



**Auditor of State  
Betty Montgomery**



**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

Beaver Local School District  
Columbiana County  
13093 State Route 7  
Lisbon, Ohio 44432

We have audited the accompanying financial statements of the governmental activities each major fund, and the aggregate remaining fund information of the Beaver Local School District, Columbiana County, Ohio (the District) as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Beaver Local School District, Columbiana County, Ohio, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

January 29, 2004

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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The discussion and analysis of Beaver 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, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for 2003 are as follows:

- General revenues accounted for \$5,121,892 in revenues or 28.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,734,019 or 71.32% of total revenues of \$17,855,911.
- The District has \$16,651,605 in expenses related to governmental activities; only \$12,734,019 of these expenses was offset by program specific charges for services, grants or contributions. General revenue supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,121,892 were not adequate to provide for these programs.
- The District's only major governmental fund is the General Fund. This fund had \$15,414,677 in revenues and other financing sources and \$15,155,917 in expenditures and other financing uses.

### **Using this Comprehensive Annual Financial Report**

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

*The Statement of Net Assets* and *Statement of Activities* provide information about the whole District, presenting both aggregate view of 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 non-major funds presented in total in one column. The District has one major governmental fund: the General Fund.

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

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

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2003?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting

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takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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 District has only one distinct kind of activity:

Governmental Activities – The District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## **Reporting the District's Most Significant Fund**

### ***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 has one major governmental fund: 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 the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the 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 financial statements.



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COLUMBIANA COUNTY, OHIO**

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**Reporting the District's Fiduciary Responsibilities**

The District acts in the trustee capacity as an agent for other governmental funds (Student Managed Funds). This activity is reported in one agency fund.

**The District as a Whole**

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003:

|   | <b>Net Assets</b>                  |
|---|------------------------------------|
|   | Governmental<br>Activities<br>2003 |
|   | <hr/>                              |
| <b><u>Assets</u></b>                    |                                    |
| Current assets                          | \$6,581,065                        |
| Capital assets                          | <hr/> 3,347,579                    |
| Total assets                            | <hr/> 9,928,644                    |
| <b><u>Liabilities</u></b>               |                                    |
| Current liabilities                     | 1,426,580                          |
| Long-term liabilities                   | <hr/> 1,932,054                    |
| Total liabilities                       | <hr/> 3,358,634                    |
| <b><u>Net Assets</u></b>                |                                    |
| Invested in Capital assets, net of debt | 3,153,950                          |
| Restricted                              | 341,006                            |
| Unrestricted (deficit)                  | <hr/> 3,075,054                    |
| Total net assets                        | <hr/> <hr/> \$6,570,010            |

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year, the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when information is available:

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| <b>Change in Net Assets</b>               | <u>Governmental<br/>Activities<br/>2003</u> |
|---|---|
| <b><u>Revenues</u></b>                    |   |
| Program Revenues:                         |   |
| Charges for services and sales            | \$2,027,419                                 |
| Operating grants and contributions        | 10,706,600                                  |
| General Revenues:                         |   |
| Property taxes                            | 5,032,848                                   |
| Investment earnings                       | 16,103                                      |
| Other                                     | 60,385                                      |
| Total revenues                            | <u><u>17,843,355</u></u>                    |
| <b><u>Expenses</u></b>                    |   |
| Program Expenses:                         |   |
| Instruction:                              |   |
| Regular                                   | 8,616,031                                   |
| Special                                   | 1,457,094                                   |
| Vocational                                | 5,141                                       |
| Adult/Continuing                          | 18,913                                      |
| Other                                     | 28,836                                      |
| Support Services:                         |   |
| Pupil                                     | 482,431                                     |
| Instructional Staff                       | 458,701                                     |
| Board of Education                        | 40,469                                      |
| Administration                            | 1,571,628                                   |
| Fiscal                                    | 358,697                                     |
| Operation and maintenance                 | 1,166,113                                   |
| Pupil transportation                      | 1,056,799                                   |
| Operation of Non-Instructional Services   | 776,857                                     |
| Extracurricular activities                | 561,810                                     |
| Capital Outlay                            | 45,620                                      |
| Interest and fiscal charges               | 6,465                                       |
| Total expenses                            | <u>16,651,605</u>                           |
| Change in net assets before special items | 1,191,750                                   |
| <b><u>Special Item</u></b>                |   |
| Proceeds from Sale of Fixed Assets        | 12,556                                      |
| Change in net assets                      | <u><u>\$1,204,306</u></u>                   |

