



Dave Yost • Auditor of State



**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Dalton Local School District  
Wayne County  
177 North Mill Street  
P.O. Box 514  
Dalton, Ohio 44618

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dalton Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Dalton Local School District, Wayne County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As further described Note 3 to the basic financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as result of implementing Governmental Accounting Standards Board (GASB) Statements 54.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and budgetary comparison* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information 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 basic financial statements. The Federal Awards Receipts and Expenditure Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 4, 2012

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The management's discussion and analysis of the Dalton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$617,104, which represents a 29.02% increase from 2010.
- General revenues accounted for \$7,199,288 in revenue or 75.62% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,321,582 or 24.38% of total revenues of \$9,520,870.
- The District had \$8,903,766 in expenses related to governmental activities; \$2,321,582 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,199,288 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$7,665,578 in revenues and \$7,406,239 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$259,339 from a restated balance of \$88,047 to a balance of \$347,386.

**Using these 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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is considered a major fund.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the 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 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-47 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.



**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	<b>Net Assets</b>	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 4,048,699	\$ 4,465,184
Capital assets, net	<u>2,789,839</u>	<u>2,426,882</u>
Total assets	<u>6,838,538</u>	<u>6,892,066</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,319,946	3,915,044
Long-term liabilities	<u>774,836</u>	<u>850,370</u>
Total liabilities	<u>4,094,782</u>	<u>4,765,414</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,766,409	2,386,319
Restricted	502,482	380,905
Unrestricted (deficit)	<u>(525,135)</u>	<u>(640,572)</u>
Total net assets	<u>\$ 2,743,756</u>	<u>\$ 2,126,652</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$2,743,756. Of this total, \$502,482 is restricted in use.

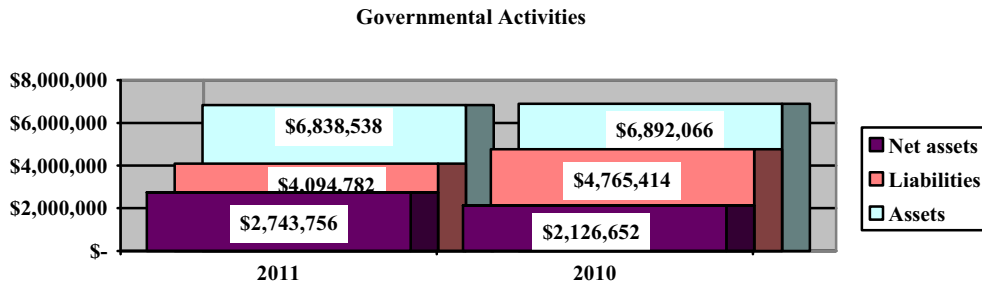
At year-end, capital assets represented 40.80% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$2,766,409. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$502,482, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$525,135.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The graph below presents the District's governmental assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010.

**Change in Net Assets**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 772,037	\$ 625,009
Operating grants and contributions	1,549,545	1,071,078
General revenues:		
Property taxes	2,690,097	2,855,627
School district income tax	959,203	909,145
Grants and entitlements	3,492,945	3,728,151
Investment earnings	2,367	4,096
Other	<u>54,676</u>	<u>106,165</u>
Total revenues	<u>9,520,870</u>	<u>9,299,271</u>

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,436,998	\$ 3,813,577
Special	809,969	766,813
Vocational	225,479	208,412
Other	248,766	223,565
Support services:		
Pupil	394,820	337,983
Instructional staff	579,461	630,844
Board of education	25,157	26,268
Administration	734,106	847,756
Fiscal	292,771	304,532
Business	-	5,397
Operations and maintenance	812,806	821,031
Pupil transportation	469,561	495,367
Central	41,323	18,685
Food service operations	255,260	254,446
Other non-instructional services	162,744	164,766
Extracurricular activities	411,919	367,671
Interest and fiscal charges	<u>2,626</u>	<u>3,939</u>
Total expenses	<u>8,903,766</u>	<u>9,291,052</u>
Change in net assets	617,104	8,219
Net assets at beginning of year	<u>2,126,652</u>	<u>2,118,433</u>
Net assets at end of year	<u>\$ 2,743,756</u>	<u>\$ 2,126,652</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$617,104. Total governmental expenses of \$8,903,766 were offset by program revenues of \$2,321,582 and general revenues of \$7,199,288. Program revenues supported 26.07% of the total governmental expenses.

