



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio, as of June 30, 2013, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, for the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2014

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Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

The discussion and analysis of the Dawson-Bryant Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- Net Position of governmental activities decreased \$1,301,597.
- General revenues accounted for \$9,882,442 in revenue or 75.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and interest accounted for \$3,276,329 or 24.9 percent of total revenues of \$13,158,771.
- The School District had \$14,460,368 in expenses related to governmental activities; only \$3,276,329 of these expenses were offset by program specific charges for services, operating grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$9,882,442 were not adequate to cover the remaining expenses.
- Total governmental funds had \$13,218,316 in revenues and \$13,575,777 in expenditures. The total governmental fund balance decreased \$357,461.

USING THE BASIC FINANCIAL STATEMENTS

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. 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 only major governmental fund is the General Fund.

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

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2013 compared to 2012.

Dawson - Bryant Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

Table 1
Net Position

	Governmental Activities		
	2013	2012 *	Change
Assets			
Current and Other Assets	\$7,927,816	\$8,144,419	(\$216,603)
Capital Assets	29,325,380	30,358,363	(1,032,983)
Total Assets	<u>37,253,196</u>	<u>38,502,782</u>	<u>(1,249,586)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	<u>13,439</u>	<u>16,171</u>	<u>(2,732)</u>
Liabilities			
Long-Term Liabilities	2,770,003	2,992,915	(222,912)
Other Liabilities	1,784,436	1,644,127	140,309
Total Liabilities	<u>4,554,439</u>	<u>4,637,042</u>	<u>(82,603)</u>
Deferred Inflow of Resources			
Property Taxes not Levied to Finance Current Year Operations	<u>1,107,993</u>	<u>976,111</u>	<u>131,882</u>
Net Position			
Net Investment in Capital Assets	27,013,590	27,866,542	(852,952)
Restricted	1,173,531	2,183,408	(1,009,877)
Unrestricted	<u>3,417,082</u>	<u>2,855,850</u>	<u>561,232</u>
Total Net Position	<u><u>\$31,604,203</u></u>	<u><u>\$32,905,800</u></u>	<u><u>(\$1,301,597)</u></u>

*-Certain reclassifications were made to prior year amounts for consistency of reporting between years.

Total assets of governmental activities decreased \$1,249,586. This is the primarily due to a decrease in Net Depreciable Capital Assets of \$1,032,983, resulting largely from increases in accumulated depreciation.

In total, liabilities decreased by \$82,603. This was due primarily to the Long-term liabilities decrease of \$222,912 as a result of debt payments. The debt payments were offset by increases in other liabilities including Accounts, Intergovernmental, Accrued Interest, and Contract payables. Property Taxes not Levied to Finance Current Year Operations was reclassified to "Deferred Inflow of Resources" for 2013 due to the implementation of GASB Statements Number 63 and 65. In 2012 and previous years, this item was reported as "Deferred Revenue" in the liability section.

Table 2 shows the changes in Net Position for the fiscal year ended June 30, 2013, and comparisons to fiscal year 2012.

Dawson - Bryant Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		
	2013	2012 *	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,498,878	\$1,418,552	\$80,326
Operating Grants, Contributions and Interest	1,777,451	2,170,361	(392,910)
	<u>3,276,329</u>	<u>3,588,913</u>	<u>(312,584)</u>
General Revenues:			
Property Taxes	1,265,668	1,478,417	(212,749)
Grants and Entitlements	8,474,156	8,467,625	6,531
Investment Earnings	13,318	12,959	359
Donations	85,576	180,843	(95,267)
Miscellaneous	43,724	7,561	36,163
	<u>9,882,442</u>	<u>10,147,405</u>	<u>(264,963)</u>
Total Revenues	<u>13,158,771</u>	<u>13,736,318</u>	<u>(577,547)</u>
Program Expenses			
Instruction:			
Regular	6,828,799	6,254,207	(574,592)
Special	920,143	553,297	(366,846)
Vocational	252,740	229,685	(23,055)
Student Intervention Services	423,305	838,300	414,995
Support Services:			
Pupils	618,734	653,272	34,538
Instructional Staff	451,318	306,474	(144,844)
Board of Education	44,755	31,733	(13,022)
Administration	829,785	925,665	95,880
Fiscal	371,317	553,575	182,258
Business	25,261	56,363	31,102
Operation and Maintenance of Plant	1,118,028	1,463,106	345,078
Pupil Transportation	884,551	881,549	(3,002)
Central	214,714	254,143	39,429
Operation of Non-Instructional Services:			
Food Service Operations	662,733	646,769	(15,964)
Community Services	0	12,051	12,051
Extracurricular Activities	587,056	458,539	(128,517)
Interest and Fiscal Charges	227,129	165,218	(61,911)
Total Expenses	<u>14,460,368</u>	<u>14,283,946</u>	<u>(176,422)</u>
Decrease in Net Position	(1,301,597)	(547,628)	(753,969)
Net Position at Beginning of Year	<u>32,905,800</u>	<u>33,453,428</u>	<u>(547,628)</u>
Net Position at End of Year	<u>\$31,604,203</u>	<u>\$32,905,800</u>	<u>(\$1,301,597)</u>

*-Certain reclassifications were made to prior year amounts for consistency of reporting between years.

