



**Auditor of State
Betty Montgomery**

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Accountants' Report | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 11 |
| Statement of Activities..... | 12 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 13 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..... | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund | 17 |
| Statement of Fiduciary Assets and Liabilities - Agency Funds | 18 |
| Notes to the Basic Financial Statements..... | 19 |
| Schedule of Federal Awards Receipts and Expenditures | 44 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures..... | 45 |
| Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 47 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133..... | 49 |
| Schedule of Findings – <i>OMB Circular A-133 §.505</i> | 51 |
| Schedule of Prior Year Audit Findings – <i>OMB Circular A-133 §.315(b)</i> | 81 |
| Corrective Action Plan - <i>OMB Circular A-133 §.315(c)</i> | 82 |

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson Bryant Local School District, Lawrence County, as of June 30, 2003, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund thereof 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 June 15, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Dawson Bryant Local School District
Lawrence County
Independent Accountants' Report
Page 2

The Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 15, 2004

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

The discussion and analysis of the Dawson Bryant Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2003 are as follows:

- Net assets of governmental activities increased \$945,352.
- General revenues accounted for \$7,951,725 or 72% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,023,641 or 28% of total revenues of \$10,975,366.
- Total assets of governmental activities increased \$1,321,803. Equity in Pooled Cash and Cash Equivalents increased \$1,323,333.
- The School District had \$10,030,014 in expenses related to governmental activities; only \$3,023,641 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$7,951,725 were adequate to provide for these programs.
- The School District only has two major funds; the General Fund and the Classroom Facilities Capital Project Fund. The General Fund had \$8,194,654 in revenues and \$7,495,808 in expenditures. The General Fund's balance increased \$698,846. The Classroom Facilities Fund had \$458,344 in revenues and \$177,890 in expenditures. The Classroom Facilities Fund balance increased by \$280,454.

Using this Annual Financial Report

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

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

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Classroom Facilities Capital Project Fund.

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

Dawson Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

Table 1
Net Assets

| | Governmental Activities | |
|---|-------------------------|--------------|
| | 2003 | 2002 |
| Assets | | |
| Current and Other Assets | \$19,903,807 | \$18,477,020 |
| Capital Assets | 12,706,422 | 12,811,406 |
| Total Assets | 32,610,229 | 31,288,426 |
| Liabilities | | |
| Long-term Liabilities | 2,280,019 | 2,395,832 |
| Other Liabilities | 2,761,791 | 2,532,236 |
| Total Liabilities | 5,041,810 | 4,928,068 |
| Net Assets | | |
| Invested in Capital Assets, Net of Debt | 10,866,422 | 10,916,406 |
| Restricted | 15,419,187 | 15,111,004 |
| Unrestricted | 1,282,810 | 332,948 |
| Total Net Assets | \$27,568,419 | \$26,360,358 |

Total assets increased \$1,321,803. Equity in pooled cash and cash equivalents increased \$1,323,333. Capital assets decreased by \$104,984. The increase in cash comes from additional Parity Aid to low wealth school districts, as well as an increase in property tax revenues. The increase in revenues was not matched by additional expenditures.

Total liabilities increased \$113,742.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003, and comparisons to fiscal year 2002.

Table 2
Changes in Net Assets

| | <u>Governmental Activities</u> | |
|--|--------------------------------|---------------------|
| | <u>2003</u> | <u>2002</u> |
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$504,982 | \$517,447 |
| Operating Grants, Contributions and Interest | 2,177,534 | 2,069,596 |
| Capital Grants and Contributions | 341,125 | 152,094 |
| Total Program Revenues | <u>3,023,641</u> | <u>2,739,137</u> |
| General Revenues | | |
| Property Taxes | 1,193,307 | 1,058,829 |
| Grants and Entitlements | 6,665,462 | 18,922,096 |
| Gain on Sale of Capital Assets | 0 | 26,524 |
| Investment Earnings | 60,359 | 73,033 |
| Miscellaneous | 32,597 | 6,925 |
| Total General Revenues | <u>7,951,725</u> | <u>20,087,407</u> |
| Total Revenues | <u>10,975,366</u> | <u>22,826,544</u> |
| Expenses | | |
| Instruction: | | |
| Regular | 4,620,633 | 4,390,864 |
| Special | 1,725,679 | 1,486,819 |
| Vocational | 565 | 4,733 |
| Adult/Continuing | 0 | 500 |
| Support Services: | | |
| Pupil | 253,841 | 321,471 |
| Instructional Staff | 436,456 | 540,801 |
| Board of Education | 15,305 | 31,284 |
| Administration | 527,157 | 597,247 |
| Fiscal | 165,333 | 180,740 |
| Operation and Maintenance of Plant | 879,729 | 807,025 |
| Pupil Transportation | 487,828 | 476,745 |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 531,509 | 493,938 |
| Other | 7,581 | 7,171 |
| Extracurricular Activities | 261,980 | 271,781 |
| Interest and Fiscal Charges | 116,418 | 118,767 |
| Total Expenses | <u>10,030,014</u> | <u>9,729,886</u> |
| Increase in Net Assets | <u>\$945,352</u> | <u>\$13,096,658</u> |

Instruction expenses increased due to contractual salary increases. General revenues decreased \$12,135,682 due to the recognition in fiscal year 2002 of revenue for an Ohio School Facilities Commission grant to build a new elementary school.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

Property taxes made up approximately 10% of revenues for governmental activities for the Dawson Bryant Local School District in fiscal year 2003, indicating a heavy reliance on general revenues other than property taxes.

Instruction comprises approximately 62% of governmental program expenses.

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

Table 3
Governmental Activities

| | Total Cost of Services <u>2003</u> | Net Cost of Services <u>2003</u> | Total Cost of Services <u>2002</u> | Net Cost of Services <u>2002</u> |
|--|--|--|--|--|
| Program Expenses | | | | |
| Instruction: | | | | |
| Regular | \$4,620,633 | \$3,849,118 | \$4,390,864 | \$3,761,646 |
| Special | 1,725,679 | 468,254 | 1,486,819 | 510,562 |
| Vocational | 565 | 565 | 4,733 | (48,268) |
| Adult/Continuing | 0 | (50,095) | 500 | 500 |
| Support Services: | | | | |
| Pupil | 253,841 | 239,125 | 321,471 | 277,376 |
| Instructional Staff | 436,456 | 278,805 | 540,801 | 322,089 |
| Board of Education | 15,305 | 15,305 | 31,284 | 31,284 |
| Administration | 527,157 | 499,388 | 597,247 | 558,327 |
| Fiscal | 165,333 | 165,333 | 180,740 | 179,110 |
| Operation and Maintenance of Plant | 879,729 | 879,729 | 807,025 | 806,963 |
| Pupil Transportation | 487,828 | 429,130 | 476,745 | 363,364 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 531,509 | (20,491) | 493,938 | (6,875) |
| Other | 7,581 | 1,064 | 7,171 | 3,123 |
| Extracurricular Activities | 261,980 | 134,725 | 271,781 | 112,781 |
| Interest and Fiscal Charges | 116,418 | 116,418 | 118,767 | 118,767 |
| Total | <u>\$10,030,014</u> | <u>\$7,006,373</u> | <u>\$9,729,886</u> | <u>\$6,990,749</u> |

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2003, approximately 70% of instruction activities were supported through taxes and other general revenues.

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,860,272 and expenditures of \$10,059,919. The School District is able to operate without additional operating levies and is able to pay bills in a timely manner.

Dawson Bryant Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$8,120,399, above original estimates of \$7,672,972. The \$447,427 difference was due to conservative budgeting. Original appropriations of \$8,011,500 were decreased to \$7,873,814, due to conservative spending.

The School District's ending unobligated general fund balance was \$1,921,191.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$12,706,422 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4
Capital Assets
(Net of Depreciation)

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2003 | 2002 |
| Land and Land Improvements | \$174,634 | \$174,634 |
| Buildings and Improvements | 11,403,307 | 11,652,956 |
| Furniture and Equipment | 448,357 | 585,247 |
| Vehicles | 301,685 | 241,315 |
| Construction in Progress | 378,439 | 157,254 |
| Totals | <u>\$12,706,422</u> | <u>\$12,811,406</u> |

See Note 8 for more information on Capital Assets.

Debt

At June 30, 2003, the School District had \$1,840,000 in general obligation bonds outstanding. The bonds were originally issued in 1995 to meet the matching requirement for a classroom facility project involving the Ohio School Facilities Commission.

See Note 14 for more information on Debt.

Dawson Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

Economic Factors

Over the past several years the School District has remained in a stable financial position and has increased its cash balance carry-over the last 10 years. The School District's assessed values upon which taxes are collected is \$47,000,000. Another indication that the District cannot rely on property tax revenue to fully support its programs is that each mill of a tax levy would generate \$47,000, an increase in total revenue of about two-tenths of a percent.

Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District will be able to maintain its current financial position.

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

Contacting the School District's Financial Management

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

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Dawson Bryant Local School District, Ohio

Statement of Net Assets

June 30, 2003

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$5,686,407 |
| Accounts Receivable | 4,591 |
| Property Taxes Receivable | 1,216,929 |
| Intergovernmental Receivable | 12,896,231 |
| Prepaid Items | 90,345 |
| Materials and Supplies Inventory | 9,304 |
| Nondepreciable Capital Assets | 553,073 |
| Depreciable Capital Assets, Net | <u>12,153,349</u> |
| <i>Total Assets</i> | <u>32,610,229</u> |
| | |
| Liabilities | |
| Accounts Payable | 142,241 |
| Contracts Payable | 3,250 |
| Accrued Wages and Benefits Payable | 1,007,393 |
| Accrued Interest Payable | 9,576 |
| Vacation Benefits Payable | 24,201 |
| Matured Compensated Absences Payable | 32,137 |
| Deferred Revenue | 879,630 |
| Intergovernmental Payable | 663,363 |
| Long-Term Liabilities: | |
| Due within One Year | 60,748 |
| Due in More than One Year | <u>2,219,271</u> |
| <i>Total Liabilities</i> | <u>5,041,810</u> |
| | |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 10,866,422 |
| Restricted for: | |
| Other Purposes | 995,425 |
| Budget Stabilization | 91,075 |
| Capital Projects | 13,767,419 |
| Debt Service | 565,268 |
| Unrestricted | <u>1,282,810</u> |
| <i>Total Net Assets</i> | <u>\$27,568,419</u> |

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2003

| | Expenses | Program Revenues | | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------------|----------------------|--|----------------------------------|---|
| | | Charges for Services | Operating Grants, Contributions and Interest | | |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$4,620,633 | \$15,335 | \$464,651 | \$291,529 | (\$3,849,118) |
| Special | 1,725,679 | 0 | 1,252,945 | 4,480 | (468,254) |
| Vocational | 565 | 0 | 0 | 0 | (565) |
| Adult/Continuing | 0 | 0 | 50,095 | 0 | 50,095 |
| Support Services: | | | | | |
| Pupil | 253,841 | 0 | 14,716 | 0 | (239,125) |
| Instructional Staff | 436,456 | 152,677 | 4,317 | 657 | (278,805) |
| Board of Education | 15,305 | 0 | 0 | 0 | (15,305) |
| Administration | 527,157 | 0 | 27,769 | 0 | (499,388) |
| Fiscal | 165,333 | 0 | 0 | 0 | (165,333) |
| Operation and Maintenance of Plant | 879,729 | 0 | 0 | 0 | (879,729) |
| Pupil Transportation | 487,828 | 0 | 14,239 | 44,459 | (429,130) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 531,509 | 203,198 | 348,802 | 0 | 20,491 |
| Community Services | 7,581 | 6,517 | 0 | 0 | (1,064) |
| Extracurricular Activities | 261,980 | 127,255 | 0 | 0 | (134,725) |
| Interest and Fiscal Charges | 116,418 | 0 | 0 | 0 | (116,418) |
| Totals | <u>\$10,030,014</u> | <u>\$504,982</u> | <u>\$2,177,534</u> | <u>\$341,125</u> | <u>(7,006,373)</u> |
| General Revenues | | | | | |
| Property Taxes Levied for | | | | | |
| General Purposes | | | | | 911,029 |
| Debt Service | | | | | 244,889 |
| Other Purposes | | | | | 37,389 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 6,665,462 |
| Investment Earnings | | | | | 60,359 |
| Miscellaneous | | | | | 32,597 |
| Total General Revenues | | | | | <u>7,951,725</u> |
| Change in Net Assets | | | | | <u>945,352</u> |
| Net Assets Beginning of Year - Restated (See Note 3) | | | | | <u>26,623,067</u> |
| Net Assets End of Year | | | | | <u><u>\$27,568,419</u></u> |