In the area of program revenues, the significant increase was in operating grants and contributions which increased \$478,467. This increase is attributable primarily to \$130,675 in funding through the State of Ohio for PPathway for Student Success (PASS) funding which offsets special education costs and \$149,418 in Ed Jobs grant funding and an increase of \$116,607 in Title I grant funding from the federal government. PASS funding has been reported as program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

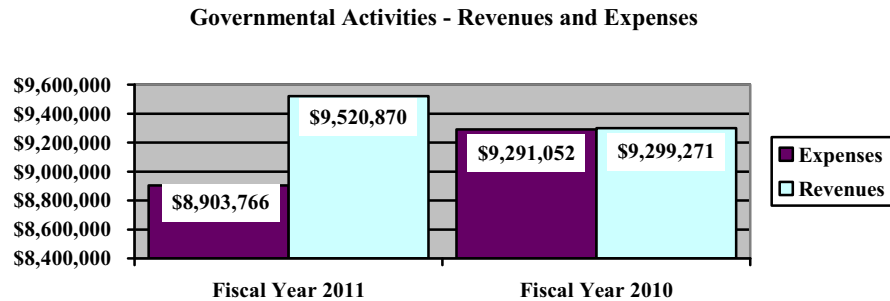
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 75.02% of total governmental revenues.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,721,212 or 53.02% of total governmental expenses for fiscal year 2011.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

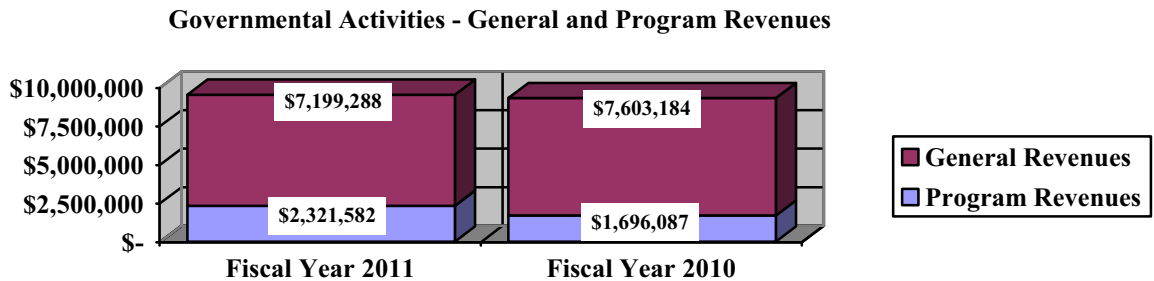
	<b>Governmental Activities</b>			
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,436,998	\$ 3,027,183	\$ 3,813,577	\$ 3,295,191
Special	809,969	169,403	766,813	529,764
Vocational	225,479	203,154	208,412	193,141
Other	248,766	238,499	223,565	219,624
Support services:				
Pupil	394,820	297,333	337,983	229,471
Instructional staff	579,461	254,529	630,844	496,277
Board of education	25,157	25,157	26,268	26,268
Administration	734,106	502,929	847,756	655,035
Fiscal	292,771	292,771	304,532	304,532
Business	-	-	5,397	5,397
Operations and maintenance	812,806	810,659	821,031	819,706
Pupil transportation	469,561	415,986	495,367	495,367
Central	41,323	36,323	18,685	13,685
Operations of non-instructional services:				
Food service operations	255,260	16,520	254,446	28,394
Other non-instructional services	162,744	(3,173)	164,766	2,472
Extracurricular activities	411,919	292,285	367,671	276,702
Interest and fiscal charges	<u>2,626</u>	<u>2,626</u>	<u>3,939</u>	<u>3,939</u>
<b>Total expenses</b>	<u><u>\$ 8,903,766</u></u>	<u><u>\$ 6,582,184</u></u>	<u><u>\$ 9,291,052</u></u>	<u><u>\$ 7,594,965</u></u>

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The dependence upon taxes and other general revenues for governmental activities is apparent, 77.06% and 84.55% of instruction activities are supported through taxes and other general revenues for fiscal years 2011 and 2010, respectively. For all governmental activities, general revenue support is 73.93%.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$386,372, which is higher than last year's balance of \$341,223. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balance at June 30, 2010 as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase/ (Decrease)	Percentage <u>Change</u>
General	\$ 347,386	\$ 88,047	\$ 259,339	294.55 %
Other Governmental	<u>38,986</u>	<u>253,176</u>	<u>(214,190)</u>	(84.60) %
Total	<u>\$ 386,372</u>	<u>\$ 341,223</u>	<u>\$ 45,149</u>	13.23 %