Property taxes made up approximately 9.6 percent of revenues for governmental activities for the Dawson-Bryant Local School District. Of the remaining revenues, the School District receives 77.9 percent from state foundation, federal, and state grants; 11.4 percent from charges for services; and 1.1 percent from investment earnings, donations, and miscellaneous.

Dawson - Bryant Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

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 School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 9.6 percent of revenues for governmental activities for Dawson-Bryant Local School District in 2013. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 58.3 percent of the School District's budget for expenditures is used to fund instructional expenses. Support services make up 31.5 percent of expenses and 10.2 percent is used for interest and fiscal charges, extracurricular activities, and food service operations.

During the fiscal year, the School District experienced changes in the following: a 1.0 percent increase in salaries and decreases in utility and fuel costs.

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

Dawson - Bryant Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

Table 3
Governmental Activities

	2013 Total Cost of Services	2013 Net Cost of Services	2012 * Total Cost of Services	2012 * Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$6,828,799	\$4,879,560	\$6,254,207	\$3,894,835
Special	920,143	589,859	553,297	275,794
Vocational	252,740	182,554	229,685	159,499
Student Intervention Services	423,305	423,305	838,300	838,300
Support Services:				
Pupils	618,734	557,825	653,272	633,153
Instructional Staff	451,318	444,868	306,474	226,230
Board of Education	44,755	44,755	31,733	31,733
Administration	829,785	829,785	925,665	925,665
Fiscal	371,317	273,701	553,575	450,833
Business	25,261	25,261	56,363	56,363
Operation and Maintenance of Plant	1,118,028	1,059,057	1,463,106	1,404,029
Pupil Transportation	884,551	884,551	881,549	881,549
Central	214,714	214,714	254,143	254,143
Non-Instructional Services:				
Food Service Operations	662,733	115,543	646,769	118,239
Community Services	0	0	12,051	12,051
Extracurricular Activities	587,056	431,572	458,539	367,399
Interest and Fiscal Charges	227,129	227,129	165,218	165,218
Totals	<u>\$14,460,368</u>	<u>\$11,184,039</u>	<u>\$14,283,946</u>	<u>\$10,695,033</u>

*-Certain reclassifications were made to prior year amounts for consistency of reporting between years.

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 77.3 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 \$13,218,316 and expenditures of \$13,575,777.

The fund balance of the General Fund increased \$59,071. The General Fund's unassigned fund balance of \$2,418,934 represented 22.3% of current year expenditures.

Dawson - Bryant Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal 2013, the School District did amend its General Fund estimated revenues. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$10,999,334, which represented only a modest change from original estimates of \$10,957,166. The final budget basis expenditure estimate of \$11,668,586 represented a 1.6 percent increase from the original estimates of \$11,483,748.

The School District's ending unobligated General Fund balance was \$4,055,819.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the School District had \$29,325,380 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to 2012.

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

	Governmental Activities	
	2013	2012
Land	\$710,791	\$710,791
Construction in Progress	103,685	2,093
Land Improvements	687,932	636,911
Buildings and Improvements	27,192,715	28,356,093
Furniture, Fixtures, and Equipment	319,405	373,936
Vehicles	310,852	278,539
Totals	\$29,325,380	\$30,358,363

For additional information on capital assets, see Note 11 to the basic financial statements.

Debt

At June 30, 2013, the School District had outstanding a Classroom Facilities Improvements Refunding Bonds for \$845,000, Qualified School Construction Bonds in the amount of \$620,000, and Certificates of Participation in the amount of \$825,000.

Dawson - Bryant Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2013	2012 *
2010 Classroom Facilities Improvements		
Refunding Bonds:		
Serial	\$145,000	\$280,000
Term	700,000	700,000
Bond Amortization of Premium	35,229	42,394
2011 Qualified School Construction Bonds	620,000	660,000
2011 Certificates of Participation	825,000	880,000
Totals	\$2,325,229	\$2,562,394

*-Certain reclassifications were made to prior year amounts for consistency of reporting between years due to the implementation of GASB Statement No. 65 "Items previously reported as assets and liabilities".

For additional information on debt, see Note 17 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 77.9 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 does not anticipate any significant growth in student enrollment. While State revenue growth has shifted toward school districts with low property tax wealth, the District does not anticipate substantial increases in state funding due to the lack of increase in student enrollment.

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 Brad Miller, Treasurer at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Dawson - Bryant Local School District, Ohio

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,276,183
Materials and Supplies Inventory	16,340
Prepaid Items	6,479
Intergovernmental Receivable	241,006
Property Taxes Receivable	1,387,808
Nondepreciable Capital Assets	814,476
Depreciable Capital Assets, Net	<u>28,510,904</u>
<i>Total Assets</i>	<u>37,253,196</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>13,439</u>
Liabilities	
Accounts Payable	126,537
Accrued Wages and Benefits Payable	1,165,508
Contracts Payable	91,341
Retainage Payable	7,693
Intergovernmental Payable	317,371
Accrued Interest Payable	29,096
Vacation Benefits Payable	46,890
Long-Term Liabilities:	
Due within One Year	294,489
Due in More than One Year	<u>2,475,514</u>
<i>Total Liabilities</i>	<u>4,554,439</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	<u>1,107,993</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	27,013,590
Restricted for:	
Debt Service	568,584
Capital Projects	10,841
Other Purposes	594,106
Unrestricted	<u>3,417,082</u>
<i>Total Net Position</i>	<u><u>\$31,604,203</u></u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June, 30, 2013