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2003

| | General | Classroom Facilities | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,301,532 | \$318,861 | \$2,974,939 | \$5,595,332 |
| Receivables: | | | | |
| Property Taxes | 942,008 | 21,548 | 253,373 | 1,216,929 |
| Accounts | 0 | 0 | 4,591 | 4,591 |
| Interfund | 168,581 | 0 | 0 | 168,581 |
| Intergovernmental | 45,759 | 12,020,034 | 830,438 | 12,896,231 |
| Prepaid Items | 84,040 | 0 | 6,305 | 90,345 |
| Materials and Supplies Inventory | 0 | 0 | 9,304 | 9,304 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 91,075 | 0 | 0 | 91,075 |
| <i>Total Assets</i> | <u>\$3,632,995</u> | <u>\$12,360,443</u> | <u>\$4,078,950</u> | <u>\$20,072,388</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | \$114,984 | \$1,000 | \$26,257 | \$142,241 |
| Contracts Payable | 0 | 3,250 | 0 | 3,250 |
| Accrued Wages and Benefits Payable | 859,691 | 0 | 147,702 | 1,007,393 |
| Matured Compensated Absences Payable | 32,137 | 0 | 0 | 32,137 |
| Interfund Payable | 0 | 0 | 168,581 | 168,581 |
| Intergovernmental Payable | 215,801 | 0 | 359,670 | 575,471 |
| Deferred Revenue | 896,655 | 12,040,549 | 1,016,381 | 13,953,585 |
| <i>Total Liabilities</i> | <u>2,119,268</u> | <u>12,044,799</u> | <u>1,718,591</u> | <u>15,882,658</u> |
| Fund Balances | | | | |
| Reserved for Encumbrances | 123,963 | 207,943 | 41,676 | 373,582 |
| Reserved for Property Taxes | 45,353 | 1,033 | 12,215 | 58,601 |
| Reserved for Budget Stabilization | 91,075 | 0 | 0 | 91,075 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 1,253,336 | 0 | 0 | 1,253,336 |
| Special Revenue Funds | 0 | 0 | 649,795 | 649,795 |
| Debt Service Funds | 0 | 0 | 494,230 | 494,230 |
| Capital Projects Funds | 0 | 106,668 | 1,162,443 | 1,269,111 |
| <i>Total Fund Balances</i> | <u>1,513,727</u> | <u>315,644</u> | <u>2,360,359</u> | <u>4,189,730</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$3,632,995</u> | <u>\$12,360,443</u> | <u>\$4,078,950</u> | <u>\$20,072,388</u> |

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

| | | |
|--|-------------|--------------|
| Total Governmental Fund Balances | | \$4,189,730 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 12,706,422 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Property Taxes | 281,866 | |
| Charges for Services | 4,591 | |
| Grants | 12,787,498 | 13,073,955 |
| Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due. | | (24,201) |
| Interest Payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet. | | (9,576) |
| Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. | | (87,892) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| School Construction Bonds | (1,840,000) | |
| Sick Leave Benefit Payable | (440,019) | (2,280,019) |
| Net Assets of Governmental Activities | | \$27,568,419 |

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

| | General | Classroom Facilities | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$907,985 | \$37,339 | \$243,957 | \$1,189,281 |
| Intergovernmental | 7,211,330 | 421,005 | 1,447,549 | 9,079,884 |
| Investment Earnings | 60,065 | 0 | 294 | 60,359 |
| Charges for Services | 0 | 0 | 202,820 | 202,820 |
| Tuition and Fees | 3,619 | 0 | 10,628 | 14,247 |
| Extracurricular Activities | 0 | 0 | 225,747 | 225,747 |
| Miscellaneous | 11,655 | 0 | 76,279 | 87,934 |
| <i>Total Revenues</i> | <u>8,194,654</u> | <u>458,344</u> | <u>2,207,274</u> | <u>10,860,272</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,070,356 | 0 | 326,199 | 4,396,555 |
| Special | 764,296 | 0 | 999,946 | 1,764,242 |
| Vocational | 565 | 0 | 0 | 565 |
| Support Services: | | | | |
| Pupil | 262,301 | 0 | 19,612 | 281,913 |
| Instructional Staff | 217,751 | 0 | 157,748 | 375,499 |
| Board of Education | 15,305 | 0 | 0 | 15,305 |
| Administration | 541,042 | 0 | 27,454 | 568,496 |
| Fiscal | 166,804 | 593 | 6,953 | 174,350 |
| Operation and Maintenance of Plant | 856,798 | 11,050 | 0 | 867,848 |
| Pupil Transportation | 430,759 | 0 | 0 | 430,759 |
| Operation of Non-Instructional Services | 0 | 0 | 512,084 | 512,084 |
| Extracurricular Activities | 169,831 | 0 | 99,468 | 269,299 |
| Capital Outlay | 0 | 166,247 | 65,432 | 231,679 |
| Debt Service: | | | | |
| Principal | 0 | 0 | 55,000 | 55,000 |
| Interest and Fiscal Charges | 0 | 0 | 116,325 | 116,325 |
| <i>Total Expenditures</i> | <u>7,495,808</u> | <u>177,890</u> | <u>2,386,221</u> | <u>10,059,919</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 698,846 | 280,454 | (178,947) | 800,353 |
| <i>Fund Balances Beginning of Year -</i> | | | | |
| <i> Restated (See Note 3)</i> | | | | |
| | <u>814,881</u> | <u>35,190</u> | <u>2,539,306</u> | <u>3,389,377</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,513,727</u> | <u>\$315,644</u> | <u>\$2,360,359</u> | <u>\$4,189,730</u> |

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds \$800,353

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

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

| | | |
|-------------------------|------------------|-----------|
| Capital Asset Additions | 347,990 | |
| Depreciation Expense | <u>(452,974)</u> | (104,984) |

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

| | | |
|----------------------|--------------|---------|
| Grants | 110,690 | |
| Charges for Services | 378 | |
| Delinquent Taxes | <u>4,024</u> | 115,092 |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 55,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. (93)

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

| | | |
|-----------------------------|---------------|---------------|
| Intergovernmental Payables | (7,052) | |
| Bonus Payable | 28,685 | |
| Vacation Benefits Payable | (2,462) | |
| Sick Leave Benefits Payable | <u>60,813</u> | <u>79,984</u> |

Change in Net Assets of Governmental Activities \$945,352

See accompanying notes to the basic financial statements



Dawson Bryant Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2003

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Taxes | \$829,085 | \$877,462 | \$877,462 | \$0 |
| Intergovernmental | 6,770,510 | 7,165,571 | 7,165,571 | 0 |
| Investment Earnings | 58,946 | 62,386 | 62,092 | (294) |
| Tuition and Fees | 3,419 | 3,619 | 3,619 | 0 |
| Miscellaneous | 11,012 | 11,655 | 11,655 | 0 |
| <i>Total Revenues</i> | <u>7,672,972</u> | <u>8,120,693</u> | <u>8,120,399</u> | <u>(294)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,246,182 | 4,173,207 | 4,173,207 | 0 |
| Special | 962,853 | 946,305 | 873,581 | 72,724 |
| Vocational | 566 | 556 | 556 | 0 |
| Support Services: | | | | |
| Pupil | 264,522 | 259,976 | 259,976 | 0 |
| Instructional Staff | 230,286 | 226,328 | 228,341 | (2,013) |
| Board of Education | 19,451 | 19,117 | 19,117 | 0 |
| Administration | 552,606 | 543,109 | 543,109 | 0 |
| Fiscal | 170,650 | 167,717 | 167,717 | 0 |
| Operation and Maintenance of Plant | 914,412 | 898,697 | 898,697 | 0 |
| Pupil Transportation | 476,723 | 468,530 | 468,530 | 0 |
| Extracurricular Activities | 173,249 | 170,272 | 170,272 | 0 |
| <i>Total Expenditures</i> | <u>8,011,500</u> | <u>7,873,814</u> | <u>7,803,103</u> | <u>70,711</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (338,528) | 246,879 | 317,296 | 70,417 |
| Advances Out | 0 | (168,581) | (168,581) | 0 |
| <i>Net Change in Fund Balance</i> | (338,528) | 78,298 | 148,715 | 70,417 |
| <i>Fund Balance Beginning of Year</i> | 731,911 | 1,576,520 | 1,576,520 | 0 |
| Prior Year Encumbrances Appropriated | 266,373 | 266,373 | 266,373 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$659,756</u> | <u>\$1,921,191</u> | <u>\$1,991,608</u> | <u>\$70,417</u> |

See accompanying notes to the basic financial statements

Dawson Bryant Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

| | |
|--|--------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,381,782</u> |
| Liabilities | |
| Due to Others | \$1,373,396 |
| Due to Students | <u>8,386</u> |
| Total Liabilities | <u>\$1,381,782</u> |

See accompanying notes to the basic financial statements

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's three instructional/support facilities staffed by 51 classified employees, 91 certified teaching personnel, and 7 administrators, who provide services to 1,333 students and other community members.

Reporting Entity

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

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

The School District serves as fiscal agent for the Pilasco-Ross Special Education Regional Resource Center. The organization is presented as a fiduciary fund within the School District's financial statements. The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Plan, and the Lawrence County Schools Insurance Purchasing Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

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

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

B. Fund Accounting

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

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

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

During fiscal year 2003, investments consisted solely of overnight repurchase agreements. These nonparticipating investment contracts are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$60,065, which includes \$39,604 assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 is reported in the fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of ten thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of general fixed assets is not capitalized.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 50 years |
| Furniture and Equipment | 5 – 15 years |
| Vehicles | 3 – 15 years |

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable" as the balances are to be used by employees within two months of the fiscal year end.

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

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

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Activity

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specific purposes.

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District had no extraordinary or special items in fiscal year 2003.

P. Estimates

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

Q. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has the authority to allocate appropriations to the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at year-end.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 – Change in Accounting Principle and Restatement of Net Assets/Fund Balance

Change in Accounting Principle

For fiscal year 2003, the School District has implemented GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences.” GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budgetary comparisons for the general and each major special revenue fund. The implementation of this statement did not have any effect on the presentation of the School District’s budgetary financial statements for fiscal year 2003.

Restatement of Net Assets/Fund Balance

Due to the inclusion of agency fund monies, net assets, as well as the General Fund balance of the School District at June 30, 2002, were overstated by \$7,526. The General Fund’s fund balance was reduced from \$822,407 to \$814,881.

The School District closed out two bank accounts in fiscal year 2003 that were not previously included in the School District’s financial statement fund balance. Due to this, the School District’s fund balance was understated as of June 30, 2002 by \$262,709. Therefore, the Other Governmental Funds fund balance was increased as of June 30, 2002 from \$2,276,597 to \$2,539,306.

Therefore, net assets at June 30, 2002 were increased from \$26,367,884 to \$26,623,067.

Note 4 - Budgetary Basis of Accounting

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

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 4 - Budgetary Basis of Accounting (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

| Net Change in Fund Balance | |
|---|------------------|
| GAAP Basis | \$698,846 |
| Revenue Accruals | (74,255) |
| Prepaid Items at Beginning of Fiscal Year | 86,272 |
| Prepaid Items at End of Fiscal Year | (84,040) |
| Advances Out | (168,581) |
| Expenditure Accruals | 91,472 |
| Encumbrances | <u>(400,999)</u> |
| Budget Basis | <u>\$148,715</u> |

Note 5 - Deposits and Investments

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

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

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

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

Protection of 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 monies deposited with the institution.

