

**DAWSON-BRYANT LOCAL
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



**Kelley,
Galloway &
Company, PSC**

CERTIFIED PUBLIC ACCOUNTANTS



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Dawson-Bryant Local School District, Lawrence County, prepared by Kelley, Galloway & Company, PSC, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2010

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Kelley,
Galloway &
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, (the "District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, as of June 30, 2009, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The schedule of expenditures of federal awards contained on pages 39 and 40 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kelley, Arthurway & Company, PSC

February 5, 2010

Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009

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, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities decreased \$1,065,104.
- General revenues accounted for \$8,363,491 in revenue or 66.7 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,182,288 or 33.3 percent of total revenues of \$12,545,779.
- Total assets of governmental activities decreased \$1,946,123. This is primarily due to decreases in the amount of \$1,546,819 in cash and cash equivalents and \$521,446 in property taxes receivable. The decrease in cash and cash equivalents is attributable to the final payments being made to the School District's classroom facilities construction project.
- The School District had \$13,610,883 in expenses related to governmental activities; only \$4,182,288 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$8,363,491 were not adequate to cover the remaining expenses.

USING THE BASIC FINANCIAL STATEMENTS

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

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

Reporting the School District as a Whole

Statement of Net 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 2009?" The Statement of Net Assets and the Statement of Activities answer

Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009

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 including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and other assets	\$ 7,141,238	\$ 9,242,664	\$ (2,101,426)
Capital assets	31,560,981	31,405,678	155,303
Total assets	<u>38,702,219</u>	<u>40,648,342</u>	<u>(1,946,123)</u>
Liabilities			
Long-term liabilities	1,770,115	2,144,702	(374,587)
Other liabilities	2,174,229	2,680,661	(506,432)
Total liabilities	<u>3,944,344</u>	<u>4,825,363</u>	<u>(881,019)</u>
Net assets			
Invested in capital assets	30,204,047	29,628,639	575,408
Restricted	1,222,692	2,023,197	(800,505)
Unrestricted	3,331,136	4,171,143	(840,007)
Total net assets	<u>\$ 34,757,875</u>	<u>\$ 35,822,979</u>	<u>\$ (1,065,104)</u>

Total assets of governmental activities decreased \$1,946,123. This is primarily due to decreases in cash and cash equivalents in the amount of \$1,546,819, and property taxes receivable in the amount of \$521,446, offset by an increase in capital assets in the amount of \$155,303, all of which are the result of the School District's recently completed classroom facilities construction project. This construction project has allowed the School District to make needed additions and renovations to the middle school/high school complex, as well as renovations to and an addition to the elementary school building.

In total, liabilities decreased \$881,019. This is almost entirely due to decreases in contracts payable in the amount of \$186,287, retainage payable in the amount of \$202,317, and long-term liabilities of \$374,587. The reduction in contracts and retainage payable is due to the completion of the School District's classroom facilities construction project. The decreases in long-term liabilities are the result of annual debt service payments.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, and comparisons to fiscal year 2008.

Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009

Table 2
Changes in Net Assets

	Governmental Activities		
	2009	2008	Change
Revenues			
Program revenues:			
Charges for services	\$ 1,186,914	\$ 1,190,140	\$ (3,226)
Operating grants, contributions and interest	2,912,259	2,947,719	(35,460)
Capital grants, contributions and interest	83,115	72,702	10,413
	<u>4,182,288</u>	<u>4,210,561</u>	<u>(28,273)</u>
General revenues:			
Property taxes	833,145	1,911,069	(1,077,924)
Grants and entitlements	7,447,377	7,490,393	(43,016)
Investment earnings	52,324	309,259	(256,935)
Miscellaneous	30,645	46,323	(15,678)
	<u>8,363,491</u>	<u>9,757,044</u>	<u>(1,393,553)</u>
Total revenues	<u>12,545,779</u>	<u>13,967,605</u>	<u>(1,421,826)</u>
Program expenses			
Instruction:			
Regular	6,694,306	6,830,110	135,804
Special	877,002	995,673	118,671
Vocational	112,667	125,772	13,105
Support services:			
Pupils	587,136	564,975	(22,161)
Instructional staff	384,435	319,139	(65,296)
Board of education	45,528	31,592	(13,936)
Administration	1,058,709	829,203	(229,506)
Fiscal	412,084	370,742	(41,342)
Business	17,967	15,934	(2,033)
Operation and maintenance of plant	1,345,029	1,535,982	190,953
Pupil transportation	690,317	775,346	85,029
Central	112,838	186,374	73,536
Operation of non-instructional services:			
Food service operations	666,062	818,627	152,565
Community services	62,246	8,620	(53,626)
Extracurricular activities	458,521	546,963	88,442
Interest and fiscal charges	86,036	102,136	16,100
Total expenses	<u>13,610,883</u>	<u>14,057,188</u>	<u>446,305</u>
Increase (decrease) in net assets	(1,065,104)	(89,583)	(975,521)
Net assets at beginning of year	<u>35,822,979</u>	<u>35,912,562</u>	<u>(89,583)</u>
Net asset at end of year	<u>\$ 34,757,875</u>	<u>\$ 35,822,979</u>	<u>\$ (1,065,104)</u>

Governmental Activities

Property taxes made up approximately 6.7 percent of revenues for governmental activities for the Dawson Bryant Local School District. Of the remaining revenues, the School District receives 83.2 percent from state foundation, federal, and state grants; 9.5 percent from charges for services; and 0.6 percent from interest and local entities.

Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 6.7 percent of revenues for governmental activities for Dawson Bryant Local School District in 2009. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio; any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Over 56.5 percent of the School District's budget is used to fund instructional expenses. Support services make up 34.1 percent of expenses and 9.4 percent is used for fiscal charges, extracurricular activities, and non-instructional services.

During the fiscal year, the School District experienced changes in the following: an 11.9 percent increase in employee insurance costs, a negotiated 3.5 percent salary increase, and increases in utility and fuel costs.

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

Table 3
Governmental Activities

	2009 Total cost of services	2009 Net cost of services	2008 Total cost of services	2008 Net cost of services
Program Expenses				
Instruction:				
Regular	\$ 6,694,306	\$ 4,396,724	\$ 6,830,110	\$ 4,590,802
Special	877,002	(22,174)	995,673	36,947
Vocational	112,667	(12,799)	125,772	(10,207)
Support Services:				
Pupils	587,136	581,472	564,975	559,975
Instructional staff	384,435	250,705	319,139	207,873
Board of education	45,528	45,528	31,592	31,592
Administration	1,058,709	1,051,112	829,203	825,516
Fiscal	412,084	411,756	370,742	370,618
Business	17,967	17,967	15,934	15,934
Operation and maintenance of plant	1,345,029	1,341,205	1,535,982	1,499,115
Pupil transportation	690,317	643,131	775,346	734,501
Central	112,838	112,838	186,374	186,374
Non-instructional services:				
Food service operations	666,062	106,167	818,627	214,237
Community services	62,246	48,030	8,620	8,620
Extracurricular activities	458,521	370,897	546,963	472,594
Interest and fiscal charges	86,036	86,036	102,136	102,136
Totals	<u>\$ 13,610,883</u>	<u>\$ 9,428,595</u>	<u>\$ 14,057,188</u>	<u>\$ 9,846,627</u>

Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 69.3 percent of total expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,054,000 and expenditures of \$14,149,892. Fund balances did have significant reductions due to revenues not keeping pace with expenditures, particularly in the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects Fund. The decrease noted in the General Fund is due to transfers-out for the retirement of debt. The reduction in the Classroom Facilities Capital Improvement Fund is the result of the completion of the classroom facilities construction project. The reduction in the Bond Retirement Debt Service Fund is due to the retirement of the School District's Classroom Improvement Notes.

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 2009, the School District did amend its general fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$9,901,587, which represented only a modest change from original estimates of \$10,135,328. The final budget basis expenditure estimate of \$10,762,631 represented a 9.6 percent increase from the original estimates due to overly conservative initial estimates.

The School District's ending unobligated general fund balance was \$3,223,592.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, the School District had \$31,560,981 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to 2008.

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

	Governmental Activities	
	2009	2008
Land	\$ 710,791	\$ 710,791
Construction in progress	-	13,280,310
Land improvements	832,968	910,259
Buildings and improvements	29,372,264	15,811,487
Furniture, fixtures, and equipment	257,208	300,863
Vehicles	387,750	391,968
Total	\$ 31,560,981	\$ 31,405,678

For additional information on capital assets, see Note 8 to the basic financial statements.

Dawson - Bryant Local School District
Management's Discussion and Analysis
For the Fiscal Year June 30, 2009

Debt

At June 30, 2009, the School District has classroom facilities improvement refunding bonds and notes outstanding of \$1,389,517 and \$6,000, respectively.

On June 1, 2006, the School District issued \$1,640,000 in Classroom Facilities Improvements Refunding Bonds to retire \$1,640,000 in Classroom Facilities General Obligation Bonds. \$1,640,800 was paid to bondholders on June 1, 2006, to retire the 1995 bonds. The School District decreased its total debt service requirements by \$222,359 as a result of the current refunding. On October 4, 2008, the School District issued \$9,000 in notes for the purchase of office equipment.

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

CURRENT ISSUES

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

Externally, the School District is largely dependent on State funding sources (approximately 75 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District continues to see a slight decline in student enrollment and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment has served to somewhat offset any increase in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (decreasing enrollment and higher insurance costs). In the long run, the fact remains that as long as the State avoids the complete systematic overhaul the Supreme Court ordered in its initial ruling, all schools in Ohio will be faced with the same problem in the future - either increasing its revenue (passing levies) or decreasing expenses (making budget cuts).

