(3,000)
Net Decrease in Cash and Cash Equivalents	(275)
Cash and Cash Equivalents at Beginning of Year	1,310
Cash and Cash Equivalents at End of Year	\$1,035
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(281,635)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	150
Donated Commodities Used During Year	16,871
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(5)
Decrease in Inventory Held for Resale	1,227
Decrease in Materials and Supplies Inventory	545
Decrease in Accounts Payable	22,189
Increase in Accrued Wages and Benefits Payable	(656)
Increase in Compensated Absences Payable	(56)
Decrease in Intergovernmental Payable	2,373
Total Adjustments	42,638
Net Cash Used for Operating Activities	(\$238,997)

See accompanying notes to the general purpose financial statements

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

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 mandated by State and/or federal agencies. This Board of Education controls the School District's five instructional/support facilities staffed by 49 noncertified employees, 92 certificated full time teaching personnel and eight administrators who provide services to 1,326 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure 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 for the organization. The School District has no component units.

The School District serves as fiscal agent for Pilasco-Ross SERRC. This organization is presented as an agency fund within the School District's financial statements. The School District participates in two jointly governed organizations and discontinued participation during fiscal year 2001 in an insurance purchasing pool. These organizations are presented in Note 10 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Lawrence County Joint Vocational School District
South Central Ohio Computer Association

Insurance Purchasing Entity Risk Pool:

Lawrence County Schools Insurance Purchasing Consortium

Note 2 - Summary of Significant Accounting Policies

The financial statements of Dawson-Bryant Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 proprietary 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 General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

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 General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (Note 7) Revenue from grants 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 fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 the governmental funds.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (Continued)

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to June 30, the Board requested and received an amended certificate in which of estimated resources equalled actual revenue for the fiscal year.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The Board has delegated to the Treasurer the authority to allocate appropriations to the function and object levels. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Prior to June 30, the School District's Board passed an appropriation resolution which matched actual expenditures/expenses for the fiscal year.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to certificates of deposit and 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 2001 amounted to \$161,438, which includes \$100,856 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

The School District had a negative cash balance of \$164,591 in the Building Capital Projects Fund, indicating that revenues from other sources were used to pay obligations of this fund contrary to Ohio Revised Code Sections 5705.10.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food and are expended when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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 year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not possess any infrastructure.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Fixed Assets and Depreciation (Continued)

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed 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 time when earned for all employees with more than one year of service.

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 payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the school district's termination policy. The School District records a liability for accumulated unused sick leave for employees after 15 years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, claims, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid after sixty days are considered not to have been paid with current available financial resources. Bonds are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Interfund Transactions (Continued)

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves

The School District reserves those portions of fund equity 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, property taxes and budget stabilization.

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

L. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. There were no changes to contributed capital during the fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Estimates

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

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables"

Note 3 - Changes in Accounting Principles

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2000.

Note 4 - Accountability and Compliance

A. Accountability

The following funds had deficit fund balances at June 30, 2001:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
EMIS	\$1,067
SchoolNet Professional Development	888
Pilasco Preschool	16
Capital Projects Funds:	
Building Fund	164,591
Problem Based Learning Telecommunication	7

The general fund is liable for any deficit in the special revenue funds and provides operating transfers when cash is required, not when accruals occur. The above negative fund balances are a result of journal entries required by accounting principals generally accepted in the United States of America.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
 June 30, 2001

Note 4 - Accountability and Compliance (Continued)

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001:

Fund Type/Fund	Estimated Resources	Appropriations	Excess
Special Revenue Fund:			
Professional Development	\$263,902	\$263,924	\$22
Capital Projects Fund:			
Building Fund	(160,591)	4,000	164,591

In the future, the School District will revise the appropriation resolution during the year and amend the certificate of estimated resources as needed in an effort to eliminate appropriations in excess of estimated revenues.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of accounting principles generally accepted in the United States of America (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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund Type are 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 basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
 June 30, 2001

Note 5 - Budgetary Basis of Accounting (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$143,829)	\$279,365	\$66,471	\$278,322
Revenue Accruals	64,206	(39,188)	3,135	(4,772)
Prepaid Items	(67,085)	(3,693)	0	0
Transfers In	0	0	0	0
Expenditure Accruals	219,310	(8,857)	0	(10,398)
Transfers Out	0	0	0	0
Encumbrances	(366,645)	(70,075)	0	(11,297)
Budget Basis	<u>(\$294,043)</u>	<u>\$157,552</u>	<u>\$69,606</u>	<u>\$251,855</u>