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by United States;

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above 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 marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds 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) of this section 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 (STAROhio);
7. Certain banker's acceptance 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 monies 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.

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

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

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 fiscal year end, the carrying amount of the School District's deposits was \$1,514,189 and the bank balance was \$1,693,650. Of the bank balance:

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Deposits and Investments (Continued)

1. \$150,334 was covered by federal depository insurance; and
2. \$1,543,316 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 to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal 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 which 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.

| Investment | Category 3 | Carrying/ Fair Value |
|-----------------------|-------------|-------------------------|
| Repurchase Agreements | \$5,554,000 | \$5,554,000 |

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. A reconciliation between the classifications of cash and investments and the combined financial statements and the classification per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|-----------------------|---------------------------------------|-------------|
| GASB Statement 9 | \$7,068,189 | \$0 |
| Repurchase Agreements | (5,554,000) | 5,554,000 |
| GASB Statement 3 | \$1,514,189 | \$5,554,000 |

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Property Taxes (Continued)

semi-annually the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$58,601 and is recognized as revenue: \$45,353 in the General Fund, \$12,215 in the Bond Retirement Fund and \$1,033 in the Classroom Facilities Capital Projects Fund.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Note 6 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

| | 2002 Second- Half Collections | | 2003 First- Half Collections | |
|---|----------------------------------|-------------|---------------------------------|-------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$37,640,750 | 81% | \$38,142,270 | 82% |
| Public Utility Personal | 2,316,450 | 5% | 2,357,090 | 5% |
| Tangible Personal Property | 6,305,070 | 14% | 6,223,010 | 13% |
| Total | <u>\$46,262,270</u> | <u>100%</u> | <u>\$46,722,370</u> | <u>100%</u> |
| Tax Rate per \$1,000 of assessed valuation | \$26.50 | | \$26.50 | |

Note 7 - Receivables

Receivables at June 30, 2003, consisted of property taxes, accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|--|---------------------|
| Governmental Activities | |
| Nutrition Cluster | \$59,599 |
| Ohio School Facilities Commission Grant | 12,292,243 |
| Miscellaneous State Grants | 7,125 |
| Special Education Cluster | 130,651 |
| Title I Grants to Local Educational Agencies | 254,002 |
| Innovative Education Program Strategies | 7,719 |
| Safe and Drug Free School & Communities - State Grants | 9,875 |
| Class Size Reduction | 78,144 |
| Miscellaneous Federal Grants | 11,114 |
| Refunds from State Retirement System | <u>45,759</u> |
| Total | <u>\$12,896,231</u> |

On November 15, 2001, the School District was awarded \$12,439,534 for the construction and renovation of an elementary school under the State's "Classroom Facilities Program". As the end of fiscal year 2003, the School District has received \$419,500 of the amount awarded under this program. The remaining amount of \$12,020,034 is recorded as a receivable. There is an additional receivable of \$272,209 from the closeout of a 1990 Building Assistance Program with the Ohio School Facilities Commission.

Dawson-Bryant Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

| | Balance <u>6/30/2002</u> | Additions | Deductions | Balance <u>6/30/2003</u> |
|---|-----------------------------|--------------------|------------|-----------------------------|
| Capital Assets: | | | | |
| Capital Assets not being depreciated: | | | | |
| Land and Land Improvements | \$174,634 | \$0 | \$0 | \$174,634 |
| Construction in Progress | 157,254 | 221,185 | 0 | 378,439 |
| Total Capital Assets not being Depreciated | <u>331,888</u> | <u>221,185</u> | <u>0</u> | <u>553,073</u> |
| Depreciable Capital Assets: | | | | |
| Buildings and Improvements | 14,735,098 | 17,210 | 0 | 14,752,308 |
| Furniture and Equipment | 1,251,174 | 0 | 0 | 1,251,174 |
| Vehicles | 717,067 | 109,595 | 0 | 826,662 |
| Total Capital Assets being Depreciated | <u>16,703,339</u> | <u>126,805</u> | <u>0</u> | <u>16,830,144</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | (3,082,142) | (266,859) | 0 | (3,349,001) |
| Furniture and Equipment | (665,927) | (136,890) | 0 | (802,817) |
| Vehicles | (475,752) | (49,225) | 0 | (524,977) |
| Total Accumulated Depreciation | <u>(4,223,821)</u> | <u>(452,974) *</u> | <u>0</u> | <u>(4,676,795)</u> |
| Total Capital Assets being Depreciated, Net | <u>12,479,518</u> | <u>(326,169)</u> | <u>0</u> | <u>12,153,349</u> |
| Capital Assets, Net | <u>\$12,811,406</u> | <u>(\$104,984)</u> | <u>\$0</u> | <u>\$12,706,422</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|--|------------------|
| Instruction: | |
| Regular | \$148,868 |
| Special | 52,638 |
| Support Services: | |
| Pupil | 12,441 |
| Instructional Staff | 81,520 |
| Administration | 32,150 |
| Fiscal | 4,686 |
| Operation and Maintenance of Plant | 29,145 |
| Pupil Transportation | 72,263 |
| Operation of Non-Instructional Services: | |
| Food Service Operations | 19,263 |
| Total Depreciation Expense | <u>\$452,974</u> |

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Cincinnati Insurance Company and Grange Insurance Company for property and fleet

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 - Risk Management (Continued)

insurance and inland marine coverage. The type and amount of coverage provided by the Grange Insurance Company follows:

| | |
|---|--------------|
| Building and Contents-replacement cost (\$500 deductible) | \$21,471,250 |
| Boiler and Machinery (\$1,000 deductible) | 500,000 |
| Inland Marine: | |
| Band Uniforms (\$250 deductible) | 38,516 |
| Computers (\$100 deductible) | 350,000 |
| Crime – Public Employee Dishonesty (\$4,000 deductible) | 25,000 |
| Automobile Liability (\$100 deductible): | |
| Bodily Injury and Property Damage – combined single limit | 1,000,000 |
| Medical Payments – each person | 5,000 |
| Uninsured Motorists | 1,000,000 |

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16).

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

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

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2002.

Dawson-Bryant Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 10 - Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, employees receive payment for one-fourth of their accumulated sick leave, up to a maximum of 60 days.

B. Insurance

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays seventy-seven per cent of the total monthly premiums of \$993.89 for family coverage and \$402.78 for single coverage.

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

Vision Insurance is provided through Vision Service Plan. The School District pays one hundred percent of the monthly premium of \$20.95 for each employee.

Note 11 – Contractual Commitments

As of June 30, 2003, the School District had contractual purchase commitments for architectural and preliminary services on the renovation of school facilities for \$1,376,059. The contracts are accounted for in the Classroom Facilities Capital Projects Fund. As of June 30, 2003, the School District paid \$262,063 on these contracts, leaving a remaining balance on the contracts of \$1,113,996.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 12 - Defined Benefit Pension Plans (Continued)

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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$135,525, \$56,312, and \$36,459 respectively; 55.12 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002, and 2001.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 12 - Defined Benefit Pension Plans (Continued)

to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$693,633, \$445,976, and \$288,422, respectively; 84.75 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DC Plan for the fiscal year ended June 30, 2003, were \$3,028 made by the School District and \$2,802 made by plan members. There were no contributions to the Combined Plan for fiscal year 2003.

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, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$53,356 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 13 - Postemployment Benefits (Continued)

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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$113,660.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Long Term Obligations

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

| | Principal Outstanding 6/30/02 | Additions | Reductions | Principal Outstanding 6/30/03 | Amounts Due in One Year |
|--------------------------------|-------------------------------------|-----------------|------------------|-------------------------------------|-------------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds: | | | | | |
| 1995 School Building, 4.3-6.7% | \$1,895,000 | \$0 | \$55,000 | \$1,840,000 | \$60,000 |
| Sick Leave Benefits | 500,832 | 45,571 | 106,384 | 440,019 | 748 |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | <u>\$2,395,832</u> | <u>\$45,571</u> | <u>\$161,384</u> | <u>\$2,280,019</u> | <u>\$60,748</u> |

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

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

The overall debt margin of the School District as of June 30, 2003, was \$4,711,458, with an unvoted debt margin of \$46,722.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 14 - Long Term Obligations (Continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2003, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|--------------------|--------------------|--------------------|
| 2004 | \$60,000 | \$114,913 | \$174,913 |
| 2005 | 65,000 | 111,822 | 176,822 |
| 2006 | 75,000 | 108,443 | 183,443 |
| 2007 | 80,000 | 104,467 | 184,467 |
| 2008 | 85,000 | 100,148 | 185,148 |
| 2009-2013 | 585,000 | 415,345 | 1,000,345 |
| 2014-2017 | 890,000 | 189,945 | 1,079,945 |
| Total | <u>\$1,840,000</u> | <u>\$1,145,083</u> | <u>\$2,985,083</u> |

Note 15 - Jointly Governed Organizations

A. South Central Ohio Computer Association

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. 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 \$54,756 for services provided during fiscal year 2003. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

B. Pilasco-Ross Special Education Regional Resource Center

Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the South Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2003, the School District paid \$19,423 to Pilasco-Ross. Dawson-Bryant Local School District serves as the fiscal agent for Pilasco-Ross. Financial information can be obtained by contacting Jim Tordiff, Treasurer, 222 Lane Street, Coal Grove, Ohio 45638.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Insurance Purchasing Pools

A. Ohio School Plan

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

B. Lawrence County Schools Insurance Purchasing Consortium

The School District participates 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.

Note 17 - Set asides

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

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

| | Budget Stabilization Reserve | Capital Improvements Reserve | Textbooks Instructional Materials Reserve |
|--|------------------------------------|------------------------------------|--|
| Set-aside Reserve Balancd as of June 30, 2002 | \$91,075 | (\$86,964) | (\$549,211) |
| Current Year Set-aside Requirement | 0 | 182,358 | 182,358 |
| Current Year Offsets | 0 | (18,489) | 0 |
| Qualifying Disbursements | 0 | (123,691) | (249,352) |
| Total | <u>91,075</u> | <u>(46,786)</u> | <u>(616,205)</u> |
| Set-aside Balance Carried Forward to Future Fiscal Years | 91,075 | (46,786) | (616,205) |
| Set-aside Reserve Balance as of June 30, 2003 | <u>\$91,075</u> | <u>\$0</u> | <u>\$0</u> |

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 17 – Set Asides (Continued)

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

Note 18 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 19 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2003, consist of the following individual balances:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| General Fund: | <u>\$168,581</u> | <u>\$0</u> |
| Special Revenue Funds: | | |
| EMIS | 0 | 3,274 |
| Title I | 0 | 57,032 |
| Class Size Reduction | 0 | 54,657 |
| Miscellaneous Federal Grants | 0 | 53,618 |
| Total Special Revenue Funds | <u>0</u> | <u>168,581</u> |
| Total All Funds | <u>\$168,581</u> | <u>\$168,581</u> |

The General Fund advanced money to several funds that had negative cash balances at June 30, 2003. Those funds will repay the advance to the General Fund after the start of Fiscal Year 2004.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 20 – Contingencies (Continued)

B. Litigation

The School District is not party to legal proceedings.

Note 21 – Compliance

A. Budgetary Compliance

Ohio Rev. Code Section 5705.36 provides that on or about the first day of the fiscal year, the fiscal officer shall certify to the county auditor the total amount from all sources which is available for expenditure. The School District did not properly file the certificate on about the first day of the fiscal year showing the total amount from all sources available for expenditure.

Ohio Rev. Code Section 5705.39 states total appropriations should not exceed estimated revenue. However, the School District had several funds in which the total appropriation amount exceeded the estimated revenue.

Ohio Rev. Code Section 5705.412 requires the Treasurer, Superintendent, and Board President to certify that adequate revenues will be available to maintain all personnel and programs for the year. However, the School District did not have properly approved 412 certificates on file for fiscal year 2003.

Ohio Rev. Code Section 5705.14-.16 states that no transfer can be made from one fund of a subdivision to another fund except for those listed in the Ohio Revised Code. However, the School District made several transfers and advances during fiscal year 2003 that were not allowable according to the Ohio Revised Code.