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$6,828,799	\$1,167,837	\$781,402	(\$4,879,560)
Special	920,143	0	330,284	(589,859)
Vocational	252,740	0	70,186	(182,554)
Student Intervention Services	423,305	0	0	(423,305)
Support Services:				
Pupils	618,734	60,909	0	(557,825)
Instructional Staff	451,318	0	6,450	(444,868)
Board of Education	44,755	0	0	(44,755)
Administration	829,785	0	0	(829,785)
Fiscal	371,317	0	97,616	(273,701)
Business	25,261	0	0	(25,261)
Operation and Maintenance of Plant	1,118,028	0	58,971	(1,059,057)
Pupil Transportation	884,551	0	0	(884,551)
Central	214,714	0	0	(214,714)
Operation of Non-Instructional Services:				
Food Service Operations	662,733	114,648	432,542	(115,543)
Extracurricular Activities	587,056	155,484	0	(431,572)
Interest and Fiscal Charges	227,129	0	0	(227,129)
Totals	<u>\$14,460,368</u>	<u>\$1,498,878</u>	<u>\$1,777,451</u>	<u>(11,184,039)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				1,165,787
Debt Service				80,561
Classroom Facilities Maintenance				19,320
Grants and Entitlements not Restricted to Specific Programs				8,474,156
Investment Earnings				13,318
Donations				85,576
Miscellaneous				43,724
Total General Revenues				<u>9,882,442</u>
Change in Net Position				<u>(1,301,597)</u>
Net Position at Beginning of Year				<u>32,905,800</u>
Net Position at End of Year				<u><u>\$31,604,203</u></u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2013*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,424,158	\$1,852,025	\$6,276,183
Receivables:			
Property Taxes	1,278,191	109,617	1,387,808
Intergovernmental	83,048	157,958	241,006
Prepaid Items	6,479	0	6,479
Materials and Supplies Inventory	0	16,340	16,340
Total Assets	<u>\$5,791,876</u>	<u>\$2,135,940</u>	<u>\$7,927,816</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$112,982	\$13,555	\$126,537
Accrued Wages and Benefits Payable	1,014,796	150,712	1,165,508
Contracts Payable	0	91,341	91,341
Intergovernmental Payable	260,289	57,082	317,371
Retainage Payable	0	7,693	7,693
Total Liabilities	<u>1,388,067</u>	<u>320,383</u>	<u>1,708,450</u>
 Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	1,020,217	87,776	1,107,993
Unavailable Revenue	207,045	167,533	374,578
<i>Total Deferred Inflows of Resources</i>	<i><u>1,227,262</u></i>	<i><u>255,309</u></i>	<i><u>1,482,571</u></i>
 Fund Balances			
Nonspendable	6,479	16,340	22,819
Restricted	0	1,145,683	1,145,683
Committed	9,541	0	9,541
Assigned	741,593	540,738	1,282,331
Unassigned (Deficits)	2,418,934	(142,513)	2,276,421
Total Fund Balances	<u>3,176,547</u>	<u>1,560,248</u>	<u>4,736,795</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<i><u>\$5,791,876</u></i>	<i><u>\$2,135,940</u></i>	<i><u>\$7,927,816</u></i>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2013*

Total Governmental Fund Balances		\$4,736,795
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,325,380
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	199,964	
Accounts Receivable	22,693	
Grants	151,921	374,578
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		13,439
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Classroom Facilities Bonds	(880,229)	
Qualified School Construction Bonds	(620,000)	
Certificates of Participation	(825,000)	
Accrued Interest Payable	(29,096)	
Sick Leave Benefits Payable	(444,774)	
Vacation Benefits Payable	(46,890)	(2,845,989)
 Net Position of Governmental Activities		 <u><u>\$31,604,203</u></u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,204,387	\$103,251	\$1,307,638
Intergovernmental	8,550,342	1,721,414	10,271,756
Investment Earnings	10,318	3,000	13,318
Tuition and Fees	1,220,242	0	1,220,242
Charges for Services	0	114,648	114,648
Extracurricular Activities	55,784	99,700	155,484
Rent	5,930	0	5,930
Donations	85,576	0	85,576
Miscellaneous	43,724	0	43,724
<i>Total Revenues</i>	<u>11,176,303</u>	<u>2,042,013</u>	<u>13,218,316</u>
Expenditures			
Current:			
Instruction:			
Regular	5,336,218	859,398	6,195,616
Special	565,940	302,891	868,831
Vocational	226,199	0	226,199
Student Intervention Services	423,305	0	423,305
Support Services:			
Pupils	541,064	0	541,064
Instructional Staff	393,118	6,105	399,223
Board of Education	44,755	0	44,755
Administration	738,983	0	738,983
Fiscal	358,392	5,217	363,609
Business	25,261	0	25,261
Operation and Maintenance of Plant	1,021,260	42,280	1,063,540
Pupil Transportation	688,288	0	688,288
Central	197,724	0	197,724
Operation of Non-Instructional Services:			
Food Service Operations	0	574,733	574,733
Extracurricular Activities	306,101	210,097	516,198
Capital Outlay	0	323,919	323,919
Debt Service:			
Principal Retirement	0	230,000	230,000
Interest and Fiscal Charges	0	154,529	154,529
<i>Total Expenditures</i>	<u>10,866,608</u>	<u>2,709,169</u>	<u>13,575,777</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>309,695</u>	<u>(667,156)</u>	<u>(357,461)</u>
Other Financing Sources (Uses)			
Transfers In	0	250,624	250,624
Transfers Out	(250,624)	0	(250,624)
<i>Total Other Financing Sources (Uses)</i>	<u>(250,624)</u>	<u>250,624</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	59,071	(416,532)	(357,461)
<i>Fund Balances at Beginning of Year</i>	<u>3,117,476</u>	<u>1,976,780</u>	<u>5,094,256</u>
<i>Fund Balances at End of Year</i>	<u><u>\$3,176,547</u></u>	<u><u>\$1,560,248</u></u>	<u><u>\$4,736,795</u></u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$357,461)