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Dawson - Bryant Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,462,314
Cash with Fiscal Agents	10,000
Materials and Supplies Inventory	8,973
Prepaid Items	8,310
Intergovernmental Receivable	245,007
Accounts Receivable	1,174
Property Taxes Receivable	1,366,877
Deferred Charges	38,583
Nondepreciable Capital Assets	710,791
Depreciable Capital Assets, Net	<u>30,850,190</u>
<i>Total Assets</i>	<u>38,702,219</u>
Liabilities	
Accounts Payable	98,125
Accrued Wages and Benefits Payable	895,164
Intergovernmental Payable	246,823
Accrued Interest Payable	2,579
Vacation Benefits Payable	24,947
Retainage Payable	10,000
Deferred Revenue	896,591
Long-Term Liabilities:	
Due within One Year	140,315
Due in More than One Year	<u>1,629,800</u>
<i>Total Liabilities</i>	<u>3,944,344</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	30,204,047
Restricted for:	
Debt Service	802,873
Capital Projects	40,647
Other Purposes	379,172
Unrestricted	<u>3,331,136</u>
<i>Total Net Assets</i>	<u><u>\$34,757,875</u></u>

See accompanying notes to
the basic financial statements.

Dawson - Bryant Local School District
Statement of Activities
For the Fiscal Year Ended June, 30, 2009

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$6,694,306	\$773,710	\$1,463,500	\$60,372	(\$4,396,724)
Special	877,002	55,398	843,778	-	22,174
Vocational	112,667	-	125,466	-	12,799
Support Services:					
Pupils	587,136	-	5,664	-	(581,472)
Instructional Staff	384,435	81,666	52,064	-	(250,705)
Board of Education	45,528	-	-	-	(45,528)
Administration	1,058,709	-	7,597	-	(1,051,112)
Fiscal	412,084	-	328	-	(411,756)
Business	17,967	-	-	-	(17,967)
Operation and Maintenance of Plant	1,345,029	-	3,824	-	(1,341,205)
Pupil Transportation	690,317	-	24,443	22,743	(643,131)
Central	112,838	-	-	-	(112,838)
Operation of Non-Instructional Services:					
Food Service Operations	666,062	174,300	385,595	-	(106,167)
Community Services	62,246	14,216	-	-	(48,030)
Extracurricular Activities	458,521	87,624	-	-	(370,897)
Interest and Fiscal Charges	86,036	-	-	-	(86,036)
Totals	\$13,610,883	\$1,186,914	\$2,912,259	\$83,115	(9,428,595)

General Revenues:

Property Taxes Levied for:

General Purposes	745,518
Debt Service	78,508
Classroom Facilities Maintenance	9,119
Grants and Entitlements not Restricted to Specific Programs	7,447,377
Investment Earnings	52,324
Miscellaneous	30,645

Total General Revenues

8,363,491

Change in Net Assets

(1,065,104)

Net Assets at Beginning of Year

35,822,979

Net Assets at End of Year

\$34,757,875

See accompanying notes to
the basic financial statements.

Dawson - Bryant Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,429,550	\$741,813	\$1,290,951	\$5,462,314
Cash with Fiscal Agents	-	-	10,000	10,000
Receivables:				
Taxes	1,161,502	184,705	20,670	1,366,877
Accounts	1,074	-	100	1,174
Intergovernmental	55,398	-	189,609	245,007
Interfund	191,892	-	-	191,892
Due from Other Funds	-	-	2,999	2,999
Materials and Supplies Inventory	-	-	8,973	8,973
Prepaid Items	5,099	-	3,211	8,310
Total Assets	<u>\$4,844,515</u>	<u>\$926,518</u>	<u>\$1,526,513</u>	<u>\$7,297,546</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$65,526	\$ -	\$32,599	\$98,125
Accrued Wages and Benefits Payable	766,233	-	128,931	895,164
Contracts Payable	-	-	-	-
Intergovernmental Payable	216,647	-	30,176	246,823
Due to Other Funds	-	-	2,999	2,999
Retainage Payable	-	-	10,000	10,000
Interfund Payable	-	-	191,892	191,892
Deferred Revenue	989,526	154,580	206,686	1,350,792
Total Liabilities	<u>2,037,932</u>	<u>154,580</u>	<u>603,283</u>	<u>2,795,795</u>
Fund Balances				
Reserved for Encumbrances	147,578	-	33,903	181,481
Reserved for Property Taxes	188,960	30,125	3,231	222,316
Unreserved, Undesignated, Reported in:				
General Fund	2,470,045	-	-	2,470,045
Special Revenue Funds	-	-	160,668	160,668
Debt Service Fund	-	741,813	-	741,813
Capital Projects Funds	-	-	725,428	725,428
Total Fund Balances	<u>2,806,583</u>	<u>771,938</u>	<u>923,230</u>	<u>4,501,751</u>
Total Liabilities and Fund Balances	<u>\$4,844,515</u>	<u>\$926,518</u>	<u>\$1,526,513</u>	<u>\$7,297,546</u>

See accompanying notes to
the basic financial statements.