Ohio Rev. Code Section 3301.074(A) requires school district treasurers to have a license. However, the School Treasurer from July 1, 2002 through April 30, 2003 did not have a valid treasurer's license.

Ohio Rev. Code Section 5705.41(D) states that no expenditures should be made unless there is an attached certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury free from any previous encumbrance. However, it was noted that 38% of the disbursements tested were not properly certified by the School District Treasurer.

B. Federal Non Compliance

The School District had two major programs selected that were tested for compliance with federal guidelines.

The two programs tested were: Title I Grants to Local Education Agencies (CFDA # 84.010) and the Special Education Cluster (CFDA #84.027 and 84.173). As a result of that testing, noncompliance was noted in the following areas:

Title I Grants to Local Education Agencies:

Equipment Management, Allowable Costs, and Cash Management

Special Education Cluster:

Equipment Management, Period of Availability, Reporting, Cash Management, and Allowable Costs.

Dawson-Bryant Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 21 – Compliance (Continued)

Several of these non compliance issues did lead to questioned costs within the School District's federal programs.

Note 22 – Subsequent Events

On July 7, 2003, the School District contracted with Tom Brammer for work on the High School restroom facility project in the amount of \$49,330. Also, a subsequent overage was approved in the amount of \$27,862.

On August 11, 2003, the School District purchased land, for the elementary school facilities project, in the amount of \$180,000.

On December 8, 2003, the School Board approved a transfer from Pilasco-Ross in the amount of \$889,684, to the School District's General fund. This transfer was approved by both the School Board and Pilasco Ross.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

| FEDERAL GRANTOR/ Pass Through Grantor Program Title | Federal CFDA Number | Pass Through Entity Number | Receipts | Noncash Receipts | Disbursements | Noncash Disbursements |
|--|---------------------------|----------------------------------|---------------------|---------------------|---------------------|--------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | | | |
| Nutrition Cluster | | | | | | |
| Food Donation | 10.550 | N/A | \$ | \$ 7,252 | \$ | \$ 7,252 |
| School Breakfast Program | 10.553 | 05-PU | 53,398 | | 53,398 | |
| National School Lunch Program | 10.555 | LL-P4/P1 | 215,388 | | 215,388 | |
| Summer Food Service Program for Children | 10.559 | 23/24-PU | 36,597 | | 36,597 | |
| Total United States Department of Agriculture - Nutrition Cluster | | | 305,383 | 7,252 | 305,383 | 7,252 |
| UNITED STATES DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | C1-S1 | 388,646 | | 454,408 | |
| Special Education Cluster | | | | | | |
| Special Education Grants to States | 84.027 | 6B-SI/AA/SF/SA/II | 1,191,644 | | 1,076,834 | |
| Special Education Preschool Grants | 84.173 | PG-S3 | 7,455 | | 39,363 | |
| Total Special Education Cluster | | | 1,199,099 | 0 | 1,116,197 | 0 |
| Safe and Drug Free Schools and Communities -- State Grants | 84.186 | DR-S1 | 2,168 | | 4,201 | |
| Goals 2000 : State and Local Education Systemic Improvement Grants | 84.276 | G2-SP | 0 | | 27,390 | |
| Eisenhower Professional Development State Grants | 84.281 | MS-S1 | 0 | | 16,361 | |
| Innovative Education Program Strategies | 84.298 | C2-S1 | 1,695 | | 12,063 | |
| Educational Technology State Grants | 84.318 | TJ-S1 | 2,440 | | 4,306 | |
| Class Size Reduction | 84.340 | CR-S1 | 15,281 | | 79,295 | |
| School Renovation Grants | 84.352A | AT-S3 | 8,672 | | 14,271 | |
| Improving Teacher Quality State Grant | 84.637 | TR-S1 | 22,891 | | 79,988 | |
| Total United States Department of Education | | | 1,640,892 | 0 | 1,808,480 | 0 |
| UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | |
| <i>Passed Through Ohio Department of Mental Retardation and Development Disabilities</i> | | | | | | |
| Medical Assistance Program | 93.778 | N/A | 8,795 | | 8,795 | |
| Total United States Department of Health and Human Services | | | 8,795 | 0 | 8,795 | 0 |
| Total Federal Awards Receipts and Expenditures | | | \$ 1,955,070 | \$ 7,252 | \$ 2,122,658 | \$ 7,252 |

The notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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

NOTE C - SPECIAL EDUCATION CLUSTER

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

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 20, 2003, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 15, 2004. 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 the School District's basic 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-001 through 2003-004, 2003-006 through 2003-011 and 2003-013. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated June 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-005, 2003-012, and 2003-014 through 2003-018.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-017 and 2003-018 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated June 15, 2004.

This report is intended for the information and use of management, the Board of Education, and 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.



Betty Montgomery
Auditor of State

June 15, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Dawson Bryant Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

As described in items 2003-019, 2003-020, 2003-021, 2003-022, 2003-023, and 2003-025 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding allowable costs/cost principles, period of availability of federal funds, cash management, reporting, and equipment and real property management that are applicable to its Title I Grants to Local Educational Agencies (CFDA #84.010) and the Special Education Cluster, which includes Special Education - Grants to States (CFDA # 84.027) and Special Education - Preschool Grants (CFDA # 84.173). Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to those programs.

In our opinion, because of those instances of noncompliance referred to in the preceding paragraph, the School District did not comply, in all material respects with the requirements referred to above that are applicable to its major federal programs, Title I Grants to Local Educational Agencies (CFDA #84.010) and the Special Education Cluster, which includes Special Education - Grants to States (CFDA # 84.027) and Special Education - Preschool Grants (CFDA # 84.173), for the year ended June 30, 2003. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the School District in a separate letter dated June 15, 2004.

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Internal Control Over Compliance

The management of the 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 the 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-024.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, item 2003-024, to be a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated June 15, 2004.

This report is intended for the information and use of management, the Board of Education, and 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.



Betty Montgomery
Auditor of State

June 15, 2004

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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)? | Yes |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | Yes |
| (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 | Adverse |
| (d)(1)(vi) | Are there any reportable findings under § .510? | Yes |
| (d)(1)(vii) | Major Programs (list): | Title I Grants to Local Educational Agencies – CFDA #84.010 Special Education Cluster – CFDA #84.027 and #84.173 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2003-001

Finding for Recovery – Severance Pay

According to the School District's union agreement, retirement severance pay is to be paid according to the "applicable per diem rate of the employee at the time of retirement." This means that the severance pay amount should be calculated based on the number of leave days the employee has at the time of retirement multiplied by their daily rate of pay.

However, when David Owens received his severance pay on January 2, 2003, he received an overpayment since the School District Treasurer utilized an incorrect amount for Mr. Owens's daily rate. When the School District Treasurer calculated the daily rate for Mr. Owens, he erroneously utilized all the supplemental contracts Mr. Owens had on file to compute his daily rate. This resulted in an inflated daily rate of \$269.32, when his actual base pay rate was only \$210.23. When the difference of \$59.09 is multiplied by the number of accumulated leave days for which David Owens could receive severance pay (60 days), the result is an overpayment of \$3,545.

In accordance to the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery, jointly and severally, against David Owens, Stephen Sites, former School District Treasurer, and Cincinnati Insurance Company, his bonding company, in the amount of \$3,545 for public monies illegally expended, in favor of the School District's General Fund.

FINDING NUMBER 2003-002

Finding for Recovery - Personal Computer Purchase

The School District purchased five computers out of the Special Education Program Fund (516-9700) from Dell Computers Corporation in the amount of \$5,683. Two of the computers went to the homes of the Superintendent and the Technology Coordinator for work use. One of the computers was utilized in the Treasurer's office for the daily operations of the School District. The remaining two computers were purchased by the School District on behalf of two school employees for their own personal use in their homes.

Diane Johnson and Sue Ellen Cade each received a computer for their home use with a purchase price of \$983. The former School District Treasurer, Stephen Sites, purchased these computers with the understanding that \$10 per pay would be taken from the employees pay every payroll. However, no monies were ever withheld during the audit period from either Diane Johnson or Sue Ellen Cade. Since this has been brought to the School District's attention an agreement has been reached and the employees are in the process of making payments for the computers.

In relation to the computer purchase Ohio Rev. Code Section 5739.02 levies an excise tax on each retail sale made in this state and requires tax to be paid as set by schedules in Ohio Rev. Code Section 5739.025. The tax does not apply to sales to the state or any of its political subdivisions. The two computers purchased by the former School District Treasurer, Stephen Sites, for Diane Johnson and Sue Ellen Cade, were purchased using the School District's name and the School District's tax exemption form. As a result, sales tax of \$64 was not paid on each of these computers.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

FINDING NUMBER 2003-002 (Continued)

Finding for Recovery - Personal Computer Purchase (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery, jointly and severally, against Stephen Sites, former School District Treasurer, and Cincinnati Insurance Company, his bonding company, in the amount of \$1,966 and against employees Diane Johnson and Sue Ellen Cade for their respective amounts (\$983 each), for public monies illegally expended, in favor of the Special Education Program Fund (516-9700). In addition, a Finding for Recovery for public money due but not collected is hereby issued against Diane Johnson and Sue Ellen Cade in the amount of \$64 each, and in favor of the Ohio Department of Taxation.

FINDING NUMBER 2003-003

Finding for Recovery – Dental Insurance

Several employees received dental insurance coverage throughout the audit period who were no longer employed with the School District. The former School District Treasurer, Stephen Sites, paid dental insurance for the entire year at the beginning of the school year. Throughout the year as employees left employment they were not removed from the policy. In order to determine the amount of overpayment paid by the School District, each employee that left employment during the audit period was reviewed and an amount was calculated based on each employee.

The amount for premiums paid for employees who left employment but received no benefit of the premiums is \$2,012.60.

The new School District Treasurer took position in July, 2003 and the School District started paying the premiums monthly.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery, jointly and severally, against Stephen Sites, former School District Treasurer, and Cincinnati Insurance Company, his bonding company in the amount of \$2,012.60 for public monies illegally expended, in favor of the General Fund.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

FINDING NUMBER 2003-004

Finding for Recovery - Warrant Payment

During the audit period, the School District issued check number 46663, dated September 11, 2002, to Quality Care for \$500. The School District explained that the Assistant Treasurer was volunteering as a supporter of a five mile charity race and had obtained permission to receive checks from local business supporters of the race at the School District. No checks were actually made payable to the School District, nor was the School District involved in any way with the charity race or fundraising for the charity race. Checks were only sent to the School District by business supporters of the charity race for ease of collection by the Assistant Treasurer.

When the Assistant Treasurer returned from vacation, Quality Care, a business supporter of the race, called and indicated they had sent two checks in error for \$500 each and requested a \$500 reimbursement. The Assistant Treasurer had only received one of the checks for the race but when he discussed it with the former School District Treasurer, Stephen Sites, Mr. Sites thought the other check came in while the Assistant Treasurer was on vacation and he must have deposited that check into the School District's account by mistake. Mr. Sites then issued check number 46663 dated September 11, 2002 back to Quality Care for \$500 (\$400 from the Boating Safety Fund and \$100 from the Latchkey Fund). However, no evidence could be found that the check was ever deposited into the School District's accounts.

In accordance to the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery, jointly and severally, against Quality Care, Stephen Sites, former School District Treasurer, Stephen Sites and Cincinnati Insurance Company, his bonding company, in the amount of \$500 for public monies illegally expended, \$400 in favor of the Boating Safety Fund (014) and \$100 in favor of the Latchkey Fund (019).

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**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

FINDING NUMBER 2003-005

Reportable Condition - Self Insurance Fund Balance

The School District was part of an insurance consortium and they utilized an Internal Service Fund to track the activity of that program. For Generally Accepted Accounting Purposes (GAAP) purposes, the Internal Service Fund cash balance was reclassified to the General Fund. However, this balance of \$192,508 was left over from a self insurance program that ended in May 2001. We were not able to determine the source of the self insured balance of \$192,508, to determine for certainty that it should be moved back to the General Fund.

It was also unclear as to whether there were any restrictions on the \$192,508 by the original self insurance plan. Without clarification on these matters, questions could arise to proper classification of the \$192,508 fund balance.