**General Fund**

The District's general fund balance increased \$259,339. Revenues exceeded expenditures for fiscal year 2011 by \$346,562. Tuition revenue increased 30.30% due to an increase in open enrollment. Other revenues decreased 24.07% due to a decrease in miscellaneous revenue recorded by the District. All other revenues remained comparable to the prior fiscal year. Facilities acquisition and construction increased 376.96% due to an increase in purchased assets. Overall, the District's expenditures decreased 5.66%. These decreases are due to the District's tight control of wages and benefits.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,485,977	\$ 3,592,030	\$ (106,053)	(2.95) %
Tuition	420,703	322,866	97,837	30.30 %
Earnings on investments	2,367	4,096	(1,729)	(42.21) %
Classroom materials and fees	1,200	1,393	(193)	(13.85) %
Intergovernmental	3,612,020	3,713,800	(101,780)	(2.74) %
Other revenues	<u>143,311</u>	<u>188,729</u>	<u>(45,418)</u>	<u>(24.07) %</u>
Total	<u>\$ 7,665,578</u>	<u>\$ 7,822,914</u>	<u>\$ (157,336)</u>	<u>(2.01) %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 4,160,232	\$ 4,471,901	\$ (311,669)	(6.97) %
Support services	2,823,749	3,011,437	(187,688)	(6.23) %
Extracurricular activities	262,896	244,223	18,673	7.65 %
Facilities acquisition and construction	52,380	10,982	41,398	376.96 %
Debt service	<u>19,759</u>	<u>19,759</u>	<u>-</u>	<u>- %</u>
Total	<u>\$ 7,319,016</u>	<u>\$ 7,758,302</u>	<u>\$ (439,286)</u>	<u>(5.66) %</u>

***General Fund Budgeting Highlights***

The 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 year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$7,672,162 were decreased to \$7,627,898 in the final budget. Actual revenues and other financing sources for fiscal 2011 was \$7,628,005. This represents a \$107 increase from final budgeted revenues and other financing sources.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$7,706,501 and \$7,532,949 respectively. The actual budget basis expenditures for fiscal year 2011 totaled \$7,486,521, which was \$46,428 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$2,789,839 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The following table shows June 30, 2011 balances compared to June 30, 2010:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$ 418,000	\$ 83,000
Land improvements	256,602	246,489
Building and improvements	1,459,252	1,503,582
Furniture and equipment	286,939	257,687
Vehicles	369,046	336,124
Total	\$ 2,789,839	\$ 2,426,882

See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2011, the District had \$23,430 in capital lease obligations outstanding. Of this total, \$18,555 is due within one year and \$4,875 is due in more than one year. The following table summarizes the capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental	Governmental
	Activities	Activities
	2011	2010
Capital lease obligations	\$ 23,430	\$ 40,563
Total	\$ 23,430	\$ 40,563

See Note 11 to the basic financial statements for additional information on the District's debt administration.

***Current Financial Related Activities***

The District relies heavily upon revenue from grants, property taxes and the state foundation program. In August of 2004, the voters of the District passed a .75% income tax levy to help meet the increasing costs of educating our students. The District continues to strive to maintain the highest standards of excellence in educating our students, while carefully making the most effective use out of each dollar received. This is evidenced by the District being awarded the Excellent rating by the State Board of Education for the tenth consecutive year, a standard we strive to maintain.

The District has worked hard to contain costs but is faced with ever-increasing mandates from the federal and state levels. Over the past few years, reduction in staffing and other cost containment measures have been taken. The District expects revenue and carryover cash balances to be sufficient to meet operating expenses through fiscal year 2014; however, there are still many challenges to overcome.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The community made a significant investment in the District with the overwhelming passage of a 6.5 mill bond levy to build a new Pre K-8 building. Even with the passage of this bond the District needs to address the high school. District administration will begin to look at how renewing a 2.0 mill PI levy can be utilized to upgrade and sustain this building into the distant future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Darryl Woolf, Treasurer, Dalton Local School District, P.O. Box 514, Dalton, Ohio 44618.