Net Loss/Excess of Revenues Under Expenses Proprietary Fund Type	
	<u>Enterprise</u>
GAAP Basis	(\$39,868)
Revenue Accruals	16,821
Materials and Supplies Inventory	(545)
Inventory Held for Resale	(1,227)
Expense Accruals	24,394
Depreciation Expense	150
Encumbrances	(270)
Budget Basis	<u>(\$545)</u>

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.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 6 - Deposits and Investments (Continued)

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 6 - Deposits and Investments (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year-end, the carrying amount of the School District's deposits was \$888,653 and the bank balance was \$1,270,255. Of the bank balance:

1. \$263,571 was covered by federal depository insurance; and
2. \$1,006,684 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Value
Repurchase Agreements	\$3,277,000	\$3,277,000

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 6 - Deposits and Investments (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$4,165,653	\$0
Repurchase Agreements	(3,277,000)	3,277,000
GASB Statement 3	\$888,653	\$3,277,000

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 located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility real and tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. 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.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
 June 30, 2001

Note 7 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$35,531,790	84.13%	\$35,674,890	83.57%
Public Utility Personal	5,825,030	13.79%	5,734,060	13.43%
Tangible Personal Property	878,070	2.08%	1,277,310	2.99%
Total	\$42,234,890	100.00%	\$42,686,260	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$26.50		 \$26.50	

The School District receives property taxes from Lawrence County. The Lawrence 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2001, was \$10,061 and is recognized as revenue. \$7,809 was available to the General Fund, \$2,060 was available to the Debt Service Fund and \$192 was available to the Capital Projects Fund.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
 June 30, 2001

Note 8 - Receivables

Receivables at June 30, 2001, consisted of taxes, accounts (rent and tuition), accrued interest, 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. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Special Revenues Funds:	
Truancy State Grant	3,000
Title VI-B Grant	79,404
Classroom Reduction Grant	36,274
Total Special Revenues Funds	118,678
Capital Projects Funds:	
SchoolNet Plus Grant	\$5,060
SchoolNet Power Up	3,837
Total Capital Projects Funds	8,897
Enterprise Fund:	
Food Service - National School Lunch	55,626
Total Intergovernmental Receivables	\$183,201

Note 9 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$244,876
Less: accumulated depreciation	(138,136)
Net Fixed Assets	\$106,740

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
 June 30, 2001

Note 9 - Fixed Assets (Continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Land and Improvements	\$174,637	\$0	\$0	\$174,637
Buildings and Improvements	14,997,598	0	0	14,997,598
Textbooks	249,441	0	0	249,441
Vehicles	834,330	74,546	109,700	799,176
Furniture and Equipment	2,071,451	262,982	4,500	2,329,933
Total General Fixed Assets	<u>\$18,327,457</u>	<u>\$337,528</u>	<u>\$114,200</u>	<u>\$18,550,785</u>

There was no significant construction in progress at June 30, 2001.

Note 10 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake-Union Exempted Village School District, two from the Ironton City School District and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

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. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Dawson-Bryant Local School District paid \$2,662 for services provided during fiscal year 2001. 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. Insurance Purchasing Pool

The School District discontinued participation during fiscal year 2001 in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers. Participants paid \$5 per month per participating employee to the consortium to cover the costs of administering the program.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001, the School District contracted with Cincinnati Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$500 deductible.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 11 - Risk Management (Continued)

Professional liability is protected by The Cincinnati Insurance Company with a \$1,000,000 single occurrence limit and no deductible. Vehicles are covered by Grange Insurance and hold no deductible for comprehensive and \$100 deductible for collision.

Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

The School District discontinued participation during fiscal year 2001 in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 10). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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, 2001, 2000, and 1999 were \$36,459, \$71,687 and \$102,610, respectively; 29.79 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 12 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$288,422, \$337,671 and \$203,652, respectively; 84.79 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (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.

All STRS benefit recipients and sponsored 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. Most 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 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$384,563 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,401. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$96,963.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 13 - Postemployment Benefits (Continued)

The surcharge, added to the unallocated portion of the 14 percent 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 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 250 days of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 60 days.