We would recommend the School District research the source of the \$192,508 and determine which funds originally paid into the self insurance fund. We would also recommend they review the original self insurance agreement to determine if there are any legal restrictions on that money and consult with their legal counsel to determine where the money belongs.

FINDING NUMBER 2003-006

Noncompliance Citation – Food Service Interest

7 C.F.R. Part 210.02 and 7 C.F.R. Part 210.14 (a) require all monies received by or accruing to the food service fund of any school district including, but not limited to, children's payments, earnings on investments, and other local revenues, should be credited to and used by those funds.

Interest earnings were not allocated to the Food Service Fund for fiscal year 2003. Interest earnings not credited to the Food Service Fund from July 1, 2002 through June 30, 2003 amounted to \$294. An adjustment was made by the School District to reflect the proper allocation on the June 30, 2003 financial statements.

We recommend the School District Treasurer begin posting interest revenue to the Food Service Fund on a monthly basis.

FINDING NUMBER 2003-007

Noncompliance Citation – Certificate of Estimated Resources

Ohio Rev. Code Section 5705.36 provides that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. However, reserve balance accounts established pursuant to Ohio Rev. Code Section 5705.13 for the following, are required to be excluded from the amount of unencumbered balances:

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

FINDING NUMBER 2003-007 (Continued)

Noncompliance Citation – Certificate of Estimated Resources (Continued)

Ohio Rev. Code Section 5705.36 (Continued)

- Budget stabilization,
- Self-insurance programs,
- Retrospective ratings plans for Workers' Compensation,

In addition, the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code Section 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

The certification for a school district must separately show the amount of any notes and unpaid outstanding expenses that were due prior to June 30 which are to be paid from advancements of property tax settlement money. A school district's certification must also include the amount of any spending reserve available for appropriation during the current fiscal year.

The School District filed their Original Certificate of Estimated Resources with the County Auditor for fiscal year 2003 with the tax budget February 5, 2002. However, the School District did not file a certificate on or about the first day of the fiscal year as the Ohio Revised Code requires. Due to this, the original certificate could not show actual unencumbered balances because this certificate was only an estimate. As a result, it was not possible to determine if the budget stabilization fund balance was excluded from the certificate. The School District should have amended this certificate at the beginning of their fiscal year and then made additional amendments throughout the year as necessary to comply with the aforementioned section of code.

We recommend the School District begin submitting a Certificate of Estimated Resources to the County Auditor's office by the required submission date. The Board of Education should be monitoring and approving the Certificate of Estimate Resources prior to submission. In addition to this, we further recommend the School District Treasurer monitor estimated versus actual resources through out the year to determine if the Certificate requires amendment.

FINDING NUMBER 2003-008

Noncompliance Citation – Appropriations Exceeded Estimated Resources

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

FINDING NUMBER 2003-008 (Continued)

Noncompliance Citation – Appropriations Exceeded Estimated Resources (Continued)

Ohio Rev. Code Section 5705.39 (Continued)

As discussed in Auditor of State Bulletin 97-012, if a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. However, an advance should be used to prevent a negative fund balance. Negative variances in grant funds, between appropriations and certified available resources, should be investigated to determine the cause of the variance.

There were several variances noted in which appropriations exceeded the original certificate of estimated resources. Below are some of the most significant variances noted:

| Fund | Description | Appropriation | Estimated Resource | Variance | % Variance |
|------|-----------------------|---------------|--------------------|----------|------------|
| 300 | Student Activities | \$175,000 | \$95,000 | \$80,000 | 84% |
| 599 | Misc. Federal Grants | 275,000 | 50,000 | 225,000 | Over 100% |
| 003 | Permanent Improvement | 900,000 | 700,000 | 200,000 | 29% |
| 024 | Employee Insurance | 200,000 | 100,000 | 100,000 | 100% |
| 022 | Pilasco Ross | 1,975,000 | 1,320,000 | 655,000 | 50% |

There were also variances noted at year end when the SETBAL program was utilized to set all appropriations and estimated resources equal to the actual. Below are some of the most significant variances noted:

| Fund | Description | Appropriation | Estimated Resource | Variance | % Variance |
|------|---------------------------|---------------|--------------------|-----------|------------|
| 447 | DPIA | \$789,319 | \$36,000 | \$753,316 | Over 100% |
| 572 | Title I | 456,907 | 114,882 | 342,025 | Over 100% |
| 590 | Improving Teacher Quality | 112,041 | 0 | 112,041 | Over 100% |

We recommend the Board of Education and the Treasurer's office monitor monthly reports to ensure that appropriations do not exceed approved estimated resources.

FINDING NUMBER 2003-009

Noncompliance Citation – Use of 412 Certificates

Ohio Rev. Code Section 5705.412 requires the Treasurer, Superintendent and President of the Board of Education to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2003-009 (Continued)

Noncompliance Citation – Use of 412 Certificates (Continued)

Ohio Rev. Code Section 5705.412 (Continued)

Term of certificate:

- The certificate attached to an appropriation measure covers only the fiscal year in which the appropriation measure is effective.
- The certification must be attached to all appropriation measures *except* for temporary measures when the temporary measure does not appropriate more than twenty-five percent of the total resources available last year for any fund, the measure will not be in effect for more than thirty days after the earliest date the district could pass an annual appropriation measure, and an amended certificate of available revenues has not been certified to the district under Ohio Rev. Code Section 5705.36.
- The certificate attached to a qualifying contract covers the term of the contract.
- The certificate attached to a wage or salary schedule covers the term of the schedule.
- A “*qualifying contract*” is “...any agreement for the expenditure of money under which aggregate payments from the funds included in the school district’s five-year forecast under Section 5705.391 of the revised code will exceed the lesser of the following amounts...”:
 - \$500,000; or
 - 1% of the general fund’s total estimated revenues as certified in the district’s most recent certificate of estimated resources under Ohio Rev. Code Section 5705.36.

A school district must include the additional certification under Section 5705.412 along with the certification required under Section 5705.41 except under the following circumstances:

- for current payrolls of individual regular employees or officers, or contracts of employment with individual regular employees or officers; or,
- when increasing the wages or salaries enabling the school board to comply with division (B) of Ohio Rev. Code Section 3317.13, which addresses the minimum salary schedule for teachers.

Section 5705.412 certificates *should* be executed for:

- appropriation measures (except certain temporary measures; see above);
- increased salary or wage schedules; and
- any other “qualifying contracts”, including 1) negotiated agreements (e.g. professional association [“union”] contracts) and, 2) contracts for benefits (e.g., major health insurance contracts).

Obligations that have not been certified as required are considered void. No payments may be made on void obligations.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2003-009 (Continued)

Noncompliance Citation – Use of 412 Certificates (Continued)

Ohio Rev. Code Section 5705.412 (Continued)

Penalties: Anyone who knowingly does any of the following, is liable for the full amount paid on the obligation, up to \$10,000:

- executing an obligation contrary to Section 5705.412;
- expending or authorizing the expenditure of public funds contrary to Section 5705.412; or
- authorizing or making payment of public funds on a void obligation.

The School District did not have the Board of Education President sign off on any of the 412 certificates done for fiscal year 2003. In addition to this, they did not do a 412 certificate for their final appropriation amendment or their health care contract. However, at the Auditor of State's request, these 412 certificates were properly approved by all required officials on April 5, 2004.

We recommend the School District begin having all required parties sign all required 412 certificates.

FINDING NUMBER 2003-010

Noncompliance Citation – Unallowable Transfers and Advances

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

FINDING NUMBER 2003-010 (Continued)

Noncompliance Citation – Unallowable Transfers and Advances (Continued)

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 (Continued)

- Monies retained by a county from the auto registration distribution fund in accordance with Ohio Rev. Code Section 4501.04, or the gasoline excise tax fund, in accordance with Ohio Rev. Code Section 5737.27, may be transferred from the fund into which they were deposited to the sinking fund or bond retirement fund from which any principal, interest, or charges for which such moneys may be used is payable.
- Money may be transferred from the General Fund to any other fund of the subdivision by resolution of the taxing authority.
- Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required).

In addition to the transfers listed above, which are authorized in Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

Any advance must be clearly labeled as such, and be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;

In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

FINDING NUMBER 2003-010 (Continued)

Noncompliance Citation – Unallowable Transfers and Advances (Continued)

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 (Continued)

The School District made transfers and advances through out the year that were not allowable. They were as follows:

| Fund | Fund Description | Line Item | Amount |
|------|-------------------|--------------|-----------|
| 447 | DPIA | Transfer Out | \$144,835 |
| 599 | 6-R Grant | Transfer In | 144,835 |
| 447 | DPIA | Transfer Out | 216,427 |
| 001 | General | Transfer In | 216,427 |
| 447 | DPIA | Transfer Out | 3,275 |
| 432 | Man. Info. System | Transfer In | 3,275 |
| 447 | DPIA | Advance Out | 7,354 |
| 516 | Sp. Education | Advance In | 7,354 |
| 447 | DPIA | Advance Out | 178,148 |
| 572 | Title I | Advance In | 178,148 |
| 447 | DPIA | Advance Out | 54,657 |
| 590 | Class Size Red. | Advance In | 54,657 |

The School District did adjust their financial statements and posted these corrections to the fund cash balances as of June 30, 2003 to remove all improper transfers and advances.

We recommend the School District review the Ohio Revised Code and Auditor of State Bulletin 97-003 prior to making any transfer or advance. All transfers and advances should meet the aforementioned guidelines.

FINDING NUMBER 2003-011

Noncompliance Citation – Treasurer’s License

Ohio Rev. Code Section 3301.074(A) requires school district treasurers to have licenses.

However, the School District Treasurer from July 1, 2002 through April 30, 2003 of the audit period, did not have a valid treasurer’s license.

Although, the School District Treasurer mentioned above was no longer employed by the School District at June 30, 2003, we would still recommend the School District begin to monitor all required licenses for all required personnel. These licenses should be maintained in the individual’s personnel file and should be reviewed periodically to ensure they are kept up to date.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

FINDING NUMBER 2003-012

Reportable Condition – Benefits Payments for Pilasco Ross Employees

The School District is the fiscal agent for Pilasco Ross Special Education Regional Resource Center (SERRC). The School District utilized a specific fund on their financial records to track all activity for Pilasco Ross SERRC. This fund is shown as an agency fund on the School District's financial statements. Since Pilasco Ross is a separate entity, they are responsible for payment of all their employee's salaries and benefits. However, during fiscal year 2003, the School District's General Fund paid for several Pilasco Ross employees' benefits. Such benefits included medical insurance, life insurance, vision insurance, dental insurance, the employer portion of Medicare, and Bureau of Worker's Comp payments.

Based on the employees identified as being paid by the General Fund, we did an estimate of the benefits received by Pilasco Ross' employees from the General Fund. Below is a breakdown by type.

| Type | Amount |
|-------------------------|---------------|
| Medical Insurance | \$49,306 |
| Vision Insurance | 1,508 |
| Life Insurance | 821 |
| Dental Insurance | 4,200 |
| Medicare | 7,835 |
| Bureau of Worker's Comp | 9,054 |
| Total: | \$72,724 |

The School District has adjusted their financial report as of June 30, 2003 to reflect the expenditures above being made from Pilasco Ross instead of the General Fund.

We recommend the School District Treasurer pay employee benefits from the proper funds.

FINDING NUMBER 2003-013

Noncompliance Citation – Certification of Funds

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This Section provides two "exceptions" to the above requirement:

- "Then and Now" Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, a sufficient sum was appropriated and free from any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

FINDING NUMBER 2003-013 (Continued)

Noncompliance Citation – Certification of Funds (Continued)

Ohio Rev. Code Section 5705.41(D) (Continued)

- If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

We noted that 38% of the applicable disbursements sampled did not have the prior certification of the School District Treasurer, and neither of the exceptions noted above were met. Additionally, we noted that signature of the former School District Treasurer, Stephen Sites, was affixed by someone other than himself on 105 purchase orders, making them null and void. Further, we noted that Theresa Lawless, Interim Treasurer, predated 102 purchase orders to a date prior to her assuming the Interim Treasurer's position.