**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 758,808
Receivables:	
Property taxes . . . . .	2,663,775
Income taxes. . . . .	384,057
Accounts. . . . .	4,948
Accrued interest . . . . .	242
Intergovernmental . . . . .	233,744
Materials and supplies inventory. . . . .	3,125
Capital assets:	
Land . . . . .	418,000
Depreciable capital assets, net. . . . .	<u>2,371,839</u>
Capital assets, net . . . . .	<u>2,789,839</u>
 Total assets. . . . .	 <u>6,838,538</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	89,894
Accrued wages and benefits . . . . .	555,920
Pension obligation payable. . . . .	215,836
Intergovernmental payable . . . . .	31,931
Unearned revenue . . . . .	2,426,365
Long-term liabilities:	
Due within one year. . . . .	98,837
Due in more than one year. . . . .	<u>675,999</u>
 Total liabilities . . . . .	 <u>4,094,782</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,766,409
Restricted for:	
Capital projects . . . . .	115,244
Locally funded programs . . . . .	2,144
State funded programs. . . . .	8,014
Federally funded programs . . . . .	141,683
Student activities . . . . .	3,431
Other purposes . . . . .	231,966
Unrestricted (deficit) . . . . .	<u>(525,135)</u>
 Total net assets . . . . .	 <u>\$ 2,743,756</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,436,998	\$ 408,795	\$ 1,020	\$ (3,027,183)
Special . . . . .	809,969	13,108	627,458	(169,403)
Vocational . . . . .	225,479	-	22,325	(203,154)
Other . . . . .	248,766	-	10,267	(238,499)
Support services:				
Pupil. . . . .	394,820	89,635	7,852	(297,333)
Instructional staff . . . . .	579,461	-	324,932	(254,529)
Board of education . . . . .	25,157	-	-	(25,157)
Administration. . . . .	734,106	-	231,177	(502,929)
Fiscal. . . . .	292,771	-	-	(292,771)
Operations and maintenance . . . . .	812,806	2,147	-	(810,659)
Pupil transportation. . . . .	469,561	-	53,575	(415,986)
Central . . . . .	41,323	-	5,000	(36,323)
Operation of non-instructional services:				
Food service operations . . . . .	255,260	138,718	100,022	(16,520)
Other non-instructional services . . . . .	162,744	-	165,917	3,173
Extracurricular activities. . . . .	411,919	119,634	-	(292,285)
Interest and fiscal charges . . . . .	2,626	-	-	(2,626)
Total governmental activities . . . . .	<u>\$ 8,903,766</u>	<u>\$ 772,037</u>	<u>\$ 1,549,545</u>	<u>(6,582,184)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,534,423
Capital projects . . . . .	155,674
School district income tax . . . . .	959,203
Grants and entitlements not restricted to specific programs . . . . .	3,492,945
Investment earnings . . . . .	2,367
Miscellaneous . . . . .	54,676

Total general revenues . . . . . 7,199,288

Change in net assets . . . . . 617,104

**Net assets at beginning of year. . . . .** 2,126,652

**Net assets at end of year . . . . .** \$ 2,743,756

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 366,610	\$ 160,232	\$ 526,842
Receivables:			
Property taxes. . . . .	2,499,754	164,021	2,663,775
Income taxes . . . . .	384,057	-	384,057
Accounts . . . . .	4,907	41	4,948
Accrued interest . . . . .	242	-	242
Intergovernmental. . . . .	12,721	221,023	233,744
Materials and supplies inventory. . . . .	1,750	1,375	3,125
Due from other funds . . . . .	25,036	-	25,036
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	231,966	-	231,966
<b>Total assets . . . . .</b>	<u>\$ 3,527,043</u>	<u>\$ 546,692</u>	<u>\$ 4,073,735</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 40,209	\$ 49,685	\$ 89,894
Accrued wages and benefits. . . . .	517,131	38,789	555,920
Compensated absences payable . . . . .	63,486	-	63,486
Pension obligation payable . . . . .	196,883	18,953	215,836
Intergovernmental payable . . . . .	29,619	2,312	31,931
Deferred revenue . . . . .	65,194	213,701	278,895
Unearned revenue. . . . .	2,267,135	159,230	2,426,365
Due to other funds . . . . .	-	25,036	25,036
<b>Total liabilities. . . . .</b>	<u>3,179,657</u>	<u>507,706</u>	<u>3,687,363</u>
<b>Fund Balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	1,750	1,375	3,125
Restricted:			
Capital improvements . . . . .	-	112,028	112,028
Non-public schools . . . . .	-	6,954	6,954
Other purposes. . . . .	-	3,300	3,300
Extracurricular. . . . .	-	3,431	3,431
Textbooks . . . . .	231,966	-	231,966
Assigned:			
Student instruction . . . . .	790	-	790
Student and staff support. . . . .	38,286	-	38,286
Facilities acquisition and construction . . . . .	1,300	-	1,300
Unassigned (deficit) . . . . .	73,294	(88,102)	(14,808)
<b>Total fund balances . . . . .</b>	<u>347,386</u>	<u>38,986</u>	<u>386,372</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 3,527,043</u>	<u>\$ 546,692</u>	<u>\$ 4,073,735</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