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Governmental Activities**

Net assets of the District's governmental activities increased by \$1,204,306. Total governmental expenses of \$16,651,605 were offset by program revenues of \$12,734,019 and general revenues of \$5,109,336. Program revenues supported 76.47% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 89 % of total governmental revenue. Real estate property is reappraised every six years. Although recent growth has had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. However, H.B.920 provided a "safety net" for schools by prohibiting the effective millage from reducing past 20 mills. Due to the annual reductions, the District's millage has been reduced to 20 mills, and the District is able to collect inflationary growth on the 20 mills. This affords the District the opportunity to offset inflation on the expense side without asking the voters every three to five years for additional operating millage.

Voters approved the last Emergency Levy renewal in August 1999. This levy, which generates approximately \$1.2 million per year for a five year period of time, is expected to provide adequate revenue for general operating expenses through the calendar year 2004, with no other local operating tax revenue increases being necessary. The District is planning to place a renewal on the ballot in 2004.

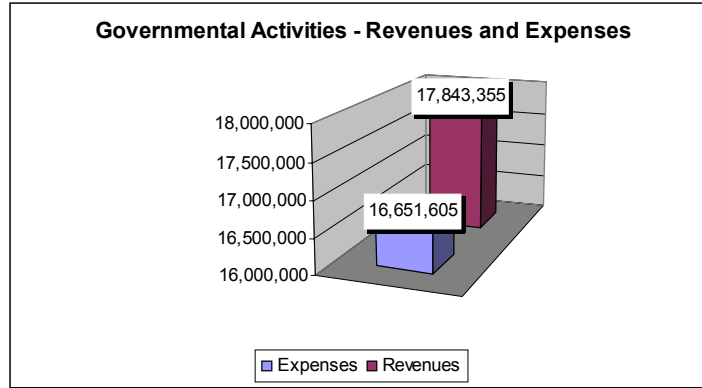
In addition, higher than normal increases in State revenues is one of the reasons that the District has managed to go this long without any new local tax increases for operating.

The District's financial condition has improved significantly in recent years, primarily due to increased financial support from the State. Basic State support has increased annually by 2.8% over the last two years, and is expected to grow by only 2.2% in the 2003/04 fiscal year. The District is projecting annual growth in State support of 2.2% for 2005 and beyond. In addition, State revenue has contributed to the District \$231,114 and \$492,204 in parity aid for fiscal year 2002 and 2003, respectively, which was restricted for new initiatives and enhancements. In the spring of 2003, the State legislature removed the restrictions on Parity Aid. The District has continued the practice of financing new initiatives, such as full-day, everyday kindergarten programs at its elementary buildings.

The graph below presents the District's governmental activities revenues and expenses to fiscal year 2003:

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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. Comparisons to fiscal year 2003 have not been presented since they are not available.

**Governmental Activities**

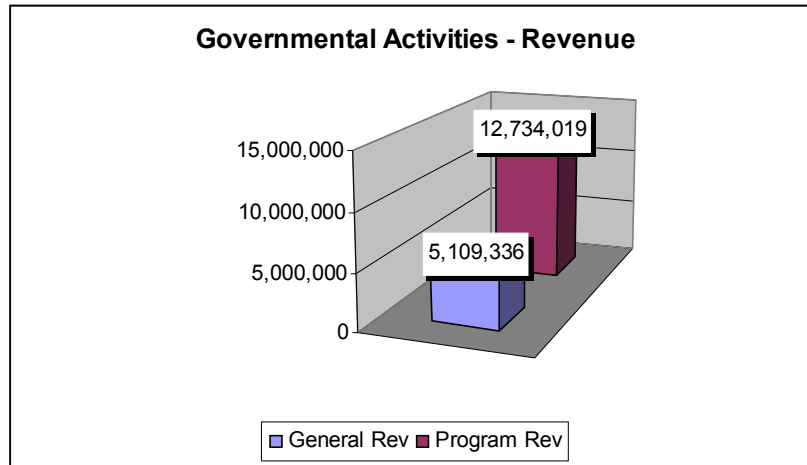
|   | Total Cost<br>of<br>Services<br>2003 | Net Cost of<br>Services<br>2003 |
|---|--------------------------------------|---------------------------------|
|   | <u>                    </u>          | <u>                    </u>     |
| Program Expenses:                       |                                      |                                 |
| Instruction:                            |                                      |                                 |
| Regular                                 | \$8,616,031                          | \$2,382,600                     |
| Special                                 | 1,457,094                            | 241,430                         |
| Vocational                              | 5,141                                | 3,632                           |
| Adult/Continuing                        | 18,913                               | 4,430                           |
| Other                                   | 28,836                               | 6,754                           |
| Support Services:                       |                                      |                                 |
| Pupil                                   | 482,431                              | 106,420                         |
| Instructional staff                     | 458,701                              | 91,741                          |
| Board of education                      | 40,469                               | 9,479                           |
| Administration                          | 1,571,628                            | 350,947                         |
| Fiscal                                  | 358,697                              | 86,287                          |
| Operations and maintenance              | 1,166,113                            | 183,606                         |
| Pupil transportation                    | 1,056,799                            | 249,219                         |
| Operation of Non-Instructional Services | 776,857                              | 87,039                          |
| Extracurricular activities              | 561,810                              | 96,851                          |
| Capital Outlay                          | 45,620                               | 10,686                          |
| Interest and fiscal charges             | 6,465                                | 6,465                           |
|   | <u>                    </u>          | <u>                    </u>     |
| Total expenses                          | <u>\$16,651,605</u>                  | <u>\$3,917,586</u>              |