B. *Life Insurance, Health, Dental, and Vision Insurance*

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

Health insurance is provided by Medical Mutual Insurance Company. Premiums for this coverage are \$757.05 for family coverage and \$360.94 for single coverage. The School District pays 85% of single and 82% of family coverage premium. Health insurance was previously offered to employees through a self insurance program (Note 10).

Dental insurance is provided by CoreSource, Inc.. Premiums for this coverage are \$48.00 for both single and family coverage. The School District pays 100% of the premium. Vision insurance is provided by Vision Service Plan. Premiums for this coverage are \$18.47 for both single and family coverage. The School District pays 100% of the premium.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2001, were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Claims Payable	\$106,572	\$0	\$106,572	\$0
General Obligation Bonds:				
1995 School Building, Variable Interest	1,990,000	0	45,000	1,945,000
Compensated Absences	678,885	128,929	20,394	787,420
Intergovernmental Payable	60,030	57,392	60,030	57,392
Total General Long-Term Obligations	<u>\$2,835,487</u>	<u>\$186,321</u>	<u>\$231,996</u>	<u>\$2,789,812</u>

Medical/surgical insurance was previously offered to employees through a self-insurance program recorded in the general fund and in the General Long-Term Obligations Account Group. During fiscal year 2001, the School District discontinued the self-insurance program. There were no outstanding claims at June 30, 2001. Compensated absences will be paid from the fund from which the employee is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

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 State Department of Education. The project included the construction of a new high school, and renovations to the middle school and elementary school. The bonds bear variable interest rates and are retired through the bond retirement debt service fund.

In addition to the classroom facilities bonds, the School District received a loan in 1995 in the amount of \$11,747,453 from the State Department of Education to provide additional financing for the projects. The loan was being repaid through the bond retirement debt service fund with the proceeds of a .5 mill levy. The term of the loan was 23 years or until the loan was repaid, whichever came first. Annual payments were limited to the amount of tax revenues received each fiscal year. The balance of the loan, if any, remaining after 23 years would be forgiven.

In 1996, the State law was amended to permit the School District to enter into a supplemental agreement which allowed for one-half of the levy to be used for maintenance of the classroom facilities project and the other half of the levy to be used to repay the loan for the classroom facilities from the State. In September 2001, Section 6 of Amended Senate Bill 272, eliminated the requirement for the School District to repay the loan and required that the entire one-half mill levy to be retained for maintenance of the project facility.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
 June 30, 2001

Note 15 - Long-Term Obligations (Continued)

The School District's overall legal debt margin was \$6,690,912 with an unvoted debt margin of \$42,868 at June 30, 2001. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	50,000	120,218	170,218
2003	55,000	117,718	172,718
2004	60,000	114,913	174,913
2005	65,000	111,823	176,823
2006	75,000	108,443	183,443
2007-2011	485,000	473,905	958,905
2012-2016	750,000	294,465	1,044,465
2017-2018	405,000	41,540	446,540
	<u>\$1,945,000</u>	<u>\$1,383,025</u>	<u>\$3,328,025</u>

Note 16 - Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2001, consist of the following individual balances:

	Interfund Receivable	Interfund Payable
General Fund	\$164,591	\$0
Capital Projects Fund		
Building Fund	0	164,591
Total All Funds	<u>\$164,591</u>	<u>\$164,591</u>

Note 17 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. 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, 2001.

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 18 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ! A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- ! Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 27, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Note 19 - Set-Aside Calculations and Fund Reserves

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 year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, Amended Substitute Senate Bill 345, the requirement for a school district to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget stabilization set-aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The statute also authorized the School District to use all or part of the funds formerly included in the budget reserve for the purpose of providing the district's portion of the basic project costs of any project undertaken in accordance with Chapter 3318, R.C., Classroom Facilities.

Dawson-Bryant Local School District
Notes to the General Purpose Financial Statements
June 30, 2001

Note 19 - Set-Aside Calculations and Fund Reserves (Continued)

Senate Bill 345 places special conditions on any Bureau of Workers' Compensation (BWC) monies remaining in the budget reserve set aside as of April 10, 2001. Any portion of the budget reserve set-aside consisting of refunds or rebates from BWC that were previously required by law to be deposited into the budget reserve may be used solely for the following purposes:

- ! To offset a budget deficit;
- ! For school facility construction, renovation or repair;
- ! For textbooks or instructional materials, including science equipment or laboratories;
- ! For the purchase of school buses; or
- ! For professional development of teachers.