<b>Total governmental fund balances</b>		\$	386,372
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,789,839
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	56,940	
Intergovernmental receivable		221,955	
Total		278,895	278,895
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		687,920	
Capital lease payable		23,430	
Total		(711,350)	(711,350)
<b>Net assets of governmental activities</b>		\$	2,743,756

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 2,526,774	\$ 155,445	\$ 2,682,219
Income taxes . . . . .	959,203	-	959,203
Tuition . . . . .	420,703	-	420,703
Charges for services . . . . .	-	138,718	138,718
Earnings on investments . . . . .	2,367	-	2,367
Extracurricular . . . . .	89,635	119,634	209,269
Classroom materials and fees . . . . .	1,200	-	1,200
Rental income . . . . .	2,147	-	2,147
Contributions and donations . . . . .	75	2,500	2,575
Other local revenues . . . . .	51,454	3,147	54,601
Intergovernmental - intermediate . . . . .	9,133	-	9,133
Intergovernmental - state . . . . .	3,600,934	228,695	3,829,629
Intergovernmental - federal . . . . .	1,953	988,790	990,743
Total revenues . . . . .	<u>7,665,578</u>	<u>1,636,929</u>	<u>9,302,507</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,315,636	906	3,316,542
Special . . . . .	379,843	442,047	821,890
Vocational . . . . .	225,479	-	225,479
Other . . . . .	239,274	9,492	248,766
Support services:			
Pupil . . . . .	386,199	7,754	393,953
Instructional staff . . . . .	395,124	179,614	574,738
Board of education . . . . .	24,585	-	24,585
Administration . . . . .	520,483	209,771	730,254
Fiscal . . . . .	291,229	-	291,229
Operations and maintenance . . . . .	746,935	10	746,945
Pupil transportation . . . . .	422,796	75,414	498,210
Central . . . . .	36,398	5,002	41,400
Operation of non-instructional services:			
Food service operations . . . . .	-	247,798	247,798
Other non-instructional services . . . . .	-	169,976	169,976
Extracurricular activities . . . . .	262,896	119,691	382,587
Facilities acquisition and construction . . . . .	52,380	470,867	523,247
Debt service:			
Principal retirement . . . . .	17,133	-	17,133
Interest and fiscal charges . . . . .	2,626	-	2,626
Total expenditures . . . . .	<u>7,319,016</u>	<u>1,938,342</u>	<u>9,257,358</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>346,562</u>	<u>(301,413)</u>	<u>45,149</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	87,223	87,223
Transfers (out) . . . . .	<u>(87,223)</u>	<u>-</u>	<u>(87,223)</u>
Total other financing sources (uses) . . . . .	<u>(87,223)</u>	<u>87,223</u>	<u>-</u>
Net change in fund balances . . . . .	259,339	(214,190)	45,149
<b>Fund balances at beginning of year (restated).</b>	<u>88,047</u>	<u>253,176</u>	<u>341,223</u>
<b>Fund balances at end of year.</b>	<u>\$ 347,386</u>	<u>\$ 38,986</u>	<u>\$ 386,372</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, 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, 2011