*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 depreciation exceeded capital outlay in the current period:

Capital Asset Additions	323,919	
Depreciation Expense	<u>(1,356,902)</u>	(1,032,983)

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

Grants	(20,149)	
Tuition and Fees	2,574	
Delinquent Taxes	<u>(41,970)</u>	(59,545)

Repayment of principal and the refunding of debt is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the statement of net position:

230,000

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

Accrued Interest Payable	(70,572)	
Amortization of Premium	7,165	
Amortization of Deferred Amount on Refunding	(2,733)	
Amortization of Issuance Costs	<u>(6,460)</u>	(72,600)

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	1,919	
Vacation Benefits Payable	<u>(10,927)</u>	<u>(9,008)</u>

Change in Net Position of Governmental Activities (\$1,301,597)

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,288,618	\$1,293,497	\$1,310,914	\$17,417
Intergovernmental	8,407,497	8,439,326	8,552,965	113,639
Investment Earnings	10,143	10,181	10,318	137
Tuition and Fees	1,171,252	1,175,686	1,193,517	17,831
Extracurricular Activities	54,835	55,043	55,784	741
Rent	0	0	5,930	5,930
Donations	4,123	4,138	85,576	81,438
Miscellaneous	20,698	21,463	13,813	(7,650)
<i>Total Revenues</i>	<u>10,957,166</u>	<u>10,999,334</u>	<u>11,228,817</u>	<u>229,483</u>
Expenditures				
Current:				
Instruction:				
Regular	5,558,050	5,647,509	5,330,780	316,729
Special	635,086	645,308	609,117	36,191
Vocational	238,984	242,831	229,212	13,619
Student Intervention Services	441,352	448,456	423,305	25,151
Support Services:				
Pupils	479,652	487,064	460,824	26,240
Instructional Staff	398,675	405,092	382,373	22,719
Board of Education	42,484	43,168	40,747	2,421
Administration	777,536	790,050	745,742	44,308
Fiscal	388,881	395,141	372,980	22,161
Business	33,768	34,311	32,387	1,924
Operation and Maintenance of Plant	1,182,999	1,202,040	1,134,626	67,414
Pupil Transportation	780,071	792,627	748,174	44,453
Central	212,109	215,523	203,436	12,087
Operation of Non-Instructional Activities:				
Food Service Operations	64	90	0	90
Community Services	754	1,051	0	1,051
Extracurricular Activities:				
Extracurricular Activities	313,283	318,325	300,473	17,852
<i>Total Expenditures</i>	<u>11,483,748</u>	<u>11,668,586</u>	<u>11,014,176</u>	<u>654,410</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(526,582)</u>	<u>(669,252)</u>	<u>214,641</u>	<u>883,893</u>
Other Financing Sources (Uses)				
Transfers In	190,172	190,172	0	(190,172)
Advances In	289,794	289,794	289,794	0
Transfers Out	(359,312)	(359,312)	(250,624)	108,688
Advances Out	(289,794)	(289,794)	0	289,794
<i>Total Other Financing Sources (Uses)</i>	<u>(169,140)</u>	<u>(169,140)</u>	<u>39,170</u>	<u>208,310</u>
<i>Net Change in Fund Balance</i>	(695,722)	(838,392)	253,811	1,092,203
<i>Fund Balance at Beginning of Year</i>	3,581,911	3,581,911	3,581,911	0
Prior Year Encumbrances Appropriated	220,097	220,097	220,097	0
<i>Fund Balance at End of Year</i>	<u>\$3,106,286</u>	<u>\$2,963,616</u>	<u>\$4,055,819</u>	<u>\$1,092,203</u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$10,662</u></u>
Liabilities	
Undistributed Monies	\$2,839
Due to Students	<u>7,823</u>
Total Liabilities	<u><u>\$10,662</u></u>

See the accompanying notes to the basic financial statements

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 74 classified employees and 124 certified teaching and administrative personnel who provide services to 1,240 students and other community members.

Reporting Entity

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

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

The School District participates in the South Central Ohio Computer Association Regional Council of Governments and the Coalition of Rural and Appalachian Schools, which are defined as a jointly governed organizations, and the Optimal Health Initiatives Workers' Compensation Group Rating Program and the Lawrence County Schools Council of Governments Health Benefits Program, which are defined as insurance purchasing pools. These organizations are presented in Notes 19 and 20.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's only major governmental fund:

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

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, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources includes a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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".