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The dependence upon state revenues for governmental activities is apparent, 26.06% of instruction activities are supported through other general/state revenues, for all governmental activities general revenue support is 23.52%. The State of Ohio, as a whole, is by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$188,584, which is above last year's total of (\$321,074). The June 30, 2003 fund balances have been restated as described on page 37. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2002 and 2003.

|                    | <u>Fund Balance<br/>June 30, 2003</u> | <u>Fund Balance<br/>June 30, 2002</u> | <u>Increase/<br/>Decrease</u> |
|--------------------|---------------------------------------|---------------------------------------|-------------------------------|
| General            | (\$253,587)                           | (\$512,347)                           | \$258,760                     |
| Other Governmental | 442,171                               | 191,273                               | 250,898                       |
| <b>Total</b>       | <u><u>\$188,584</u></u>               | <u><u>(\$321,074)</u></u>             | <u><u>\$509,658</u></u>       |

**General Fund**

The District's general fund balance increase by \$258,760. The increase can be attributed primarily to the overall decrease in salaries, wages and fringe benefits. In addition, in fiscal year 2003, the general fund subsidized other funds of the District with operating transfers of \$531,950. Note 17 to the basic financial statements details the funds which receiving the operating transfers from the general fund. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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|                            | 2003<br><u>Amount</u> | 2002<br><u>Amount</u> | Percentage<br><u>Change</u> |
|----------------------------|-----------------------|-----------------------|-----------------------------|
| <b><u>Revenues</u></b>     |                       |                       |                             |
| Taxes                      | \$4,523,029           | \$4,395,112           | 2.91                        |
| Earnings on investments    | 15,915                | 15,008                | 6.04                        |
| Intergovernmental          | 9,403,801             | 8,753,640             | 7.43                        |
| Other revenues             | <u>1,459,376</u>      | <u>1,241,778</u>      | 17.52                       |
| <br>                       |                       |                       |                             |
| Total                      | <u>\$15,402,121</u>   | <u>\$14,405,538</u>   | 6.92                        |
| <br>                       |                       |                       |                             |
| <b><u>Expenditures</u></b> |                       |                       |                             |
| Instruction                | \$9,451,756           | \$8,977,390           | (5.28)                      |
| Support services           | 4,834,030             | 4,579,393             | (5.56)                      |
| Extracurricular activities | 292,561               | 264,228               | (10.72)                     |
| Capital Outlay             | 45,620                | 375,714               | 87.86                       |
| Debt service               | <u>0</u>              | <u>225,606</u>        | 100.00                      |
| <br>                       |                       |                       |                             |
| Total                      | <u>\$14,623,967</u>   | <u>\$14,422,331</u>   | 166.29                      |

***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 2003, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$15,716,288, above original budget estimates of \$15,288,681. The increase of \$427,607 was insignificant.

General fund original appropriations of \$14,786,432 were increased approximately 5.68% in the final budget. The increase can be attributed to an overall increase in costs. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$15,626,025, which was equal to the final budget appropriations.