Dawson - Bryant Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances		\$4,501,751
 <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.		31,560,981
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	247,970	
Accounts Receivable	16,984	
Grants	189,247	454,201
Unamortized issuance costs represent deferred charges which do not provide current financial resources, and therefore, are not reported in the funds.		38,583
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Notes Payable	(6,000)	
School Construction Bonds	(1,389,517)	
Accrued Interest Payable	(2,579)	
Sick Leave Benefits Payable	(374,598)	
Vacation Benefits Payable	(24,947)	(1,797,641)
Net Assets of Governmental Activities		<u><u>\$34,757,875</u></u>

See accompanying notes to
 the basic financial statements.

Dawson - Bryant Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,133,417	\$180,225	\$20,305	\$1,333,947
Intergovernmental	8,139,396	37,322	2,197,703	10,374,421
Investment Earnings	52,324	-	6,112	58,436
Tuition and Fees	844,485	-	15,216	859,701
Charges for Services	-	-	174,300	174,300
Extracurricular	331	-	167,959	168,290
Gifts and Donations	-	-	54,260	54,260
Miscellaneous	11,995	-	18,650	30,645
<i>Total Revenues</i>	<u>10,181,948</u>	<u>217,547</u>	<u>2,654,505</u>	<u>13,054,000</u>
Expenditures				
Current:				
Instruction:				
Regular	4,883,394	-	1,476,166	6,359,560
Special	515,180	-	293,138	808,318
Vocational	100,451	-	-	100,451
Support Services:				
Pupils	556,016	-	6,617	562,633
Instructional Staff	188,544	-	183,372	371,916
Board of Education	45,528	-	-	45,528
Administration	1,004,964	-	9,406	1,014,370
Fiscal	388,189	7,022	791	396,002
Business	17,967	-	-	17,967
Operation and Maintenance of Plant	1,247,627	-	9,211	1,256,838
Pupil Transportation	618,179	-	-	618,179
Central	108,600	-	-	108,600
Operation of Non-Instructional Services:				
Food Service Operations	-	-	666,761	666,761
Community Services	-	-	12,167	12,167
Extracurricular Activities	294,078	-	99,319	393,397
Capital Outlay	105,853	-	796,030	901,883
Debt Service:				
Principal Retirement	3,000	426,000	-	429,000
Interest and Fiscal Charges	-	86,322	-	86,322
<i>Total Expenditures</i>	<u>10,077,570</u>	<u>519,344</u>	<u>3,552,978</u>	<u>14,149,892</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>104,378</u>	<u>(301,797)</u>	<u>(898,473)</u>	<u>(1,095,892)</u>
Other Financing Sources (Uses)				
Proceeds of Notes	9,000	-	-	9,000
Proceeds from Sale of Capital Assets	-	-	1,002	1,002
Transfers In	-	337,372	458,718	796,090
Transfers Out	(796,090)	-	-	(796,090)
<i>Total Other Financing Sources (Uses)</i>	<u>(787,090)</u>	<u>337,372</u>	<u>459,720</u>	<u>10,002</u>
<i>Net Change in Fund Balance</i>	<u>(682,712)</u>	<u>35,575</u>	<u>(438,753)</u>	<u>(1,085,890)</u>
<i>Fund Balances at Beginning of Year</i>	<u>3,489,295</u>	<u>736,363</u>	<u>1,361,983</u>	<u>5,587,641</u>
<i>Fund Balances at End of Year</i>	<u>\$2,806,583</u>	<u>\$771,938</u>	<u>\$923,230</u>	<u>\$4,501,751</u>

See accompanying notes to
the basic financial statements.

Dawson - Bryant Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (\$1,085,890)

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 useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	992,587	
Depreciation Expense	<u>(830,784)</u>	161,803

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or a loss is reported for each disposal. This is the amount of the loss on disposal of assets.