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$10,318, which includes \$3,779 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.

The School District's certificates of deposit are reported on the financial statements as equity in pooled cash and equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

G. Materials and Supplies Inventory

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their 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:

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-20 years
Buildings and Improvements	5-40 years
Furniture, Fixtures, and Equipment	5-15 years
Vehicles	8-10 years

I. Internal Activity

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

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

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

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, compensated absences, and special termination benefits 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 are recognized as a liability on the governmental fund financial statements when due.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Bond Premiums

On government-wide financial statement, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are recorded in the year the bonds are issued.

M. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or it is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or State Statute.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report deficit balances.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications can be used.

O. 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 Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net Positions restricted for other purposes include resources restricted for athletic programs, classroom facilities maintenance, 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 position 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.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 - Changes in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements;" Statement No. 61, "Accounting and Financial Reporting Entity: Omnibus;" Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements;" Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;" Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53;" Statement No. 65, "Items Previously Reported as Assets and Liabilities;" and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on the beginning net position and/or fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District's financial statements.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 3 - Changes in Accounting Principles (Continued)

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2013:

	<u>Deficit</u>
Special Revenue Funds:	
Food Service	\$26,218
Special Education Grants to States (IDEA, Part B)	14,574
Title I Grants to Local Educational Agencies	74,488
Improving Teacher Quality State Grants (Title II-A)	10,893

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 5 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 5 - Fund Balances (Continued)

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepaid Items	\$6,479	\$0	\$6,479
Materials and Supplies Inventory	0	16,340	16,340
<i>Total Nonspendable</i>	<u>6,479</u>	<u>16,340</u>	<u>22,819</u>
Restricted for:			
Athletics	0	42,670	42,670
Classroom Facilities Maintenance	0	500,232	500,232
Capital Improvements	0	10,841	10,841
Debt Service	0	584,926	584,926
Other Purposes	0	7,014	7,014
<i>Total Restricted</i>	<u>0</u>	<u>1,145,683</u>	<u>1,145,683</u>
Committed to:			
Scholarships	6,255	0	6,255
After School Programs	3,286	0	3,286
<i>Total Committed</i>	<u>9,541</u>	<u>0</u>	<u>9,541</u>
Assigned to:			
Outstanding Encumbrances	248,846	0	248,846
Instructional Materials	54,340	0	54,340
Maintenance Set-Aside	35,974	0	35,974
Severance Benefits	140,246	0	140,246
House Bill 264 Subsidy	180,842	0	180,842
Medicaid Reimbursement	47,696	0	47,696
Student Support	33,649	0	33,649
Capital Improvements	0	540,738	540,738
<i>Total Assigned</i>	<u>741,593</u>	<u>540,738</u>	<u>1,282,331</u>
Unassigned:	2,418,934	(142,513)	2,276,421
<i>Total Fund Balances</i>	<u><u>\$3,176,547</u></u>	<u><u>\$1,560,248</u></u>	<u><u>\$4,736,795</u></u>

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Prepaid items represent amounts received but not included as revenues on the budget basis operating statements. These amounts are included as revenues on the GAAP basis operating statement.

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	\$59,071
Revenue Accruals	52,514
Expenditure Accruals	219,361
Prepaid Items:	
Beginning of Year	7,888
End of Year	(6,479)
Advances	289,794
Encumbrances	<u>(368,338)</u>
Budget Basis	<u><u>\$253,811</u></u>

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 7 - 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) above;
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.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 7 - Deposits and Investments (Continued)

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, \$4,071,638 of the School District's bank balance of \$6,392,183 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 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to Deferred Inflows of Resources – Property Taxes not Levied to Finance Current Year Operations.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 8 - Property Taxes (Continued)

The amount available as an advance at June 30, 2013, was \$73,722 in the General Fund, \$5,095 in the Bond Retirement Debt Service Fund, and \$1,134 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2012, was \$180,149 in the General Fund, \$12,498 in the Bond Retirement Debt Service Fund, and \$2,814 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 reported as deferred inflows of resources. The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$62,612,510	88.32%	\$62,828,560	87.94%
Commercial/Industrial and Public Utility Real	2,714,320	3.83%	2,693,260	3.77%
Public Utility Personal	5,566,270	7.85%	5,921,620	8.29%
Total	\$70,893,100	100.00%	\$71,443,440	100.00%
 Tax Rate per \$1,000 of Assessed Valuation		\$22.50		\$22.50

Note 9 - Receivables

Receivables at June 30, 2013, consisted of property taxes 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>
Lunch Reimbursement	\$6,037
BWC Rebate	30,608
Special Education - Grants to States (IDEA, Part B)	45,352
Title I Grants to Local Educational Agencies	85,122
Improving Teacher Quality State Grants (Title II-A)	21,447
Speech Therapy	49,418
Miscellaneous	3,022
Total	\$241,006

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 10 – Significant Commitments

A. Contractual Commitments

As of June 30, 2013, the School District’s contractual purchase commitments for a track resurfacing project are as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 06/30/13
Track Resurfacing	Permanent Improvements Capital Projects Fund	\$175,975	\$101,126	\$74,849
Total Contractual Commitments		<u>\$175,975</u>	<u>\$101,126</u>	<u>\$74,849</u>

B. Encumbrances

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General	\$368,338
Nonmajor Governmental Funds	264,936
Total	<u>\$633,274</u>