<b>Net change in fund balances - total governmental funds</b>	\$	45,149
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 546,500	
Current year depreciation	<u>(183,543)</u>	
Total		362,957
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	7,878	
Intergovernmental revenue	<u>221,387</u>	
Total		229,265
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		17,133
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(37,400)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>617,104</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,621,248	\$ 2,606,136	\$ 2,606,136	\$ -
Income taxes. . . . .	930,666	925,300	925,300	-
Tuition. . . . .	423,142	420,703	420,703	-
Earnings on investments . . . . .	2,506	2,492	2,599	107
Classroom materials and fees . . . . .	1,207	1,200	1,200	-
Rental income . . . . .	2,159	2,147	2,147	-
Contributions and donations . . . . .	75	75	75	-
Other local revenues . . . . .	54,884	54,568	54,568	-
Intergovernmental - intermediate . . . . .	9,186	9,133	9,133	-
Intergovernmental - state . . . . .	3,621,873	3,600,934	3,600,934	-
Intergovernmental - federal . . . . .	1,026	1,020	1,020	-
<b>Total revenues . . . . .</b>	<u>7,667,972</u>	<u>7,623,708</u>	<u>7,623,815</u>	<u>107</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,626,572	3,471,493	3,421,493	50,000
Special. . . . .	361,513	366,422	366,422	-
Vocational. . . . .	213,855	225,806	225,806	-
Other. . . . .	226,609	239,636	239,636	-
Support services:				
Pupil. . . . .	263,513	285,177	285,177	-
Instructional staff . . . . .	460,019	420,767	420,817	(50)
Board of education . . . . .	25,022	24,568	24,568	-
Administration. . . . .	607,960	544,455	548,316	(3,861)
Fiscal . . . . .	294,494	290,753	290,869	(116)
Operations and maintenance. . . . .	814,209	799,295	798,840	455
Pupil transportation . . . . .	412,936	427,451	427,451	-
Central. . . . .	22,435	35,662	35,662	-
Operation of non-instructional services . . . . .	2,726	-	-	-
Extracurricular activities. . . . .	247,995	260,561	260,561	-
Facilities acquisition and construction . . . . .	50,958	53,680	53,680	-
<b>Total expenditures . . . . .</b>	<u>7,630,816</u>	<u>7,445,726</u>	<u>7,399,298</u>	<u>46,428</u>
Excess of revenues over expenditures. . . . .	<u>37,156</u>	<u>177,982</u>	<u>224,517</u>	<u>46,535</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	4,190	4,190	4,190	-
Transfers (out). . . . .	(75,685)	(87,223)	(87,223)	-
<b>Total other financing sources (uses) . . . . .</b>	<u>(71,495)</u>	<u>(83,033)</u>	<u>(83,033)</u>	<u>-</u>
Net change in fund balance . . . . .	(34,339)	94,949	141,484	46,535
<b>Fund balance at beginning of year . . . . .</b>	391,105	391,105	391,105	-
<b>Prior year encumbrances appropriated . . . . .</b>	44,150	44,150	44,150	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 400,916</u>	<u>\$ 530,204</u>	<u>\$ 576,739</u>	<u>\$ 46,535</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2011

	<b>Agency</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 85,340
Total assets. . . . .	\$ 85,340
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 5,744
Due to students. . . . .	79,596
Total liabilities . . . . .	\$ 85,340

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Dalton Local School District, Wayne County, Ohio, (the "District") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for providing public education to residents of the District.

Enrollment in the District as of June 30, 2011 was 947 students. The District employed 77 certified employees and 52 non-certified employees.

The District's management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATION*

The Tri-County Computer Services Association

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a Board of Directors chosen from the general membership of the TCCSA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the treasurer at the Tri-County Educational Service Center which serves as the fiscal agent located in Wooster, Ohio. During the year ended June 30, 2011, the District paid \$82,560 to TCCSA for basic service charges.

*PUBLIC ENTITY RISK POOLS*

The Stark County Schools Council of Governments Health Care Benefit Program

The Stark County Schools Council of Governments Health Care Benefit Program (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services.

*INSURANCE POOLS*

Workers' Compensation Group Rating Program

The Ohio Schools Council Association (the "Council") is a Council of Governments comprised of one-hundred-fifty-seven member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*GOVERNMENTAL FUNDS*

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

**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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes (See Note 7), grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, income taxes, interest, tuition, grants, student fees and rentals.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

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

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2011.

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as part of restricted, committed, or assigned fund balance.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$2,367, which includes \$914 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$2,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	8 - 35 years
Vehicles	15 years

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and retirement incentives that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.



**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 amounts in any of the unrestricted fund balance classifications could be used.

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for textbooks/instructional materials.

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

**N. Estimates**

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

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve. This reserve is required by State statute. A schedule of set-asides is presented in Note 17.

**P. Interfund Activity**

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

**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. Neither type of transaction occurred during fiscal year 2011.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

A fund reclassification is required in order to report funds in accordance with GASB Statement No 54. The fund reclassification had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 57,568	\$ 283,655	\$ 341,223
Fund reclassification:			
Public school support fund	30,479	(30,479)	-
Restated fund balance at July 1, 2010	\$ 88,047	\$ 253,176	\$ 341,223

The fund reclassification did not have an effect on net assets as previously reported.