Proceeds from the Sale of Capital Assets	(1,002)	
Loss on Disposal of Capital Assets	<u>(5,498)</u>	(6,500)

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

Grants	7,958	
Tuition and Fees	(15,377)	
Delinquent Taxes	<u>(500,802)</u>	(508,221)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 429,000

Note proceeds are other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets and are not reported. (9,000)

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

Accrued Interest Payable	181	
Amortization of Deferred Amount on Refunding	(2,734)	
Amortization of Issuance Costs	(4,327)	
Amortization of Premium on Serial Bonds	<u>7,166</u>	286

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:

Sick Leave Benefits Payable	(49,845)	
Vacation Benefits Payable	<u>3,263</u>	<u>(46,582)</u>

Change in Net Assets of Governmental Activities (\$1,065,104)

Dawson - Bryant Local School District
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Property Taxes	\$978,397	\$958,448	\$1,123,077	\$164,629
Intergovernmental	8,140,925	7,974,933	8,145,707	170,774
Investment Earnings	49,099	48,098	52,324	4,226
Tuition and Fees	955,258	908,392	855,025	(53,367)
Miscellaneous	11,649	11,716	12,388	672
<i>Total Revenues</i>	<u>10,135,328</u>	<u>9,901,587</u>	<u>10,188,521</u>	<u>286,934</u>
Expenditures				
Current:				
Instruction:				
Regular	4,775,283	5,236,234	4,877,732	358,502
Special	528,920	580,009	544,252	35,757
Vocational	98,504	108,019	101,290	6,729
Support Services:				
Pupils	552,067	605,391	566,998	38,393
Instructional Staff	188,979	207,233	194,012	13,221
Board of Education	43,198	47,370	44,488	2,882
Administration	968,865	1,062,449	1,001,712	60,737
Fiscal	388,069	425,553	411,384	14,169
Business	18,150	19,904	19,627	277
Operation and Maintenance of Plant	1,238,178	1,357,775	1,324,818	32,957
Pupil Transportation	618,820	678,592	681,280	(2,688)
Central	107,154	117,504	110,038	7,466
Extracurricular Activities	288,712	316,598	296,293	20,305
Capital Outlay	-	-	105,853	(105,853)
Debt Service:				
Principal	-	-	3,000	(3,000)
<i>Total Expenditures</i>	<u>9,814,899</u>	<u>10,762,631</u>	<u>10,282,777</u>	<u>479,854</u>
<i>Excess of Revenues Under Expenditures</i>	<u>320,429</u>	<u>(861,044)</u>	<u>(94,256)</u>	<u>766,788</u>
Other Financing Sources (Uses)				
Proceeds of Notes	-	-	9,000	9,000
Transfers In	77,531	75,950	-	(75,950)
Advances In	4,493	4,401	4,401	-
Transfers Out	(894,598)	(981,008)	(796,090)	184,918
Advances Out	(186,983)	(205,044)	(191,892)	13,152
<i>Total Other Financing Sources (Uses)</i>	<u>(999,557)</u>	<u>(1,105,701)</u>	<u>(974,581)</u>	<u>131,120</u>
<i>Net Change in Fund Balance</i>	(679,128)	(1,966,745)	(1,068,837)	897,908
<i>Fund Balance at Beginning of Year</i>	3,894,508	3,894,508	3,894,508	-
Prior Year Encumbrances Appropriated	397,921	397,921	397,921	-
<i>Fund Balance at End of Year</i>	<u>\$3,613,301</u>	<u>\$2,325,684</u>	<u>\$3,223,592</u>	<u>\$897,908</u>

See accompanying notes to
the basic financial statements.

Dawson - Bryant Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$32,058</u>
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Liabilities

Due to Others	\$17,841
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Due to Students	<u>14,217</u>
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Total Liabilities	<u>\$32,058</u>
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See accompanying notes to
the basic financial statements.

Dawson - Bryant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 four instructional/support facilities staffed by 58 classified employees and 92 certified teaching and administrative personnel who provide services to 1,232 students and other community members.

Reporting Entity

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

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

The School District participates in the South Central Ohio Computer Association and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan and the Lawrence County Schools Insurance Purchasing Consortium, which are defined as insurance purchasing pools. These organizations are presented in Notes 9 and 10.

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.

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.

Dawson - Bryant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

The statement of net 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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

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

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

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

Dawson - Bryant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Fiduciary Funds 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 the measurement of results of operations. The School District's only fiduciary fund is an agency fund which accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (revenues) and decreases (expenses) 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 (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to

Dawson - Bryant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student 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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

The School District has a segregated bank account for monies retained by the School District during construction to insure satisfactory completion of the project. This account is presented on the balance sheet as "cash with fiscal agents" since it is kept separate from the School District treasury.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund and the Classroom Facilities Capital Project Fund. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$52,324, which includes \$16,358 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

G. Inventory

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

H. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	50 years
Furniture, fixtures and equipment	5 - 15 years
Vehicles	3 - 15 years

I. Interfund Activity

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

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees with fifteen or more years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

K. Accrued Liabilities and Long-term Obligations

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

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

L. Bond Premiums, Gain/Losses on Refinancing and Issuance Costs

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition of the face amount of the bonds.

Any gain/loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the year the bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 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.

N. Interfund Balances

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

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

O. Estimates

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

P. Net 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.

The government-wide statement of net assets reports \$1,222,692 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and state grants restricted for specific purposes.