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Deductions	Balance at 6/30/13
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$710,791	\$0	\$0	\$710,791
Construction in Progress	2,093	101,592	0	103,685
Total Nondepreciable Capital Assets	<u>712,884</u>	<u>101,592</u>	<u>0</u>	<u>814,476</u>
Depreciable Capital Assets:				
Land Improvements	1,492,040	126,900	0	1,618,940
Buildings and Improvements	39,567,169	0	0	39,567,169
Furniture, Fixtures, and Equipment	1,911,342	0	0	1,911,342
Vehicles	1,107,565	95,427	(60,000)	1,142,992
Total Depreciable Capital Assets	<u>44,078,116</u>	<u>222,327</u>	<u>(60,000)</u>	<u>44,240,443</u>
Less Accumulated Depreciation:				
Land Improvements	(855,129)	(75,879)	0	(931,008)
Buildings and Improvements	(11,211,076)	(1,163,378)	0	(12,374,454)
Furniture, Fixtures, and Equipment	(1,537,406)	(54,531)	0	(1,591,937)
Vehicles	(829,026)	(63,114)	60,000	(832,140)
Total Accumulated Depreciation	<u>(14,432,637)</u>	<u>(1,356,902) *</u>	<u>60,000</u>	<u>(15,729,539)</u>
Total Capital Assets being Depreciated, Net	<u>29,645,479</u>	<u>(1,134,575)</u>	<u>0</u>	<u>28,510,904</u>
Capital Assets, Net	<u>\$30,358,363</u>	<u>(\$1,032,983)</u>	<u>\$0</u>	<u>\$29,325,380</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$637,131
Special	50,970
Vocational	25,485
Support Services:	
Pupils	76,456
Instructional Staff	50,970
Administration	93,446
Fiscal	8,495
Operation and Maintenance of Plant	53,560
Pupil Transportation	182,045
Central	16,990
Food Service Operations	90,496
Extracurricular Activities	70,858
Total Depreciation Expense	<u>\$1,356,902</u>

The School District's total capital assets being depreciated amount above includes \$4,211,978 in fully depreciated capital assets.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 12 - 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 2013, the School District contracted with The Argonaut Insurance Company for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$43,168,275
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Products - Completed Operations Aggregate Limit	0	3,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Employers' Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	3,000,000
Educators Legal Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	3,000,000
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	0	1,000,000
Per Accident	0	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 2012.

For fiscal year 2013, the School District participated in the Optimal Health Initiatives Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 12 - Risk Management (Continued)

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (see Note 20) to provide employee medical benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is placed into a Council Fund from which claim payments are made for all participating school districts.

Note 13 - 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 defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 visiting the SERS website at www.ohsers.org under Employers/ Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011, were \$194,070, \$200,325, and \$203,322, respectively. For fiscal year 2013, 57.43 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 13 - Defined Benefit Pension Plans (Continued)

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 multiplied by 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 lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$670,966, \$641,454, and \$697,392, respectively. For fiscal year 2013, 84.51 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$10,348 made by the School District and \$7,391 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 School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, one member of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. Ohio Revised Code Section 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount pro-rated according to service credit earned; for fiscal year 2013, this amount was \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

Active members do not make contributions to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependent or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$27,535, \$23,595, and \$51,735 respectively. For fiscal year 2013, 0 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$10,703, \$11,246, and \$13,600, respectively. For fiscal year 2013, 56.39 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 14 - Postemployment Benefits (Continued)

B. State Teachers Retirement System

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$51,613, \$49,343, and \$53,064 respectively. For fiscal year 2013, 84.51 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 15 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. 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 340 days for certified employees and 320 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 81 days for certified employees and 72.5 days for classified employees.

B. Insurance Benefits

The School District provides medical, health, and prescription card coverage through Anthem Blue Cross and Blue Shield. The School District pays 79% of the total monthly premiums of \$1,589.28 for family coverage and 80% of total monthly premiums of \$643.43 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 Guardian. Monthly premiums are \$63.36 for family coverage and \$20.90 for single coverage.

The School District provides vision insurance to certificated and administrative employees through the Vision Service Plan. Monthly premiums are \$19.56 for family coverage and \$9.10 for single coverage.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 16 - Termination Benefits Payable

The Dawson - Bryant Local School District offers an early retirement incentive program, for any full-time certified employee who has completed or attained 30 years of service credit, or has completed 25 years of service credit, and is eligible for retirement under the State Teachers Retirement System. Teachers who qualify and retire by June 30, 2013, will receive a one-time lump sum payment equal to 5% to 35% of their current annual salary depending upon years of service credit. For fiscal years beginning after June 30, 2013 this benefit has been eliminated.

In fiscal year 2013, the School District paid benefits of \$20,343 in the retirement incentive program.