**C. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 13,521
Management information systems	25
Education jobs	4,581
IDEA Part-B	44,679
Title I	23,908
Improving teacher quality	13

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$844,015. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$325,430 of the District's bank balance of \$860,403 was exposed to custodial risk as discussed below, while \$534,973 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2011, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ <u>33</u>	\$ <u>33</u>

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 33	100.00

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 844,015
Investments	33
Cash on hand	<u>100</u>
Total	<u>\$ 844,148</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 758,808
Agency fund	<u>85,340</u>
Total	<u>\$ 844,148</u>

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	<u>\$ 87,223</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Interfund balances for the year ended June 30, 2011, consisted of the following due to/from other funds, as reported on the fund financial statements:

	Due from other funds	Due to other funds
General fund	\$ 25,036	\$ -
<u>Nonmajor governmental funds:</u>		
Education jobs	-	2,450
Title VI-B	-	22,586
Total	\$ 25,036	\$ 25,036

The primary purpose of the interfund balances is to cover negative cash balances in the nonmajor governmental funds. These interfund balances are expected to be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$178,895 in the general fund and \$1,575 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$258,257 in the general fund and \$16,743 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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



**DALTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 134,470,800	97.74	\$ 135,400,060	97.65
Public utility personal	<u>3,115,870</u>	<u>2.26</u>	<u>3,251,400</u>	<u>2.35</u>
Total	<u>\$ 137,586,670</u>	<u>100.00</u>	<u>\$ 138,651,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$43.60		\$43.60	

**NOTE 7- INCOME TAXES**

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005 and will continue for an indefinite period of time. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. During fiscal year 2011, \$959,203 of income tax revenue was credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accounts, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported in the statement of net assets follows:

<b>Governmental activities:</b>	
Taxes	\$ 3,047,832
Accounts	4,948
Accrued interest	242
Intergovernmental	<u>233,744</u>
Total	<u>\$ 3,286,766</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/11</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 83,000	\$ 335,000	\$ -	\$ 418,000
Total capital assets, not being depreciated	<u>83,000</u>	<u>335,000</u>	<u>-</u>	<u>418,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	495,141	31,729	-	526,870
Buildings and improvements	4,573,845	49,868	-	4,623,713
Furniture and equipment	713,865	54,489	-	768,354
Vehicles	788,777	75,414	(37,379)	826,812
Total capital assets, being depreciated	<u>6,571,628</u>	<u>211,500</u>	<u>(37,379)</u>	<u>6,745,749</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(248,652)	(21,616)	-	(270,268)
Buildings and improvements	(3,070,263)	(94,198)	-	(3,164,461)
Furniture and equipment	(456,178)	(25,237)	-	(481,415)
Vehicles	(452,653)	(42,492)	37,379	(457,766)
Total accumulated depreciation	<u>(4,227,746)</u>	<u>(183,543)</u>	<u>37,379</u>	<u>(4,373,910)</u>
Governmental activities capital assets, net	<u>\$ 2,426,882</u>	<u>\$ 362,957</u>	<u>\$ -</u>	<u>\$ 2,789,839</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 75,946
Special	1,453
<u>Support services:</u>	
Pupil	867
Instructional staff	6,799
Board of education	572
Administration	3,583
Fiscal	1,370
Operations and maintenance	13,658
Pupil transportation	44,575
Extracurricular activities	29,332
Food Service operation	<u>5,388</u>
Total depreciation expense	<u>\$ 183,543</u>

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$83,502. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$20,876, leaving a current book value of \$62,626. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$17,133 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2012	\$ 19,759
2013	<u>4,940</u>
Total minimum lease payment	24,699
Less: amount representing interest	<u>(1,269)</u>
Present value of minimum lease payments	<u>\$ 23,430</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Capital lease payable	\$ 40,563	\$ -	\$ (17,133)	\$ 23,430	\$ 18,555
Retirement incentive plan	62,475	-	(62,475)	-	-
Compensated absences	<u>747,332</u>	<u>114,213</u>	<u>(110,139)</u>	<u>751,406</u>	<u>80,282</u>
Total long-term obligations, governmental activities	<u>\$ 850,370</u>	<u>\$ 114,213</u>	<u>\$ (189,747)</u>	<u>\$ 774,836</u>	<u>\$ 98,837</u>

Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$12,478,631 and an unvoted debt margin of \$138,651.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the District has contracted with Ohio Casualty to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$1,000,000	\$ 0
Annual aggregate	2,000,000	0
Medical liability:		
Each occurrence	15,000	0
Errors and omissions:		
Each occurrence	1,000,000	2,500
Annual aggregate	1,000,000	2,500
Crime coverage		
Theft, Disappearance, Destruction	50,000	1,000
Public Employee Dishonesty	50,000	1,000
Fleet:		
Liability	1,000,000	0
Uninsured motorist	1,000,000	0
Comprehensive	1,000,000	1,000
Building and contents	25,000,000	5,000

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

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Medical and Dental Insurance**

During fiscal year 2011, the District was a member of the Stark County Schools Council of Governments Health Care Benefit Program (Council), a shared risk pool (See Note 2.A.) to provide employees with medical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

**C. Workers' Compensation**

For fiscal year 2011, the District participated in the Ohio Schools Council Association (the "Council") Workers' Compensation Group Rating Plan (GRP), a jointly governed organization. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative cost control and actuarial services to the Council.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Media/Financial Reports*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$148,924, \$164,074 and \$116,411, respectively; 62.48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 13 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org) under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$515,734 \$523,830 and \$512,857, respectively; 83.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$13,431 made by the District and \$9,594 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Chapter 3309.69 of the Ohio Revised Code. 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 premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Media/Financial Reports*.