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

Q. Extraordinary and Special Items

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

R. Budgetary Process

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

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

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

Dawson - Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 3 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2009:

	<u>Deficit</u>
Special Revenue Funds:	
Food Service	\$ 20,676
Public Preschool	17,018
Title VI-B Idea	42,152
Title I	101,314
Title II-A	26,174
Miscellaneous federal grants	2,332

These deficits resulted from payables recorded in accordance with generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP basis	\$ (682,712)
Revenue accruals	44,987
Expenditure accruals	(40,017)
Prepaid items:	
Beginning of year	7,453
End of year	(5,099)
Advances	(187,492)
Encumbrances	(205,957)
Budget basis	<u>\$ (1,068,837)</u>

Dawson - Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,466,420 of the School District's bank balance of \$5,653,773

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out - the assessment percentage for all property including inventory for 2009 is 0 percent. 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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, tangible personal property, and public utility taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

The amount available as an advance at June 30, 2009, was \$188,960 in the General Fund, \$30,125 in the Bond Retirement Debt Service Fund, and \$3,231 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2008, was \$178,620 in the General Fund, \$28,508 in the Bond Retirement Debt Service Fund, and \$3,094 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<u>2008 Second Half Collections</u>		<u>2009 First Half Collections</u>	
Real property	\$ 57,527,550	90.63%	\$ 57,916,810	90.99%
Public utility tangible personal property	4,761,680	7.50%	4,916,980	7.72%
Tangible personal property	<u>1,187,551</u>	<u>1.87%</u>	<u>820,500</u>	<u>1.29%</u>
Total	<u>\$ 63,476,781</u>	<u>100.00%</u>	<u>\$ 63,654,290</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 24.30		 \$ 24.30	

Note 7 - Receivables

Receivables at June 30, 2009, consisted of property taxes, accounts (rents, student fees and tuition), 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 fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
School Lunch and Breakfast Program	\$ 362
Public Preschool	17,018
High Schools that work	1,000
Title VI-B Idea	42,943
Title I	101,255
Title V	109
Safe and Drug Free Schools	2,293
Title II-A	21,944
Title II-D	2,685
Miscellaneous	<u>55,398</u>
Total	<u>\$ 245,007</u>

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Capital Assets:	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 710,791	\$ -	\$ -	\$ 710,791
Construction in progress	13,280,310	-	13,280,310	-
Total nondepreciable Capital assets	<u>13,991,101</u>	<u>-</u>	<u>13,280,310</u>	<u>710,791</u>
Depreciable Capital Assets:				
Land improvement	1,465,706	-	-	1,465,706
Buildings and improvements	23,175,789	14,182,193	-	37,357,982
Furniture, fixtures and equipment	1,613,848	22,200	-	1,636,048
Vehicles	1,080,828	68,504	65,000	1,084,332
Total depreciable capital assets	<u>27,336,171</u>	<u>14,272,897</u>	<u>65,000</u>	<u>41,544,068</u>
Less: accumulated depreciation:				
Land improvements	(555,447)	(77,291)	-	(632,738)
Buildings and improvements	(7,364,302)	(621,416)	-	(7,985,718)
Furniture, fixtures and equipment	(1,312,985)	(65,855)	-	(1,378,840)
Vehicles	(688,860)	(66,222)	58,500	(696,582)
Total accumulated depreciation	<u>(9,921,594)</u>	<u>(830,784)*</u>	<u>58,500</u>	<u>(10,693,878)</u>
Total capital assets being depreciated, net	<u>17,414,577</u>	<u>13,442,113</u>	<u>6,500</u>	<u>30,850,190</u>
Capital assets, net	<u>\$ 31,405,678</u>	<u>\$ 13,442,113</u>	<u>\$ 13,286,810</u>	<u>\$ 31,560,981</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 303,188
Special	58,915
Vocational	12,644
Support services:	
Pupils	37,864
Instructional staff	12,644
Administration	50,508
Fiscal	12,644
Operation and maintenance of plant	84,203
Pupil transportation	137,781
Central	4,238
Food service operations	50,079
Extracurricular activities	66,076
Total depreciation expense	<u>\$ 830,784</u>

Note 9 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The 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. The School District paid \$90,275 for services provided during fiscal year 2009. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2009. To obtain financial information write to CORAS, McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 10 - Insurance Purchasing Pools

A. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Lawrence County Schools Insurance Purchasing Consortium

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, a health 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 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer 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.

Funding Policy - Plan members are required to contribute 10 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 2009, 9.09 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$143,469, \$134,360, and \$179,049, respectively; 46.51 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent 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 STRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$655,312, \$673,533, and \$752,808 respectively; 86.19 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$4,229 made by the School District and \$9,781 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the

Dawson - Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

School Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 E. Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$95,203, \$108,139, and \$94,457, respectively; 35.66 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$13,259, \$10,073, and \$10,658, respectively; 52.25 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost-sharing, multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for

Dawson - Bryant Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

the fiscal years ended June 30, 2009, 2008, and 2007 were \$50,409, \$51,810, and \$57,908, respectively; 86.19 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 13 - 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 vacation per fiscal year, depending upon length of service. Vacation from one fiscal year may only be carried forward for two months into the next fiscal year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 315 days for certified employees and 280 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 70 days for all employees.