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2003, the District had \$9,819,296 invested in land, land improvements, building and improvements, furniture and equipment, and vehicles. All of this total, was reported in governmental activities. The June 30, 2002 balances in fixed assets have been restated due to a change in the District's capitalization criteria from \$500 to \$1,000 in the governmental fixed assets and for errors and omissions previously reported in governmental activities fixed assets. See Note 9 to the basic financial statements. The following table shows fiscal 2003 balances compared to 2002:

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

|                       | Governmental Activities |             |
|-----------------------|-------------------------|-------------|
|                       | 2003                    | 2002        |
| Land                  | \$374,490               | \$374,490   |
| Land Improvements     | 1,053,905               | 1,053,905   |
| Building/improvements | 4,974,752               | 4,974,752   |
| Furniture/equipment   | 1,948,902               | 1,918,462   |
| Vehicles              | 1,467,247               | 1,182,128   |
| Totals                | \$9,819,296             | \$9,503,737 |

The District also acquired \$424,271 in new vehicles during fiscal year 2003.

*Debt Administration*

At June 30, 2003, the District had \$295,126 in general obligation loans outstanding. Of this total, \$23,855 is due within one year and \$271,271 is due within greater than one year. The following table summarizes the loans outstanding.

**Outstanding Debt, at Year End**

|                          | Governmental<br>Activities<br>2003 | Governmental<br>Activities<br>2002 |
|--------------------------|------------------------------------|------------------------------------|
| Energy Conservation Bond | \$0                                | \$22,858                           |
| Asbestos Removal Loan    | 40,333                             | 52,680                             |
| OWDA Loan                | 255,720                            | 267,000                            |
| Note Payable             | 11,300                             | 0                                  |
| Total                    | \$307,353                          | \$342,538                          |

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The asbestos abatement loan was received in 1988 from the U.S. Environmental Protection Agency for an asbestos project at all school buildings with the majority of the work at Beaver Local High School and Beaver Local Middle School. This loan is scheduled to mature in fiscal year 2007 and is interest free as long as the District remains current on repayment.

The water tap-in loan was received in 2002 from the Ohio Water Development Authority for a water tap-in cost associated with Columbiana County extended waterlines to Beaver Local High School and Beaver Local Middle School. This loan is scheduled to mature in fiscal year 2022 and has an interest rate of 2%.

The energy conservation loan was received in 1996 from Bank One under the authority of HB264. This loan was paid off in fiscal year 2003 and had an interest rate of 5.25%.

The \$15,000 note was for purchase of a driver education vehicle at an interest rate of 0.9%.

At June 30, 2003, the District's overall legal debt margin was \$17,961,379 with an unvoted debt margin of \$199,571.

**For the Future**

Overall, the District is strong financially. As the preceding information shows, the District relies heavily upon grants and entitlements, and property taxes. The renewal of the Emergency Levy in calendar year 2004 is imperative for the District to survive. The future financial stability of the District is not without challenges.

The first challenge is that although the District will have the resources necessary to meet operating expenses in fiscal year 2004, the District must maintain tight controls over spending to live without the means provided by the voters and the State of Ohio. The District will need to place the renewal of the Emergency Levy before the voters in calendar year 2004. This levy generates approximately \$1.2 million in tax revenue annually to meeting the educational and operating needs.

The next challenge is that the District's Management must continue to provide the resources necessary to meet student needs while diligently planning expenses, staying within the five-year plan. The five-year plan is utilized by management to manage resources effectively and efficiently. Additional revenues should not be treated as a windfall to expand programs, but as an opportunity to extend the life of the five-year plan.

Another challenge is that the District will need to address school facilities. The District has entered into the Ohio School Facility Commission's Expedited Local Partnership Program. In response to districts desiring improvements sooner than scheduled, the State Legislature created the Expedited Local Partnership Program (ELPP), which allows a district to proceed with rebuilding a portion of their facilities by spending their local share monies now. Then, when the



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district becomes eligible for the funded program – Classroom Facilities Assistance Program – the money they spent in the ELPP will be credited toward their local share requirement of the Classroom Facilities Assistance Program. The ELPP will lock the percentage of the State's share of construction at the time the District enters into the program. The District is in the process of promoting a bond issue levy for the November 4, 2003 general election. If the levy passes, the District will begin construction on a new Preschool/Kindergarten to 5<sup>th</sup> Grade Elementary School. The new building should be built in the central area of the school system where presently the High School and Middle School are located.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither 'adequate' nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, 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 any questions about this report or need additional financial information, contact Mr. Robert P. Barrett, Treasurer/CFO at Beaver Local School District, 13093 State Route 7, Lisbon, Ohio 44432.