As a result, purchases were not properly encumbered for a significant portion of the School District's disbursements. Furthermore, unlawful expenditures were made with School District Funds.

We recommend the School District Treasurer's certification of the availability of funds be obtained prior to purchase commitments being incurred. Further, we recommend that purchase orders contain the School District Treasurer's authentic signature and actual date that the funds were encumbered.

FINDING NUMBER 2003-014

Reportable Condition – Monitoring of Financial Activity

The School District Treasurer should provide budget and actual revenue and expenditure reports and the bank reconciliations to the Board of Education each month. The Board of Education should carefully review this information and make appropriate inquiries to manage the School District.

This information can help answer questions such as the following:

- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the school district maximizing its return on invested cash balances?
- Is the school district able to achieve the financial goals as set by the original or amended budgets?
- Are balances within each cost center reasonable and consistent with prior years?
- Are monies being spent in accordance with the approved appropriations?
- Is there evidence the School District should amend the five-year forecast if files with the Ohio Department of Education?

In addition to reviewing the statements noted above, the Board of Education should be evaluating the independent accountant's audit report to ensure that the internal control and legal compliance issues are promptly and effectively remedied.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2003-014 (Continued)

Reportable Condition – Monitoring of Financial Activity (Continued)

We recommend the Board of Education take a more active role in monitoring the financial activity and results of audits for the district. The minute record should indicate what financial information the board is approving and copies should be maintained.

FINDING NUMBER 2003-015

Reportable Condition – Posting of Budgeted Amounts

The accounting system utilized by the School District allows for monitoring of budget versus actual data. However, to allow for proper monitoring, the budgeted figures must reflect the Board of Education's approved appropriations and estimated resources. During fiscal year 2003, the School District did not update the system with the approved appropriations or the original estimated resources. Without the proper amounts updated in the system, the School District was unable to properly monitor data for compliance with budgetary laws.

We recommend the School District update the accounting system to reflect the approved appropriations and estimated resources at the beginning of the year. Subsequently, each time an amendment is approved, the budgetary data should be updated.

FINDING NUMBER 2003-016

Reportable Condition – Fixed Asset Tracking

The School District did not track its fixed assets through any type of manual or computer system. The Electronic Computer System (EIS), which was provided through the South Central Ohio Computer Association (SCOCA) and was utilized in the past, had not been updated since fiscal year 2000. Without some type of tracking system, it is difficult for the School District to maintain a true fixed asset listing. For both reporting purposes and control purposes, it is important that the district have a system in place to identify and track all fixed assets.

In addition to the inadequate monitoring of fixed assets, it was also noted the School District did not have a comprehensive capital asset policy on file. The School District approved a capitalization threshold, however, no policy for tracking the assets was developed. Without there being a comprehensive policy on file, the School District cannot accurately monitor their capital assets.

We recommend the School District develop a comprehensive capital asset policy that is approved by the Board of Education. This policy should address issues such as useful lives of assets and proper tracking of assets. Once this policy has been approved, the School District should set up a system to allow for proper tracking of all capital assets. This system should include:

- A detailed asset listing being maintained
- Tagging of all assets
- Periodic physical inventories of those assets on record
- Depreciable lives
- Accumulated depreciation

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2003-016 (Continued)

Reportable Condition – Fixed Asset Tracking (Continued)

- Function to which the asset is assigned
- Methods of updating the listing for acquisitions and deletions

FINDING NUMBER 2003-017

Material Weakness- Improper Posting

Several issues were noted regarding posting to the accounting system. We have listed each one below based on the type of error.

A. Receipt Posting

It was noted throughout the audit, the School District was not coding revenues properly. Several instances occurred where monies were improperly posted to either the wrong fund or the wrong line item. These types of posting errors can cause the financial statements to improperly report the true financial activity of the School District.

We recommend the School District Treasurer review all receipts prior to posting. When doing this, the School District Treasurer should inspect the source document for the funding and determine the most accurate coding to reflect the source of the monies.

B. Negative Receipts

The South Central Ohio Computer Association (SCOCA) system allows a School District to post a negative receipt and produce a check for reimbursement of revenues. However, this should not be done in place of valid expenditure, in which the expenditure should be shown on the books. We noted during testing of Pilasco Ross tuition and fees, that the School District had posted negative receipts totaling \$159,772. These postings were done to make payments to Washington Nile and Scioto Valley Local School Districts for services provided by individuals they employed. This was a payment for service in which they received an invoice and should not have been posted as a reduction of revenues. Instead, it should have been posted as an expenditure in order to properly reflect Pilasco Ross's actual revenues and expenditures.

We recommend the School District only utilize reductions of revenues in cases where overpayments were made to the School District and revenues should be returned to the payee. Reductions in revenues should not be done to make valid expenditures, which result in skewing true revenues and expenditures.

C. Foundation Payments

The School District had several payments withheld from their foundation payments. These included payments for retirement, to the Educational Service Center, and for other adjustments and transfers. When posting the foundation payments, the School District did not post the total amount of foundation revenue received and then the amount expensed for these payments. Instead, they posted the revenue net of the payments to the Educational Service Center and other adjustments and transfers. Posting the net revenues causes the revenues and expenditures shown on the School District's financial statements to be improperly reported.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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|---|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2003-017 (Continued)

Material Weakness- Improper Posting (Continued)

C. Foundation Payments (Continued)

We would recommend that all foundation payments be receipted in at gross and then the expenditures be posted as memo expenditures.

D. Payroll Coding

The School District was miscoding the object level for payroll expenditures for several employees. These employees were being paid from object codes indicating they were certified when they were not. This could cause difficulty determining if the proper amount of retirement is being withheld since one cannot determine the total wages that should have been subject to State Teacher's Retirement System and State Employee's Retirement System.

We recommend the School District Treasurer review all coding of employees and ensure that those who are certified or non-certified are properly coded as such in the system.

E. Rotary Fund

The School District utilized Fund 014 as a Rotary Fund. This fund was shown on the 4502 annual report as an Internal Service Fund. On the GAAP basis financial statements, this fund was routed into the General and Agency funds. However, the School District posted various types of revenues to this fund such as Pilasco Ross and OACHE revenues. These monies should be properly posted to the Agency Fund for Pilasco Ross or a Special Revenue fund set up for miscellaneous grant monies. These types of posting errors can cause the financial statements to improperly report the true financial activity of the School District.

We recommend the School District Treasurer review all the special cost centers that make up the 014 Fund to determine if they should be posted in an internal service type fund. For those that are related to Pilasco Ross or other grant monies, the School District should begin posting the activity to the proper Agency or Special Revenue Fund.

For guidance, the School District Treasurer can refer to the Auditor of State's Uniform School Accounting System User Guide, viewable at www.auditor.state.oh.us / Publications / Manuals and Handbooks / Local Government Manuals and Handbooks.

FINDING NUMBER 2003-018

Material Weakness – Purchasing Procedures

A. Unauthorized Signatures on Purchase Orders

We scanned all of the budgetary disbursements and noted the signature of School District Superintendent, James Payne, was placed on twenty-seven purchase orders by another employee without obtaining his prior approval. Of the disbursements selected for sampling, 70.3% either had no signature approval of the

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2003-018 (Continued)

Material Weakness – Purchasing Procedures (Continued)

A. Unauthorized Signatures on Purchase Orders (Continued)

Superintendent or another employee had signed the Superintendent's name. Also, the signature of former School District Treasurer, Stephen Sites, was signed by another employee in one hundred and five instances on purchase orders, as noted in finding number 2003-013. Additionally, one hundred and two purchase orders were pre-dated by Theresa Lawless, Interim Treasurer, to a date prior to her assuming the Interim Treasurer Position.

As a result, purchases were not properly approved and unallowable purchases were made. This also resulted in noncompliance with Ohio Rev. Code Section 5705.41(D).

We recommend all purchase orders be properly approved by the School District Superintendent and Treasurer by signing their authentic signatures on the purchase orders. This should be done prior to the date the purchase commitment is made.

B. Unauthorized Signatures on Checks

We scanned all of the budgetary checks and noted five checks on which the signature of former School District Treasurer, Steve Sites, was placed on the checks by an employee other than himself. The total amount of these five checks was \$4,299.73.

Although additional reviews of the disbursements indicated they appeared to be for proper public purposes, signing another employee's name could lead to unallowable disbursements being made.

We recommend all checks contain the authentic signature of the School District Treasurer.

C. Supporting Documentation for Disbursements

Supporting documentation should be maintained for all disbursements.

We noted 5.7% of the disbursements tested had no purchase requisition, purchase order, or invoice to support the disbursement. The total amount of the disbursements that lacked supporting documentation was \$300,705. Also, for 6.8% of the disbursements tested, canceled checks and memorandum checks were missing.

Although additional reviews of these items indicated they were for proper public purposes, the unsupported disbursements could lead to unallowable disbursements being made.

We recommend the School District Treasurer maintain supporting documentation for all disbursements made with School District funds. Supporting documentation includes, but is not limited to the following: The purchase requisition, purchase order, invoice, carbon copy of check, and canceled check. Further, when the School District issues a memorandum check, a notation should be made on the actual check to prevent it from being used for an unauthorized disbursement.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
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| | |
|------------------------------------|---|
| Finding Number | 2003-019 |
| CFDA Title and Number | Title I Grants to Local Educational Agencies 84.010 and Special Education – Grants to States 84.027 |
| Federal Award Number / Year | C1-S1 FY03 6B-S1/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation – Equipment and Real Property Management

34 C.F.R. Section 80.32(d) provides that procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the date, and the cost of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, property sales procedures must be established to ensure the highest possible return.

Deficiencies were noted in the controls over equipment in both of the federal programs tested as listed below:

Title I Grants to Local Educational Agencies (Title I)

The Federal Coordinator did maintain a record of all the equipment purchased with Title I funds, however, the School District did not utilize any means of tagging its assets. They had no control system in place to perform this procedure. It was also noted there was no record of a physical inventory being done at least once every two years as required. The Federal Coordinator had maintained an up-to-date list of assets, but there was no indication that an actual physical inventory had been done. Without these types of controls in place, the School District runs a higher risk for theft or loss of Title I assets.

Special Education- Grants to States (IDEA-B)

For the equipment purchased with IDEA-B funds, the School District had the same control failures as Title I noted above. There was no tagging of assets, nor was a physical inventory done.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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|------------------------------------|---|
| Finding Number | 2003-019 (Continued) |
| CFDA Title and Number | Title I Grants to Local Educational Agencies 84.010 and Special Education – Grants to States 84.027 |
| Federal Award Number / Year | C1-S1 FY03 6B-S1/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation – Equipment and Real Property Management (Continued)

For Pilasco Ross, an equipment listing was maintained but it did not have the tag number, purchase date, or purchase price listed for each item. Pilasco Ross could not provide any documentation that a physical inventory had been done in the past two years.

We recommend the School District and Pilasco Ross establish controls over their equipment. This should include procedures such as tagging all assets and maintaining a complete equipment listing. This should include information such as the tag number, purchase price, purchase date, check number, description of equipment, and location. Also, a physical inventory of all assets is required to be done at least once every two years.

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|------------------------------------|---|
| Finding Number | 2003-020 |
| CFDA Title and Number | Title I Grants to Local Educational Agencies 84.010 and Special Education – Grants to States 84.027 |
| Federal Award Number / Year | C1-S1 FY03 6B-S1/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost – Allowable Costs/Cost Principles

Title I

The School District agreed to abide by the budget that was included as part of the 2003 Consolidated Application Revision 2 dated May 8, 2003 when they entered into the agreement with the Ohio Department of Education. The School District exceeded its approved budget for fringe benefits by 10% and salaries by 7.6%. They did not prepare a revised budget and submit it for approval to make such expenditures. The fringe benefits were in part due to insurance costs tracked in a separate cost center. The School District may not have been aware that they were exceeding the amount available and budgeted for fringe benefits because those costs were being tracked in a different cost center than all the other Title I expenditures. The salaries were caused in part to substitutes/tutors being paid from Title I. These employees were not included in the original budget as approved personnel.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|---|
| Finding Number | 2003-020 (Continued) |
| CFDA Title and Number | Title I Grants to Local Educational Agencies 84.010 and Special Education – Grants to States 84.027 |
| Federal Award Number / Year | C1-S1 FY03 6B-S1/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost – Allowable Costs/Cost Principles (Continued)

Due to the lack of monitoring between actual and budgeted expenditures and the lack of review for unallowable expenditures according to grant guidelines, the School District spent \$10,538 over what was budgeted for fringe benefits and \$22,316 over what was budgeted for payroll, and therefore, these amounts are considered questioned costs. The above questioned costs were calculated after allowing for a 10% increase in the budget figures as permitted by the Ohio Department of Education.