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 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$44,951, \$32,538 and \$78,522, respectively; 62.48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$9,584, \$9,757 and \$9,605, respectively; 62.48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$39,672, \$40,295 and \$39,451, respectively; 83.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).



**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 141,484
Net adjustment for revenue accruals	(47,872)
Net adjustment for expenditure accruals	153,162
Net adjustment for other sources/uses	(4,190)
Funds budgeted elsewhere	(3,639)
Adjustment for encumbrances	<u>20,394</u>
GAAP basis	<u>\$ 259,339</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 - SET-ASIDES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 156,800	\$ -
Current year set-aside requirement	142,618	142,618
Current year qualifying expenditures	(67,452)	-
Current year offsets	<u>-</u>	<u>(207,278)</u>
Total	<u>\$ 231,966</u>	<u>\$ (64,660)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ 231,966</u>	<u>\$ -</u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. The balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for textbooks/instructional materials	\$ <u>231,966</u>
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**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 13,589
Nonmajor governmental funds	<u>91,364</u>
Total	<u>\$ 104,953</u>

**NOTE 19 - SUBSEQUENT EVENT**

On September 20, 2011, the District issued general obligation school improvement bonds in the amount of \$14,750,000 with an interest rate ranging from 2.00% to 5.00% and a maturity date of August 1, 2039 for the purpose of constructing, renovating, remodeling, rehabilitating, adding to, furnishing, equipping and otherwise improving school district buildings and facilities and acquiring, clearing and improving real estate for school district purposes.

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**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>(Passed Through Ohio Department of Education)</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	\$277,025		\$272,904	
ARRA - Title I Grants to Local Educational Agencies	84.389	52,633		58,514	
Total Title I Part A Cluster		329,658		331,418	
Special Education Cluster:					
Special Education - Grants to States	84.027	170,180		191,288	
ARRA - Special Education Grants to States	84.391	90,124		91,745	
Total Special Education Cluster		260,304		283,033	
Education Technology State Grants	84.318	96			
Improving Teacher Quality State Grants	84.367	26,817		27,045	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	226,433		226,433	
Education Jobs Fund	84.410	28,977		31,427	
Total U.S. Department of Education		872,285		899,356	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>(Passed Through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$11,906		\$11,906
Cash Assistance:					
National School Lunch Program	10.555	86,192		86,192	
Total Child Nutrition Cluster		86,192	11,906	86,192	11,906
Total U.S. Department of Agriculture		86,192	11,906	86,192	11,906
Total		\$958,477	\$11,906	\$985,548	\$11,906

The accompanying notes are an integral part of this schedule.

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Dalton Local School District's (the 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 District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Dalton Local School District  
Wayne County  
177 North Mill Street  
P.O. Box 514  
Dalton, Ohio 44618

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dalton Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2012. We noted governmental fund balances were restated due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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, providing an opinion 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 must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 4, 2012.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 4, 2012





# Dave Yost • Auditor of State

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

Dalton Local School District  
Wayne County  
177 North Mill Street  
P.O. Box 514  
Dalton, Ohio 44618

To the Board of Education:

### Compliance

We have audited the compliance of Dalton Local School District, Wayne County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Dalton Local School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Dalton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 4, 2012

**DALTON LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Part A Cluster Grants to Local Educational Agencies, CFDA #84.010; 84.389
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Dalton Local School District  
Wayne County  
177 North Mill Street  
P.O. Box 514  
Dalton, Ohio 44618

To the Board of Education:

Ohio Revised 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 Ohio 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 Dalton Local School District, Wayne County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Revised 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 February 28, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

Dalton Local School District  
Wayne County  
Independent Auditors' Report on Applying  
Agreed Upon Procedures  
Page 2

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". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 4, 2012



# Dave Yost • Auditor of State

**DALTON LOCAL SCHOOL DISTRICT**

**WAYNE 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  
FEBRUARY 2, 2012**