B. Insurance Benefits

The School District provides medical, health, and prescription card coverage through Medical Mutual of Ohio. The School District pays 79% of the total monthly premiums of \$1,682.01 for family coverage and 80% of total monthly premiums of \$680.97 for single coverage.

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

The School District provides dental insurance to certificated and administrative employees through CoreSource. Monthly premiums are \$62.98 for both single and family coverage.

The School District provides vision insurance to certificated and administrative employees through the Vision Service Plan. Monthly premiums are \$20.14 for both single and family coverage.

Note 14 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School District contracted with The Argonaut Insurance Company for the following coverage:

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Building and contents - replacement cost	\$ -	\$ 32,940,000
General liability:		
Each occurrence	-	1,000,000
Aggregate limit	-	3,000,000
Sexual abuse	-	1,000,000
Products - complete operations aggregate limit	-	3,000,000
Personal and advertising injury limit - each offense	-	1,000,000
Errors and Omissions:		
Each occurrence	-	1,000,000
Aggregate limit	-	1,000,000
Employers' Liability		
Each occurrence	-	1,000,000

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Employee Benefits Liability:		
Each occurrence	-	1,000,000
Aggregate limit	-	3,000,000
Vehicles:		
Bodily injury:		
Per person	-	1,000,000
Per accident	-	1,000,000
Property damage	-	1,000,000
Uninsured Motorist:		
Per person	100	1,000,000
Per accident	100	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2008.

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control and actuarial services to the GRP.

Note 15 - Long - Term Obligations

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amounts Due in One Year
Governmental Activities:					
Superior notes - 0%	\$ -	\$ 9,000	\$ 3,000	\$ 6,000	\$ 3,000
2006 Classroom Improvements					
Notes - 4.73%	316,000	-	316,000	-	-
2006 Classroom Facilities					
Improvements refunding bonds:					
Serial Bonds	760,000	-	110,000	650,000	115,000
Term Bonds	700,000	-	-	700,000	-
Deferred amount on refunding	(27,106)	-	(2,734)	(24,372)	-
Serial Bond Premium	71,055	-	7,166	63,889	-
Total General Obligation					
Bonds	1,819,949	9,000	433,432	1,395,517	118,000
Sick Leave Benefits Payable	324,753	99,965	50,120	374,598	22,315
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,144,702</u>	<u>\$ 108,965</u>	<u>\$ 483,552</u>	<u>\$ 1,770,115</u>	<u>\$ 140,315</u>

The sick leave benefits payable will be paid from the fund from which the employees' salaries are paid which includes the General Fund, and the Food Service, Poverty Based Assistance, and the Title VI-B Idea Special Revenue Funds.

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

On October 4, 2008, the School District issued notes in the amount of \$9,000 for the purchase of office equipment. Principal requirements to retire the Superior Notes at June 30, 2009, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>
2010	\$ 3,000
2011	3,000
	<u>\$ 6,000</u>

On January 5, 2006, the School District issued Classroom Facilities notes in the amount of \$505,000. The notes were issued for the renovation of and additions to the elementary school and additions to and renovation of the middle school/high school complex as part of the School District's Classroom Facilities Improvement Project.

On June 1, 2006, the School District issued \$1,640,000 in refunding bonds to retire \$1,640,000 of outstanding Classroom Facilities Improvements Bonds. \$1,640,000 was paid to the bondholders to retire the 1995 Classroom Facilities Improvement Bonds.

The refunding bonds issued included serial and term bonds in the amount of \$940,000 and \$700,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The general obligation bonds were sold at a premium of \$85,982 with issuance costs associated with the refunding bonds at \$51,925.

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2009, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 115,000	\$ 62,750	\$ -	\$ -
2011	120,000	58,150	-	-
2012	135,000	53,350	-	-
2013	135,000	47,950	-	-
2014 - 2017	145,000	42,550	700,000	95,287
	<u>\$ 650,000</u>	<u>\$ 264,750</u>	<u>\$ 700,000</u>	<u>\$ 95,287</u>

The term bonds, issued at \$700,000, maturing December 1, 2014, to December 1, 2017, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2014	160,000
2015	165,000
2016	175,000
2017	200,000
	<u>\$ 700,000</u>

The School District's overall legal debt margin was \$5,094,648, with an unvoted debt margin of \$634,692 at June 30, 2009.