Note 17 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/2012 *	Additions	Deductions	Principal Outstanding 6/30/13	Amounts Due in One Year
Governmental Activities:					
2006 Classroom Facilities					
Improvements Refunding Bonds:					
Serial Bonds	\$280,000	\$0	\$135,000	\$145,000	\$145,000
Term Bonds	700,000	0	0	700,000	0
Serial Bond Premium	42,394	0	7,165	35,229	0
2011 6.90% Qualified School					
Construction Bonds	660,000	0	40,000	620,000	45,000
2011 7.25% Certificates of					
Participation	880,000	0	55,000	825,000	55,000
Sick Leave Benefits Payable	446,693	89,475	91,394	444,774	49,489
Total Governmental Activities					
Long-Term Liabilities	<u>\$3,009,087</u>	<u>\$89,475</u>	<u>\$328,559</u>	<u>\$2,770,003</u>	<u>\$294,489</u>

*-Certain reclassifications were made to prior year amounts for consistency of reporting between years due to the implementation of GASB Statement No. 65 "Items previously reported as assets and liabilities".

Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 17 - Long-Term Obligations (Continued)

Classroom Facilities Improvements Refunding Bonds On June 1, 2006, the School District issued \$1,640,000 of Classroom Facilities Improvements Refunding Bonds to retire the 1995 School Construction General Obligation Bonds. The bonds were issued for a 12 year period with final maturity at December 1, 2017. The refunding bonds issued included serial and term bonds in the amount of \$940,000 and \$700,000, respectively. These refunding bonds were issued with a premium of \$85,982, which is reported as an increase to bonds payable. The amount is amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2013 was \$7,165. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$32,800. This difference, reported as deferred outflows, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the difference for fiscal year 2013 was \$2,733. The bonds are being retired from the Bond Retirement Debt Service Fund.

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Serial		Term	
	Principal	Interest	Principal	Interest
2014	\$145,000	\$21,275	\$0	\$18,375
2015	0	0	160,000	32,550
2016	0	0	165,000	24,082
2017	0	0	175,000	15,094
2018	0	0	200,000	5,250
	\$145,000	\$21,275	\$700,000	\$95,351

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:

Fiscal Year Ending June 30,	Amount
2015	\$160,000
2016	165,000
2017	175,000
2018	200,000
Total	\$700,000

Qualified School Construction Bonds (QSCB) On February 23, 2011, the School District issued \$705,000 of Qualified School Construction Bonds (QSCB), in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. The QSCB was issued through a series of lease agreements and trust indentures in accordance with Section 133.06 of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the All Points Capital Corporation, and then subleased back to the School District. The QSCB was issued through a series on annual leases with an initial lease term of fifteen years which includes the right to renew for fifteen successive one-year leases through December 1, 2025, subject to annual appropriations. To satisfy trustee requirements, the School District is required to make annual base rent payments, subject to lease terms and appropriations, annually.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 17 - Long-Term Obligations (Continued)

The bonds are subject to extraordinary mandatory redemption, in whole or in part, on February 23, 2014, or, in the event of an extension negotiated with the IRS, on a credit allowance date that occurs on or after May 23, 2014, in authorized denominations, at a redemption price equal to the principal amount of the bonds called for redemption plus accrued interest thereon to the redemption date, in an amount equal to the unexpended proceeds of the sale of the bonds held by the School District, but only to the extent that the School District fails to expend all of the proceeds of the bonds within three years of issuance thereof and no extension of the period for expenditure has been granted by the IRS.

Upon a determination of Loss of Qualifies School Construction Bond status, the Tax Credit bonds are subject to extraordinary mandatory redemption prior to their fixed maturity date, in whole, on the date designated by the School District, which date shall be a date prior to 60 days succeeding, after a Determination of Loss of Qualified School Construction Bond status, at a redemption price equal to (i) the principal amount of the Tax Credit Bonds called for redemption, plus (ii) the redemption premium, plus (iii) accrued interest on the principal amount of the Tax Credit Bonds called for redemption plus the interest owed from the supplemental coupon from the Tax Credit Allowance Date immediately preceding the redemption date, to the date of redemption. The Bonds are being retired from the Bond Retirement Debt Service Fund.

As part of the ARRA Act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a forty-two percent semi-annual direct payment from the federal government to help offset interest expense on the QSCBs.

Annual base rent requirements to retire the Qualified School Construction Bonds outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Direct Subsidy	Total Payment
2014	\$45,000	\$41,227	(\$31,488)	\$54,739
2015	45,000	38,123	(29,117)	54,006
2016	45,000	35,017	(26,745)	53,272
2017	45,000	31,913	(24,374)	52,539
2018	45,000	28,808	(22,002)	51,806
2019-2023	245,000	94,702	(72,331)	267,371
2024-2026	150,000	15,525	(11,857)	153,668
Total	\$620,000	\$285,315	(\$217,914)	\$687,401

Certificates of Participation (COPs) On February 23, 2011, the School District issued \$940,000 in certificates of participation (COPs), for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have been designated to be "qualified tax exempt obligations" within the meaning of 26 U.S.C. 265(b)(3) of the Internal Revenue Service Code.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 17 - Long-Term Obligations (Continued)

In accordance with the lease terms, the project assets are leased to All Points Capital Corporation, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of fifteen years which includes the right renew for fifteen successive one-year terms through December 1, 2025, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 7.25 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date after June 1, 2021, by paying a 1 percent premium plus the amount necessary to defease the indenture. The COPs are being retired from the Bond Retirement Debt Service Fund.

As part of the ARRA Act of 2009, issuers of COPS are eligible to receive direct payments from the federal government which offset interest payments on the lease. As an alternate, COPS may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a forty-two percent semi-annual direct payment from the federal government to help offset interest expense on the COPS.