Special Education

Also, during the audit period, the School District made a purchase out of Fund 516-9700 to Dell Computers Corporation in the amount of \$5,683. This purchase was for five computers which had not been previously approved in the budget that was agreed upon in the 2003 Consolidated Application Revision 2 agreement that was entered into with the Ohio Department of Education. These computers were not for special education purposes and therefore considered unallowable expenditures.

Based on the fact that none of the computers purchased were used for the benefit of the special education program and the purchase was made after the period of availability, the entire purchase of \$5,683 is considered a questioned cost.

We question \$5,683 in unallowable expenditures as noted above. These expenditures do not include those expenditures questioned in Findings 2003-021, 2003-023 and 2003-025.

We recommend the School District ensure that all expenditures made from federal funds are approved by the Superintendent or the Federal Coordinator and are for an allowable purpose in accordance with the grant guidelines. We would further recommend the School District review the cost centers to ensure expenditures are made for the appropriate grant year.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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|------------------------------------|--|
| Finding Number | 2003-021 |
| CFDA Title and Number | Special Education – Grants to States 84.027 Special Education – Preschool Grants 84.173 |
| Federal Award Number / Year | 6B-S1/AA/SF/SA/II FY00, FY99, FY01 PG-S3 FY98 and FY00 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost – Period of Availability of Federal Funds

20 U.S.C. 1225 (b) (2) states that any applicable program which, pursuant to paragraph (1) are available for obligation and expenditure in the year succeeding the fiscal year for which they were appropriated shall be obligated and expended in accordance with:

- (A) the Federal statutory and regulatory provisions relating to such program which are in effect for such succeeding fiscal year; and
- (B) any program plan or application submitted by such educational agencies or institutions for such educational agencies or institutions for such program for such succeeding fiscal year.

In Ohio, programs included in ODE’s Consolidated Application have a project period starting with the application approval date through June 30. Any carryover to the subsequent school district fiscal year must be approved by ODE. (A-133 Compliance Supplement)

Definition of Obligation: An obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. (A-133 Compliance Supplement)

The act of an SEA or other grantee awarding Federal funds to an LEA or other eligible entity within a State does not constitute a final obligation (GEPA Section 421(b)) (34 CFR Sections 76.704 through 76.707)). (A-133 Compliance Supplement)

Obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period. (ODE Federal Fiscal Report Procedures #1 and ODE Superintendent Weekly E-mail, December 6, 2002)

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|--|
| Finding Number | 2003-021 (Continued) |
| CFDA Title and Number | Special Education – Grants to States 84.027 Special Education – Preschool Grants 84.173 |
| Federal Award Number / Year | 6B-S1/AA/SF/SA/II FY00, FY99, FY01 PG-S3 FY98 and FY00 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Cost – Period of Availability of Federal Funds (Continued)

There were several instances identified in which expenditures were made after the available period. However, the School District did not have any approved carryover for the IDEA-B grant. This would make all the expenditures after the September 30 date unallowable expenditures. There were various types as noted below:

Payroll Expenditures:

The School District paid a total of \$104,613 in salaries for Pilasco Ross employees from Fund 022-9002 after the available period for grant year 2002. These expenditures were incurred between October 1, 2002 and June 30, 2003.

Old Cost Centers:

There were several expenditures made from cost centers that pertained to old grants. All the expenditures made from July 1, 2002 to June 30, 2003 were after their period of availability. Below is a detail of each fund and the total expenditures made.

| | | | | | | | |
|----------------------------|----------|----------|-----------|-----------|-----------|-----------|---------------|
| Fund Name: | IDEA-B | SERRC | SERRC | SERRC | PreSchool | PreSchool | |
| Acct. Number: | 519-9700 | 022-9810 | 022-9815 | 022-9820 | 022-9900 | 022-9905 | |
| Grant Year: | FY00 | FY99 | FY00 | FY01 | FY98 | FY00 | Total: |
| Total Expenditures: | \$ 1,440 | \$ 475 | \$ 22,080 | \$ 69,927 | \$ 37,051 | \$ 2,312 | \$ 133,285 |

In addition to those noted above, we also noted expenditures made after the available period for grant year 2002. This grant did not end until September 2002, but had expenditures after that date in the amount of \$113,139. These expenditures were incurred between October 1, 2002 and June 30, 2003.

We question the total of all expenditures made after the available period. The total of those items noted above was \$351,037. This amount does not include the amounts for those expenditures questioned in Finding Numbers 2003-020, 2003-023 and 2003-025.

We recommend the School District establish proper cost centers to allow for proper monitoring of expenditures. The School District Treasurer should review each purchase order and ensure that it is properly account coded prior to certifying funds are available for expenditure. This would include reviewing the cost center to ensure that the expenditure is for the proper grant period.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|--|
| Finding Number | 2003-022 |
| CFDA Title and Number | Special Education - Grants to States 84.027 Special Education – Preschool Grants 84.173 |
| Federal Award Number / Year | 6B-S1/AA/SF/SA/II FY02, FY03 PG-S3 FY02, FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation – Reporting

Ohio Department of Education’s Consolidated Application Assurances item 5 provides that (Local Education Agency) LEA’s will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties.

Program funds are reported to the State of Ohio. There are two forms the School District must file:

- Project cash request
- Final expenditure report

The final expenditure report is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 90 days after the end of the project period. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed.

Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered).

The Final Expenditure Reports submitted on behalf of Pilasco Ross were not supported by the accounting records. Instead, they were made to reflect what the budgeted figures were. Below is a comparison of the reported figures and actual figures for the 2002 grant year final expenditure report.

| Object Level | Expenditures per FER | Expenditure per system | Variance |
|---------------|----------------------|------------------------|------------------|
| 100 | \$389,430 | \$295,156 | \$94,274 |
| 200 | \$123,247 | \$65,736 | \$57,511 |
| 400 | \$284,228 | \$215,714 | \$68,514 |
| 500 | \$35,864 | \$36,170 | \$(306) |
| 600 | \$109,820 | \$0 | \$109,820 |
| Total: | \$942,589 | \$612,776 | \$329,813 |

During the audit period, this did result in the questioned costs listed as Findings 2003-020, 2003-021, 2003-023, and 2003-025.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|--|
| Finding Number | 2003-022 (Continued) |
| CFDA Title and Number | Special Education - Grants to States 84.027 Special Education – Preschool Grants 84.173 |
| Federal Award Number / Year | 6B-S1/AA/SF/SA/II FY02, FY03 PG-S3 FY02, FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation – Reporting (Continued)

Also the Final Expenditure Report for the 2003 grant year, which was filed after June 30, 2003, was not properly supported by the accounting system. The amounts listed in the Final Expenditure Report did not agree with the School District’s computer system. The Final Expenditure Report amounts agreed to the budget but did not agree to the actual amounts expended. The variances are as follows:

| Object Level | Expenditures per FER | Expenditure per system | Variance |
|--------------|----------------------|------------------------|------------|
| 100 | \$487,456 | \$311,893 | \$175,563 |
| 200 | \$148,692 | \$84,882 | \$63,810 |
| 400 | \$191,423 | \$223,951 | \$(32,528) |
| 500 | \$32,000 | \$30,425 | \$1,575 |
| 600 | \$10,000 | \$10,925 | \$(925) |
| Total: | \$869,571 | \$662,076 | \$207,495 |

Improper reporting of expenditures is in non compliance with the aforementioned federal requirements. These types of reporting issues could have an adverse affect on future federal funding for the School District.

We recommend the School District report to the Ohio Department of Education only those expenditures that can be supported with the School District’s accounting system. We would further recommend that the School District contact the Ohio Department of Education and submit an amended Final Expenditure Report for the 2003 grant.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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| | |
|------------------------------------|--|
| Finding Number | 2003-023 |
| CFDA Title and Number | Special Education - Grants to States 84.027 Special Education – Preschool Grants 84.173 |
| Federal Award Number / Year | 6B-S1/AA/SF/SA/II FY98 – FY02 PG-S3 FY98 – FY02 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Costs – Cash Management

34 C.F.R. Part 80.21 states, in pertinent part:

- (a) Scope. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contracts.
- (b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 C.F.R. Part 205.
- (c) Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

The first payment is initiated by the Ohio Department of Education. Subsequent payments must be requested by the LEA as needed using the online Project Cash Request (PCR).

Except for the initial PCR, cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date). ODE requires written explanation for monthly cash advance requests which exceed the 10% limit. Additionally, written explanations are required for cash advance requests when the balance on hand exceeds 10% of the approved budget amount. (Authority: ODE online Project Cash Request form).

Funds are to be expended within the period of time for which they are requested (e.g. funds requested for January should be expended or encumbered during January).(Authority: ODE online Project Cash Request form).

It was noted during review of the both the Title I grant and the IDEA-B grant, that proper cash management was not being maintained as noted below:

Title I Grants to Local Educational Agencies:

The School District allowed Fund 572-9002 (FY02 grant) to maintain a positive balance of approximately \$110,000 for eight months out of the year and at year end this fund still retained a balance of \$114,882. However, this grant was closed out in September 2002 (and no carryover was approved), so no fund balance should have existed as of June 30, 2003. This appears to be due to old grant monies that had balances retained and not returned to the Ohio Department of Education.

Based on the fact that the fund balance noted above should not be in existence as of June 30, 2003 according to the grant years and final expenditure reports, we will issue the total of \$114,882 as a questioned cost.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

| | |
|------------------------------------|--|
| Finding Number | 2003-023 (Continued) |
| CFDA Title and Number | Special Education - Grants to States 84.027 Special Education – Preschool Grants 84.173 |
| Federal Award Number / Year | 6B-S1/AA/SF/SA/II FY98 – FY02 PG-S3 FY98 – FY02 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Costs – Cash Management (Continued)

Special Education – Grants to States (IDEA-B):

- The Project Cash Request forms were not supported by the accounting records. Below are the variances that were noted.

| Date of Request | Expenditure per PCR | Expenditure per system | Variance | Fund |
|-----------------|---------------------|------------------------|-----------|------|
| 4/7/03 | \$129,794 | \$48,474 | \$81,320 | 516 |
| 10/8/02 | \$942,589 | \$612,775 | \$329,814 | 022 |
| 12/10/02 | \$217,500 | \$100,168 | \$117,332 | 022 |
| 2/28/03 | \$419,500 | \$246,597 | \$172,903 | 022 |
| 4/30/03 | \$419,500 | \$361,871 | \$57,629 | 022 |
| 5/29/03 | \$0 | \$600 | (\$600) | 022 |

The School District did not properly utilize the cost centers and due to that, the School District accumulated large cash balances in old cost centers. Below is a listing of cost centers that, based on the year of the grant and the final expenditure reports, should not have had balances remaining as of June 30, 2003.

| Fund-Cost Center | Description of the Grant/Fund | Fund Cash Balance as of June 30, 2003 |
|------------------|------------------------------------|---------------------------------------|
| 516-9002 | IDEA-B – Fiscal Year 2002 | \$81,321 |
| 516-9700 | IDEA-B – Fiscal Year 2000 | \$65,887 |
| 516-9710 | IDEA-B – Fiscal Year 2001 | \$113,477 |
| 022-9002 | SERRC – Fiscal Year 2002 | \$88,712 |
| 022-9810 | SERRC – Fiscal Year 1999 | \$6,125 |
| 022-9815 | SERRC – Fiscal Year 2000 | \$3,174 |
| 022-9820 | SERRC – Fiscal Year 2001 | \$376,718 |
| 022-9500 | Schools to Work – Fiscal Year 1998 | \$75,782 |
| 022-9587 | EC Speed – Fiscal Year 2000 | \$23,541 |
| 022-9905 | PreSchool – Fiscal Year 2000 | \$48,605 |
| Total | | \$883,342 |

- Based on the fact that these fund balances should not be in existence as of June 30, 2003 according to the grant years and final expenditure reports, we will issue the total of \$883,342 as a questioned cost. These questioned costs do not include the amounts questioned in Findings 2003-020, 2003-021 and 2003-025.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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|------------------------------------|--|
| Finding Number | 2003-023 (Continued) |
| CFDA Title and Number | Special Education - Grants to States 84.027 Special Education – Preschool Grants 84.173 |
| Federal Award Number / Year | 6B-S1/AA/SF/SA/II FY98 – FY02 PG-S3 FY98 – FY02 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Costs – Cash Management (Continued)

These deficiencies, for both federal programs, were a direct result of a lack of monitoring controls over the cash flows. There appeared to be no monitoring of these funds in the School District Treasurer's office. Without proper cash management, the School District runs a risk of losing some federal funding or having to return it back to the Ohio Department of Education.