Dawson - Bryant Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Note 16 - Interfund Activity and Balances

A. Transfers

	<u>Transfer to</u>		
	Bond	Other	
	Retirement	Nonmajor	Total
	<u>Governmental</u>		
General fund	\$ 337,372	\$ 458,718	\$ 796,090
Total all funds	<u>\$ 337,372</u>	<u>\$ 458,718</u>	<u>\$ 796,090</u>

The transfers were to use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and to move money from the General Fund to the Bond Retirement Debt Service Fund to be used for debt service payments.

B. Interfund Balances

Interfund balances at June 30, 2009, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	<u>Interfund</u>	<u>Interfund</u>
	Receivables	Payables
General fund	\$ 191,892	\$ -
Other governmental funds:		
Public preschool	-	17,018
High schools that work	-	1,000
Title VI-B idea	-	42,944
Title I	-	101,520
Title V	-	108
Drug free grants	-	4,669
Title II-A	-	21,943
Miscellaneous state grants	-	2,690
Total other governmental funds	<u>-</u>	<u>191,892</u>
Total all funds	<u>\$ 191,892</u>	<u>\$ 191,892</u>

Note 17 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 years. In prior fiscal years, the School District was required to set-aside money for budget stabilization.

The following cash basis information describes the changes in the fiscal year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

Dawson - Bryant Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balances as of June 30, 2008	\$ (745,730)	\$ -
Current year set-aside requirement	205,136	205,136
Current year offsets	-	(24,320)
Qualifying disbursements	(205,974)	(992,677)
Totals	<u>\$ (746,568)</u>	<u>\$ (811,861)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ (746,568)</u>	<u>\$ -</u>
Set-aside reserve balance as of June 30, 2009	<u>\$ (746,568)</u>	<u>\$ -</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbook amount below zero. This extra amount in the textbook set-aside may be used to reduce the set-aside requirements for future years.

Note 18 - Contingencies

A. Grants

The School District receives 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, 2009.

The School District has been approved for \$887,071 of Federal Stimulus dollars as a part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund special education and early childhood programs. The allocations will be available to fund fiscal year 2010 programs.

B. Litigation

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

SUPPLEMENTAL INFORMATION

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster:				
Cash Assistance				
Passed through Ohio Department of Education:				
National School Breakfast Program	10.553	3L70	\$ 78,901	\$ 78,901
National School Lunch Program	10.555	3L60	257,140	257,140
Summer Food Service Program	10.559	3L60	<u>21,879</u>	<u>21,879</u>
			357,920	357,920
Noncash assistance				
National School Lunch Program				
Food Donation	10.555	N/A	<u>27,602</u>	<u>27,602</u>
Total U.S. Department of Agriculture			<u>385,522</u>	<u>385,522</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I	84.010	3M00	437,831	491,484
IDEA, Part B	84.027	3M20	287,369	318,605
Drug-Free Schools and Communities	84.186	3D10	7,783	10,956
Innovative Education Programs	84.298	3M10	975	929
Education Technology State Grant	84.318	3520	6,406	8,491
Improving Teacher Quality State Grant	84.367	3Y60	<u>122,861</u>	<u>134,751</u>
Total U.S. Department of Education			<u>863,225</u>	<u>965,216</u>
Total receipts/expenditures of Federal awards			<u>\$ 1,248,747</u>	<u>\$ 1,350,738</u>

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (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.



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson-Bryant Local School District, (the "District") as of and for the year ended June 30, 2009, which collecting comprise the District's basic financial statements and have issued our report thereon dated February 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the District in a separate letter dated February 5, 2010.

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

Kelley, Galloway & Company, PSC

February 5, 2010



Kelley,
Galloway &
Company, PSC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Dawson-Bryant Local School District, (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated February 5, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not the purpose of expressing an opinion on the effectiveness of internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted other matters involving internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 5, 2010.

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

Kelley, Galloway + Company, PSC
February 5, 2010

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009

(1) Summary of Auditor's Results

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

DAWSON-BRYANT LOCAL SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

There were no findings in the prior year.

DAWSON-BRYANT LOCAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2009

NAME OF CONTACT PERSON

Jim Tordiff, Treasurer

CORRECTIVE ACTION PLANNED

None.



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Company, PSC

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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Dawson-Bryant Local School District, (the "District") has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 20 U.S.C. 1232q, as amended.

We read the policy, noting it did not include the following requirements from Ohio Revised Code Section 3313.666 (B):

- (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1322q, as amended, have access to any written reports pertaining to the prohibited incident;
- (2) A procedure for documenting any prohibited incident that is reported;
- (3) A procedure for responding to and investigating any reported incident;
- (4) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the constitution of the United States.
- (5) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This information is intended solely for the use of the Board of Education and management of Dawson-Bryant Local School District and is not intended to be and should not be used by anyone other than these specified parties.

Kelley, Sullivan & Company, PSC

February 5, 2010



Mary Taylor, CPA
Auditor of State

DAWSON-BRYANT LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2010**