**Beaver Local School District**  
**Columbiana County, Ohio**  
**Statement of Net Assets**  
**June 30, 2003**

|   | Governmental<br>Activities | Total              |
|---|----------------------------|--------------------|
| <b>Assets</b>                                   |                            |                    |
| Current Assets:                                 |                            |                    |
| Equity in Pooled Cash and Cash Equivalents      | \$1,393,807                | \$1,393,807        |
| Cash and Cash Equivalents with Fiscal Agents    | 513                        | 513                |
| Materials and Supplies Inventory                | 44,118                     | 44,118             |
| Accrued Interest Receivable                     | 762                        | 762                |
| Accounts Receivable                             | 13,222                     | 13,222             |
| Intergovernmental Receivable                    | 276,948                    | 276,948            |
| Taxes Receivable                                | 4,851,695                  | 4,851,695          |
| Noncurrent Assets:                              |                            |                    |
| Capital Assets:                                 |                            |                    |
| Land and Construction in Progress               | 374,490                    | 374,490            |
| Depreciable Capital Assets, Net                 | 2,973,089                  | 2,973,089          |
| <b>Total Assets</b>                             | <b>9,928,644</b>           | <b>9,928,644</b>   |
| <b>Liabilities</b>                              |                            |                    |
| Current Liabilities:                            |                            |                    |
| Accounts Payable                                | 59,466                     | 59,466             |
| Accrued Wages and Benefits                      | 1,127,849                  | 1,127,849          |
| Intergovernmental Payable                       | 238,752                    | 238,752            |
| Matured Interest Payable                        | 513                        | 513                |
| Noncurrent Liabilities:                         |                            |                    |
| Long-Term Liabilities:                          |                            |                    |
| Due Within One Year                             | 453,397                    | 453,397            |
| Due In More Than One Year                       | 1,478,657                  | 1,478,657          |
| <b>Total Liabilities</b>                        | <b>3,358,634</b>           | <b>3,358,634</b>   |
| <b>Net Assets</b>                               |                            |                    |
| Invested in Capital Assets, Net of Related Debt | 3,153,950                  | 3,153,950          |
| Restricted for:                                 |                            |                    |
| Capital Projects                                | 341,006                    | 341,006            |
| Unrestricted                                    | 3,075,054                  | 3,075,054          |
| <b>Total Net Assets</b>                         | <b>\$6,570,010</b>         | <b>\$6,570,010</b> |

See accompanying notes to the basic financial statements.

**Beaver Local School District  
Columbiana County, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003**

|  | Program Revenues    |                                   |                                       | Net (Expense) Revenue<br>and Changes in Net Assets |                    |
|--|---------------------|-----------------------------------|---------------------------------------|--|--------------------|
|  | Expenses            | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Governmental<br>Activities                         | Total              |
| <b>Governmental Activities</b>                 |                     |                                   |                                       |  |                    |
| Instruction:                                   |                     |                                   |                                       |  |                    |
| Regular  | \$8,616,031         | \$796,588                         | \$5,436,843                           | (\$2,382,600)                                      | (\$2,382,600)      |
| Special  | 1,457,094           | 116,510                           | 1,099,154                             | (241,430)  | (241,430)          |
| Vocational                                     | 5,141               | 196                               | 1,313                                 | (3,632)  | (3,632)            |
| Adult/Continuing                               | 18,913              | 1,881                             | 12,602                                | (4,430)  | (4,430)            |
| Other  | 28,836              | 2,868                             | 19,214                                | (6,754)  | (6,754)            |
| Support Services:                              |                     |                                   |                                       |  |                    |
| Pupils   | 482,431             | 41,076                            | 334,935                               | (106,420)  | (106,420)          |
| Instructional Staff                            | 458,701             | 36,547                            | 330,413                               | (91,741)   | (91,741)           |
| Board of Education                             | 40,469              | 4,025                             | 26,965                                | (9,479)  | (9,479)            |
| Administration                                 | 1,571,628           | 133,194                           | 1,087,487                             | (350,947)  | (350,947)          |
| Fiscal   | 358,697             | 35,378                            | 237,032                               | (86,287)   | (86,287)           |
| Operation and Maintenance of Plant             | 1,166,113           | 127,216                           | 855,291                               | (183,606)  | (183,606)          |
| Pupil Transportation                           | 1,056,799           | 97,886                            | 709,694                               | (249,219)  | (249,219)          |
| Operation of Non-Instructional Services        | 776,857             | 359,822                           | 329,996                               | (87,039)   | (87,039)           |
| Extracurricular Activities                     | 561,810             | 269,695                           | 195,264                               | (96,851)   | (96,851)           |
| Capital Outlay                                 | 45,620              | 4,537                             | 30,397                                | (10,686)   | (10,686)           |
| Interest and Fiscal Charges                    | 6,465               | 0                                 | 0                                     | (6,465)  | (6,465)            |
| <i>Total Governmental Activities</i>           | <u>16,651,605</u>   | <u>2,027,419</u>                  | <u>10,706,600</u>                     | <u>(3,917,586)</u>                                 | <u>(3,917,586)</u> |
| <i>Totals</i>                                  | <u>\$16,651,605</u> | <u>\$2,027,419</u>                | <u>\$10,706,600</u>                   | <u>(3,917,586)</u>                                 | <u>(3,917,586)</u> |
| <b>General Revenues:</b>                       |                     |                                   |                                       |  |                    |
| Property and Other Local Taxes                 |                     |                                   |                                       | 5,032,848  | 5,032,848          |
| Investment Earnings                            |                     |                                   |                                       | 16,103   | 16,103             |
| Miscellaneous                                  |                     |                                   |                                       | 60,385   | 60,385             |
| <i>Total General Revenues</i>                  |                     |                                   |                                       | <u>5,109,336</u>                                   | <u>5,109,336</u>   |
| <b>Special Item:</b>                           |                     |                                   |                                       |  |                    |
| Proceeds from Sale of Fixed Assets             |                     |                                   |                                       | 12,556   | 12,556             |
| <i>Total General Revenues and Special Item</i> |                     |                                   |                                       | <u>5,121,892</u>                                   | <u>5,121,892</u>   |
| Change in Net Assets                           |                     |                                   |                                       | 1,204,306  | 1,204,306          |
| <i>Net Assets Beginning of Year</i>            |                     |                                   |                                       | <u>5,365,704</u>                                   | <u>5,365,704</u>   |
| <i>Net Assets End of Year</i>                  |                     |                                   |                                       | <u>\$6,570,010</u>                                 | <u>\$6,570,010</u> |