BWC refunds or rebates received after April 10, 2001 are not required to be deposited into the school district's budget reserve.

The School District has elected to establish the Budget Stabilization Reserve in accordance with Senate Bill 345 and 5705.13, R.C., for the BWC refund or rebate amounts received prior to April 10, 2001 in the amount of \$64,367 and will be used for one or more of the above listed purposes. The balance of the Budget Stabilization Reserve which does not represent BWC rebates or refunds has been returned to the general fund.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance, June 30, 2000	\$0	\$5,261	\$90,708
Current Year Set-aside Requirement	135,697	135,697	0
Reduction in Budget Stabilization based on Statutory Revision	0	0	(26,341)
Qualifying Disbursements	(404,374)	(177,050)	0
Totals	<u>(\$268,677)</u>	<u>(\$36,092)</u>	<u>\$64,367</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$268,677)</u>	<u>(\$36,092)</u>	<u>\$64,367</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$64,367</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks and capital acquisition set-aside amounts below zero. These extra amounts may be used to reduce the textbooks and capital acquisition set-aside requirements in future fiscal years.

Dawson-Bryant Local School District
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$4,491	\$0	\$16,871
National School Breakfast Program	05-PU	10.553	37,358	0	37,358	0
National School Lunch Program	04-PU	10.555	145,828	0	145,828	0
Total United States Department of Agriculture - Nutrition Cluster			183,186	4,491	183,186	16,871
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Title VI-B	6B-SI	84.027	1,506,368	0	709,684	0
Special Education Preschool Grant	PG-S7	84.173	83,315	0	88,157	0
Total Special Education Cluster			1,589,683	0	797,841	0
Title I	C1-S1	84.010	443,320	0	347,353	0
Secondary Education and Transitional Services	PF-S1	84.158	0	0	17,156	0
Drug Free Education	DR-S1	84.186	5,564	0	6,649	0
Goals 2000	G2-SU	84.276	567,595	0	469,761	0
Eisenhower Professional Development	MS-S1	84.281	10,346	0	0	0
Innovative Education Program Strategy	C2-S1	84.298	6,640	0	7,372	0
Tech Literacy Challenge	TF-32	84.318	150,000	0	180,324	0
Class Size Reduction	CR-S1	84.340	31,739	0	24,235	0
Total United States Department of Education			2,804,887	0	1,850,691	0
Total Federal Financial Assistance			\$2,988,073	\$4,491	\$2,033,877	\$16,871

N/A - not available

See accompanying notes to the Schedule of Federal Awards Expenditures.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C - - SPECIAL EDUCATION CLUSTER

A portion of the Special Education Cluster programs are administered by Pilasco-Ross Special Education Regional Resource 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 directly controlled by the School District, the financial transactions of Pilasco-Ross SERRC are handled by the Treasurer of the School District and are included in the general-purpose financial statements as an Agency Fund. The Ohio Department of Education requires the School District to include on their Schedule of Federal Awards Expenditures the federal receipts and expenditures of Pilasco-Ross SERRC.

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial Reporting 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 financial statements of the Dawson Bryant Local School District, Lawrence County, as of and for the year ended June 30, 2001, in which we indicated the District had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated December 10, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether Dawson Bryant Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Dawson Bryant Local School District in a separate letter dated December 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dawson Bryant Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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 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 certain immaterial instances of noncompliance, which we have reported to management of Dawson Bryant Local School District in a separate letter dated December 10, 2001.

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

Balestra & Company
Balestra & Company

December 10, 2001

BALESTRA & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639 E-Mail: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance With Requirements Applicable to Each Major Program and on 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 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 its major federal program for the year ended June 30, 2001. Dawson Bryant Local School District's major federal program is 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 its major federal program is the responsibility of Dawson Bryant Local School District's management. Our responsibility is to express an opinion on Dawson Bryant Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Dawson Bryant Local School 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 Dawson Bryant Local School District's compliance with those requirements.

In our opinion, Dawson Bryant Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Dawson Bryant Local School 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 Dawson Bryant Local School 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.

Members of the Board
Dawson Bryant Local School District
Coal Grove, Ohio 45638
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133
Page 2

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.

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

Balestra & Company
Balestra & Company

December 10, 2001

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable 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 section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Title VI-B CFDA #84.027, Special Education Preschool Grant CFDA #84.173 & Goals 2000 CFDA #84.276
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2001**

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

Finding Number	None
----------------	------

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 22, 2002**