Annual base rent requirements to retire the certificates of participation at June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Direct Subsidy</u>	<u>Total Payment</u>
2014	\$55,000	\$57,819	(\$42,028)	\$70,791
2015	60,000	53,650	(38,998)	74,652
2016	60,000	49,300	(35,836)	73,464
2017	60,000	44,950	(32,674)	72,276
2018	60,000	40,600	(29,512)	71,088
2019-2023	320,000	134,850	(98,021)	356,829
2024-2026	210,000	22,838	(16,600)	216,238
Total	<u>\$825,000</u>	<u>\$404,007</u>	<u>(\$293,669)</u>	<u>\$935,338</u>

The School District's overall legal debt margin was \$5,528,046, with an unvoted debt margin of \$71,443 at June 30, 2013.

Note 18 - Interfund Activity and Balances

A. Transfers

During fiscal year 2013, the General Fund made transfers to the Bond Retirement Debt Service Fund, the Permanent Improvements Capital Projects Fund, the Athletics Special Revenue Funds, and the Food Service Special Revenue Fund in the amounts of \$125,624, \$80,000, \$15,000, and \$30,000, respectively. The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund Balances

There were no interfund balances at June 30, 2013. The interfund balances at June 30, 2012, were all repaid during fiscal year 2013.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 19 - Jointly Governed Organizations

A. South Central Ohio Computer Association

The South Central Ohio Computer Association Regional Council of Governments (SCOCA-COG) 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 \$91,920 for services provided during fiscal year 2013. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The School District's membership fee was \$325 for fiscal year 2013. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 20 - Insurance Purchasing Pools

A. Optimal Health Initiatives Workers' Compensation Group Rating Program

The School District participates in the Optimal Health Initiatives Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of trustees consisting of the President, the Vice President, and the Secretary. The Executive Director of the Northwest Division of OHI, or a designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Dawson - Bryant Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)*

Note 20 - Insurance Purchasing Pools (Continued)

B. Lawrence County Schools Council of Governments Health Benefits Program

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the Council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each School District reserves the right to withdraw from the plan. If this is done, no further contributions will be made and the school district's net pooled share will be distributed and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

Note 21 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 also required to set aside money for budget stabilization and textbooks.

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

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2012	\$0
Current Year Set-Aside Requirement	206,276
Current Year Offsets	<u>(381,338)</u>
Totals	<u><u>(\$175,062)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-Aside Reserve Balance as of June 30, 2013	<u><u>\$0</u></u>

The School District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero. The excess set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

Dawson - Bryant Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

(Continued)

Note 22 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is a 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.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	2012/2013	10.553	98,789	98,789
National School Lunch Program	2012/2013	10.555	<u>300,672</u>	<u>300,672</u>
Total Child Nutrition Cluster			<u>399,461</u>	<u>399,461</u>
Total U.S. Department of Agriculture			399,461	399,461
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2012	84.010	81,870	91,956
	2013		<u>451,487</u>	<u>422,240</u>
Total Title I Grants to Local Educational Agencies			<u>533,357</u>	<u>514,196</u>
Special Education - Grants to States (IDEA, Part B)	2012	84.027	11,991	29,016
	2013		<u>284,932</u>	<u>271,630</u>
Total Special Education - Grants to States (IDEA, Part B)			<u>296,923</u>	<u>300,646</u>
Education Technology State Grants	2012	84.318	3,594	3,594
	2013		<u>670</u>	<u>670</u>
Total Education Technology State Grants			<u>4,264</u>	<u>4,264</u>
Improving Teacher Quality State Grants	2012	84.367	46,909	18,270
	2013		<u>88,676</u>	<u>82,171</u>
Total Improving Teacher Quality State Grants			<u>135,585</u>	<u>100,441</u>
ARRA - Race to the Top	2013	84.395	1,050	700
Education Jobs Fund	2013	84.410	<u>67,387</u>	<u>82,206</u>
Total U.S. Department of Education			<u>1,038,566</u>	<u>1,002,453</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,438,027</u>	<u>\$ 1,401,914</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value of the commodities received less the cost associated with purchasing commodities. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dawson-Bryant Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 13, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a misstatement of the School District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of the Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Dawson-Bryant Local School District's, Lawrence County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Dawson-Bryant Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Dawson-Bryant Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies: CFDA #84.010 Special Education – Grants to States (IDEA, Part B): CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants Noncompliance Finding / material weakness regarding cash management in which funds were not spent in a timely manner.	Yes	
2012-02	ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants Noncompliance Finding / material weakness regarding Davis-Bacon Act in which the School District failed to secure a written contract with the contractor for the chiller project and the School District failed to obtain copies of the weekly payroll and statement of compliance (certified payrolls).	Yes	
2012-03	ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants Noncompliance Finding / material weakness regarding procurement and suspension and debarment in which the School District failed to execute a search on the Excluded Parties List and it could not be determined whether requirements were communicated to the contractor and whether the contractor provided a certification to the School District.	Yes	
2012-04	ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants Noncompliance Finding / material weakness regarding procurement and suspension and debarment in which the School District failed to obtain documentation to ensure that the iron, steel, and manufactured goods used in the project were produced in the United States.	Yes	

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 14, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

Ohio Rev. Code Section 3313.66 required the Board to amend its policy by November 4, 2012.

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 report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2014

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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Dave Yost • 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
JANUARY 28, 2014**