See accompanying notes to the basic financial statements.

**Beaver Local School District**  
**Columbiana County, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2003**

|  | General            | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                |                    |                                |                                |
| Equity in Pooled Cash and Cash Equivalents   | \$866,407          | \$527,400                      | \$1,393,807                    |
| Cash and Cash Equivalents with Fiscal Agents | 0                  | 513                            | 513                            |
| Materials and Supplies Inventory             | 19,671             | 24,447                         | 44,118                         |
| Accrued Interest Receivable                  | 762                | 0                              | 762                            |
| Accounts Receivable                          | 10,774             | 2,002                          | 12,776                         |
| Interfund Receivable                         | 840                | 0                              | 840                            |
| Intergovernmental Receivable                 | 4,286              | 160,226                        | 164,512                        |
| Taxes Receivable                             | 4,851,695          | 0                              | 4,851,695                      |
| <i>Total Assets</i>                          | <u>\$5,754,435</u> | <u>\$714,588</u>               | <u>\$6,469,023</u>             |
| <b>Liabilities</b>                           |                    |                                |                                |
| Accounts Payable                             | \$55,216           | \$4,250                        | \$59,466                       |
| Accrued Wages and Benefits                   | 1,040,794          | 87,055                         | 1,127,849                      |
| Intergovernmental Payable                    | 212,057            | 26,695                         | 238,752                        |
| Interfund Payable                            | 0                  | 840                            | 840                            |
| Matured Interest Payable                     | 0                  | 513                            | 513                            |
| Deferred Revenue                             | 4,699,955          | 153,064                        | 4,853,019                      |
| <i>Total Liabilities</i>                     | <u>6,008,022</u>   | <u>272,417</u>                 | <u>6,280,439</u>               |
| <b>Fund Balances</b>                         |                    |                                |                                |
| Reserved for Encumbrances                    | 353,266            | 60,430                         | 413,696                        |
| Reserved for Inventory                       | 19,671             | 24,447                         | 44,118                         |
| Unreserved, Undesignated, Reported in:       |                    |                                |                                |
| General Fund                                 | (626,524)          | 0                              | (626,524)                      |
| Special Revenue Funds                        | 0                  | 40,559                         | 40,559                         |
| Capital Projects Funds                       | 0                  | 316,735                        | 316,735                        |
| <i>Total Fund Balances (Deficits)</i>        | <u>(253,587)</u>   | <u>442,171</u>                 | <u>188,584</u>                 |
| <i>Total Liabilities and Fund Balances</i>   | <u>\$5,754,435</u> | <u>\$714,588</u>               | <u>\$6,469,023</u>             |

See accompanying notes to the basic financial statements.