We propose the following recommendations to be implemented to address the issues noted above:

- All cash request forms should be based on records from the accounting system. Support for each request should be maintained on file by the School District Treasurer's office.
- The School District should review the fund balances noted above to determine the source of the funding. Once this is determined, we recommend the School District contact the Ohio Department of Education to determine what course of action should be taken to distribute the monies to the correct parties. Once the items noted above are addressed, we would recommend the School District eliminate all unnecessary cost centers and begin monitoring the balances each month to allow for proper cash management of federal monies.

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| Finding Number | 2003-024 |
| CFDA Title and Number | Title I Grants to Local Educational Agencies 84.010 Special Education – Grants to States 84.027 |
| Federal Award Number / Year | C1-S1 FY03 6B-S1/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Material Weakness– Monitoring of Pilasco Ross Special Education Regional Resources Center (Pilasco Ross) Federal Grants

The School District had two major federal programs that were subject to A-133 testing for the audit period, Title I Grants to Local Educational Agencies (Title I) and Special Education Cluster. The Special Education Cluster included Special Education Grants to States (IDEA-B) and Special Education Preschool Grants (Preschool). In addition to this, Pilasco Ross received IDEA-B funding as well. Due to this, both Dawson

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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|------------------------------------|--|
| Finding Number | 2003-024 (Continued) |
| CFDA Title and Number | Title I Grants to Local Educational Agencies 84.010 Special Education – Grants to States 84.027 |
| Federal Award Number / Year | C1-S1 FY03 6B-S1/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Material Weakness– Monitoring of Pilasco Ross Special Education Regional Resources Center (Pilasco Ross) Federal Grants (Continued)

Bryant Local School District and Pilasco Ross were reviewed to ensure that adequate controls were in place over their accounting system to ensure that federal funding is properly accounted for. However, we noted several control deficiencies over the federal programs which are listed below.

Monitoring of Pilasco Ross funds

Pilasco Ross’s management should monitor the financial activity posted to their account by their fiscal agent, Dawson Bryant Local School District. However, proper monitoring was not done by Pilasco Ross through out the year. For example, they did not receive any type of monthly reports from the School District to ensure that monies were posted properly. They also did not ensure that the monies reported on their final expenditures report was supported by the accounting system. They did maintain hand kept ledgers of expenditures for each grant; however, they did not reconcile these with the accounting records of the School District. Without these types of monitoring controls in place, there is a greater risk of improper postings to their accounts which could cause questionable expenditures or improper cash management.

Proper Use of Cost Centers

The School District was required by the Ohio Department of Education to track federal monies by grant year. The School District had set up cost centers within their funds to allow them to do this. However, the School District did not properly utilize cost centers for its IDEA-B funding or for Pilasco Ross’s IDEA-B funding. Without proper use of cost centers, it would be difficult to accurately report each grant years’ expenditures. This resulted in possible questionable costs and improper reporting to the Ohio Department of Education.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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|------------------------------------|--|
| Finding Number | 2003-024 (Continued) |
| CFDA Title and Number | Title I Grants to Local Educational Agencies 84.010 Special Education – Grants to States 84.027 |
| Federal Award Number / Year | C1-S1 FY03 6B-S1/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Material Weakness – Monitoring of Pilasco Ross Special Education Regional Resources Center (Pilasco Ross) Federal Grants (Continued)

Approval of Federal Expenditures

The School District relied on management, such as the Federal Coordinator or Superintendent, to determine the allowability of expenditures for the Title I and IDEA-B programs. This approval was done when they sign off on the purchase order or the requisition. However, it was noted that during fiscal year 2003, of the fifteen vouchers inspected from the Title I Fund, five were not signed by the Federal Coordinator and four were not signed by the Superintendent. It was also noted that the Federal Coordinator did not review any of the expenditures for IDEA-B. The only approval for those expenditures was the Superintendent and of those eleven expenditures tested, four were not signed by the Superintendent. Without the review of either the Federal Coordinator or the Superintendent, there is a higher risk that an unallowable expenditure could be charged to the Title I or IDEA-B program.

In response to these control deficiencies, we would recommend the following:

1. Pilasco Ross should begin receiving detailed monthly financial reports from the Dawson Bryant Local School District. Once these reports are received, they should reconcile the activities to the internal records they maintain to ensure that postings were done properly. In addition to this monthly reconciliation, when the grant year is ended, Pilasco Ross should utilize system reports from the School District to fill out their Final Expenditure Report. Management should document their reconciliations and maintain supporting documentation.
2. The School District should review its current records and identify all improper cost centers and work with the Ohio Department of Education to remove those that should no longer be in use. After all old cost centers are properly addressed, the School District should set up cost centers that are for current grants only. Then, as expenditures and revenues are posted, the School District Treasurer should review the records to ensure monies are being posted to the proper cost center.
3. The School District should ensure that all expenditures associated with Title I or IDEA-B funds are approved by both the Federal Coordinator and the Superintendent prior to payment. During this approval, these individuals should ensure that the expenditure is allowable according to the grant agreement and that it was made in the correct grant year.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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|------------------------------------|---|
| Finding Number | 2003-025 |
| CFDA Title and Number | Special Education – Grants to States 84.027 |
| Federal Award Number / Year | 6B-SI/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Costs – Allowable Costs/Cost Principles and Period of Availability of Federal Funds

Circular A-87, Attachment A, Section C1 lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must be adequately documented and meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards;
- b. Be allocable to Federal awards under the provisions of this Circular;
- c. Be authorized or not prohibited under State or local laws or regulations;
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items;
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit;
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles;
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation;
- i. Be the net of all applicable credits; and
- j. Be adequately documented.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued) |
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| | |
|------------------------------------|---|
| Finding Number | 2003-025 (Continued) |
| CFDA Title and Number | Special Education – Grants to States 84.027 |
| Federal Award Number / Year | 6B-SI/AA/SF/SA/II FY03 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Questioned Costs – Allowable Costs/Cost Principles and Period of Availability of Federal Funds (Continued)

We noted the following instance in which an expenditure was made that was not deemed to be adequately documented:

On February 28, 2003, Pilasco Ross made a payment out of Fund 022-9002, Special Education – Grants to States, to Dawson Bryant Local School District in the amount of \$43,300. This payment had no support except for several purchase orders signed by the Dawson Bryant Local School District Treasurer. The payment from Pilasco Ross was then receipted into the School District’s Fund 014-9016, which was a rotary fund that was set up for Pilasco Ross. Although, the expenditure is staying with the agency, it is still not an allowable expenditure for the federal fund, since Fund 014 is not for Federal purposes and not used for Special Education expenditures.

It was also noted that this payment was made from a cost center that was set up to track fiscal year 2002 expenditures. However, that grant was closed out by September 30, 2002 and the final expenditure report showed all monies received as spent, so there was no carryover. Based on this, the payment made from cost center 9002 was made after the allowed period of availability for that grant.

Due to their being no support for the expenditure and the fact that the purchase was made after the period of availability, the payment of \$43,300 is considered a questioned cost. This questioned cost does not include the amounts questioned in Findings 2003-020, 2003-021 and 2003-023.

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § 315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|--|
| 2002-001 | Ohio Rev. Code § 5705.36 – Filing a Certificate of Estimated Resources | No | Not corrected – Repeated in current audit as finding 2003-007. |
| 2002-002 | Ohio Rev. Code § 5705.38 – Approving an annual appropriation resolution | Yes | |
| 2002-003 | Ohio Rev. Code §5705.41(B)- Expenditures exceeded appropriations | No | Partially corrected – Issued as citation in management letter. |
| 2002-84010-001 | Improper posting of Tile I expenditures | No | Not corrected – A final resolution has not yet been reached with the Ohio Department of Education. |
| 2002-84027-001 | Improper posting of Special Education Cluster expenditures | No | Not corrected – A final resolution has not yet been reached with the Ohio Department of Education. |

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE YEAR ENDED JUNE 30, 2003**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2003-001 | Once monies are collected, School District Treasurer will post revenues to proper funds. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-002 | A payment plan has been set up to allow employees to reimburse School District for the amount stated in the Finding for Recovery. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-003 | Once monies are collected, School District Treasurer will post revenues to proper funds. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-004 | Once monies are collected, School District Treasurer will post revenues to proper funds. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-005 | School District will confer with an insurance representative and legal counsel to determine what monies are required to be set aside. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-006 | School District will post the correct amount of interest due to the Food Service Fund each month. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-007 | School District will properly submit a Certificate of Estimated Resources by the required dates. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-008 | School District will monitor financial reports to ensure that appropriations do not exceed estimated resources. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-009 | School District will properly approve all required 412 certificates. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-010 | School District will review the Ohio Revised Code prior to making any transfers or advances to ensure they are allowable. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-011 | School District has hired a new Treasurer who has a valid treasurer's license. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-012 | School District Treasurer will ensure that benefits are paid from proper funds. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-013 | School District has hired a new Treasurer and are attempting to ensure that all expenditures are properly certified prior to making the expenditure. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-014 | School District Treasurer will begin utilizing reports to ensure proper cash management is being maintained. In addition to this, these reports will be given to the Board of Education for their review on a monthly basis. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-015 | School District Treasurer will utilize approved budgetary figures to input in the accounting system to allow for accurate reporting. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-016 | School District will develop a fixed asset system to allow for proper tracking of all assets. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-017 | School District Treasurer will monitor all posting to system to ensure entries are properly done. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-018 | School District will ensure that all expenditures are properly approved by the appropriate individuals. The School District has made it clear to staff that no one is to sign on anyone's behalf for approval of a purchase or purchase order. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-019 | School District will begin tracking fixed assets for federal programs in accordance with grant guidelines. | June 30, 2004 | Jim Tordiff, Treasurer |

**DAWSON BRYANT LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2003-020 | School District will contact Ohio Department of Education to determine if questioned cost must be repaid. School District Treasurer will track expenditures to grant guidelines. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-021 | School District will contact Ohio Department of Education to determine if questioned cost must be repaid. School District Treasurer will review all expenditures for proper grant period. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-022 | School District will begin utilizing system generated reports to support expenditures reported to the Ohio Department of Education. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-023 | School District will contact Ohio Department of Education to determine if questioned cost must be repaid. School District Treasurer will monitor cost centers to ensure monies are being properly tracked by grant year. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-024 | School District Treasurer will provide Pilasco Ross with monthly financial reports for their monitoring purposes. In addition to this, the School District will begin to utilize cost centers properly. | June 30, 2004 | Jim Tordiff, Treasurer |
| 2003-025 | School District will contact Ohio Department of Education to determine if questioned cost must be repaid. In addition, the School District will ensure that federal expenditures are approved by the federal coordinator prior to expenditures being made. Grant guidelines will be reviewed to ensure expenditures are allowable. | June 30, 2004 | Jim Tordiff, Treasurer |



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DAWSON BRYANT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2004**