**Beaver Local School District  
Columbiana County, Ohio  
Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2003**

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**Total Governmental Funds Balances** \$188,584

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds 3,347,579

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds:

|                              |           |
|------------------------------|-----------|
| Taxes                        | 4,699,955 |
| Accounts Receivable          | 446       |
| Intergovernmental Receivable | 112,436   |
| Intergovernmental Revenue    | 153,064   |

Total 4,965,901

Long-term liabilities, including bonds payable and accrued  
interest payable, are not due and payable in the current  
period and therefore are not reported in the funds:

|                           |             |
|---------------------------|-------------|
| Intergovernmental Payable | (98,705)    |
| Compensated Absences      | (215,858)   |
| Pension Obligation        | (1,127,809) |
| Capital Leases Payable    | (182,329)   |
| Notes Payable             | (307,353)   |

Total (1,932,054)

***Net Assets of Governmental Activities*** **\$6,570,010**

See accompanying notes to the basic financial statements.

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

|  | General                   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                           |                                |                                |
| Property and Other Local Taxes                             | \$4,523,029               | \$52,950                       | \$4,575,979                    |
| Intergovernmental  | 9,403,801                 | 1,149,736                      | 10,553,537                     |
| Interest   | 15,915                    | 188                            | 16,103                         |
| Tuition and Fees   | 1,348,515                 | 20,731                         | 1,369,246                      |
| Rent   | 13,464                    | 0                              | 13,464                         |
| Extracurricular Activities                                 | 41,596                    | 240,154                        | 281,750                        |
| Customer Sales and Services                                | 0                         | 362,513                        | 362,513                        |
| Miscellaneous  | 55,801                    | 4,584                          | 60,385                         |
| <i>Total Revenues</i>                                      | <u>15,402,121</u>         | <u>1,830,856</u>               | <u>17,232,977</u>              |
| <b>Expenditures:</b>                                       |                           |                                |                                |
| Current:   |                           |                                |                                |
| Instruction:   |                           |                                |                                |
| Regular  | 8,230,799                 | 339,101                        | 8,569,900                      |
| Special  | 1,172,639                 | 276,126                        | 1,448,765                      |
| Vocational   | 1,971                     | 0                              | 1,971                          |
| Adult/Continuing   | 17,511                    | 0                              | 17,511                         |
| Other  | 28,836                    | 0                              | 28,836                         |
| Support Services:  |                           |                                |                                |
| Pupils   | 416,094                   | 69,130                         | 485,224                        |
| Instructional Staff  | 367,353                   | 69,028                         | 436,381                        |
| Board of Education   | 40,469                    | 0                              | 40,469                         |
| Administration   | 1,395,575                 | 143,996                        | 1,539,571                      |
| Fiscal   | 358,504                   | 0                              | 358,504                        |
| Operation and Maintenance of Plant                         | 1,248,508                 | 8,295                          | 1,256,803                      |
| Pupil Transportation                                       | 1,007,527                 | 159,970                        | 1,167,497                      |
| Operation of Non-Instructional Services                    | 0                         | 745,671                        | 745,671                        |
| Extracurricular Activities                                 | 292,561                   | 247,641                        | 540,202                        |
| Capital Outlay   | 45,620                    | 0                              | 45,620                         |
| Debt Service:  |                           |                                |                                |
| Principal Retirement                                       | 0                         | 46,485                         | 46,485                         |
| Interest and Fiscal Charges                                | 0                         | 6,465                          | 6,465                          |
| <i>Total Expenditures</i>                                  | <u>14,623,967</u>         | <u>2,111,908</u>               | <u>16,735,875</u>              |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i>    | <u>778,154</u>            | <u>(281,052)</u>               | <u>497,102</u>                 |
| <b>Other Financing Sources (Uses):</b>                     |                           |                                |                                |
| Proceeds From Sale of Fixed Assets                         | 12,556                    | 0                              | 12,556                         |
| Transfers In   | 0                         | 531,950                        | 531,950                        |
| Transfers Out  | (531,950)                 | 0                              | (531,950)                      |
| <i>Total Other Financing Sources (Uses)</i>                | <u>(519,394)</u>          | <u>531,950</u>                 | <u>12,556</u>                  |
| <i>Net Change in Fund Balances</i>                         | 258,760                   | 250,898                        | 509,658                        |
| <i>Fund Balance (Deficit) Beginning of Year (Restated)</i> | <u>(512,347)</u>          | <u>191,273</u>                 | <u>(321,074)</u>               |
| <i>Fund Balance (Deficit) End of Year</i>                  | <u><u>(\$253,587)</u></u> | <u><u>\$442,171</u></u>        | <u><u>\$188,584</u></u>        |

See accompanying notes to the basic financial statements.

**Beaver Local School District**  
**Columbiana 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, 2003**

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**Net Change in Fund Balances - Total Governmental Funds** \$509,658

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 33,976

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and deletions) is to increase net assets. 12,556

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 610,378

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 163,803

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (126,065)

***Change in Net Assets of Governmental Activities*** \$1,204,306

See accompanying notes to the basic financial statements.

**Beaver Local School District  
Columbiana 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, 2003**

|  | Budgeted Amounts  |                   |                   | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|-------------------|-------------------|-------------------|--|
|  | Original          | Final             | Actual            |  |
| <b>Revenues:</b>                                   |                   |                   |                   |  |
| Property and Other Local Taxes                     | \$5,190,983       | \$4,801,611       | \$4,801,611       | \$0  |
| Intergovernmental                                  | 8,721,413         | 9,364,065         | 9,364,065         | 0  |
| Interest   | 15,305            | 16,433            | 16,433            | 0  |
| Tuition and Fees                                   | 1,256,579         | 1,349,172         | 1,349,172         | 0  |
| Rent   | 12,633            | 13,564            | 13,564            | 0  |
| Extracurricular Activities                         | 39,797            | 42,730            | 42,730            | 0  |
| Miscellaneous                                      | 51,971            | 55,801            | 55,801            | 0  |
| <b>Total Revenues</b>                              | <b>15,288,681</b> | <b>15,643,376</b> | <b>15,643,376</b> | <b>0</b>   |
| <b>Expenditures:</b>                               |                   |                   |                   |  |
| <b>Current:</b>                                    |                   |                   |                   |  |
| <b>Instruction:</b>                                |                   |                   |                   |  |
| Regular  | 7,933,703         | 8,436,776         | 8,436,776         | 0  |
| Special  | 1,196,160         | 1,169,091         | 1,169,091         | 0  |
| Vocational   | 6,523             | 5,819             | 5,819             | 0  |
| Adult/Continuing                                   | 14,995            | 16,783            | 16,783            | 0  |
| Other  | 16,105            | 41,321            | 41,321            | 0  |
| <b>Support Services:</b>                           |                   |                   |                   |  |
| Pupils   | 362,870           | 407,864           | 407,864           | 0  |
| Instructional Staff                                | 416,477           | 440,720           | 440,720           | 0  |
| Board of Education                                 | 23,117            | 40,460            | 40,460            | 0  |
| Administration                                     | 1,295,347         | 1,380,021         | 1,380,021         | 0  |
| Fiscal   | 333,587           | 351,192           | 351,192           | 0  |
| Operation and Maintenance of Plant                 | 1,217,075         | 1,310,380         | 1,310,380         | 0  |
| Pupil Transportation                               | 886,453           | 1,017,066         | 1,017,066         | 0  |
| Extracurricular Activities                         | 268,525           | 290,957           | 290,957           | 0  |
| Capital Outlay                                     | 140,787           | 184,785           | 184,785           | 0  |
| <b>Total Expenditures</b>                          | <b>14,111,724</b> | <b>15,093,235</b> | <b>15,093,235</b> | <b>0</b>   |
| <b>Excess of Revenues Over Expenditures</b>        | <b>1,176,957</b>  | <b>550,141</b>    | <b>550,141</b>    | <b>0</b>   |
| <b>Other Financing Sources (Uses):</b>             |                   |                   |                   |  |
| Proceeds from Sale of Fixed Assets                 | 0                 | 4,056             | 4,056             | 0  |
| Refund of Prior Year Expenditures                  | 0                 | 15,903            | 15,903            | 0  |
| Advances In  | 0                 | 17,503            | 17,503            | 0  |
| Other Financing Sources                            | 0                 | 35,450            | 35,450            | 0  |
| Transfers Out                                      | (657,205)         | (531,950)         | (531,950)         | 0  |
| Refund of Prior Year Receipts                      | (5,313)           | 0                 | 0                 | 0  |
| Advances Out                                       | (17,503)          | (840)             | (840)             | 0  |
| <b>Total Other Financing Sources (Uses)</b>        | <b>(680,021)</b>  | <b>(459,878)</b>  | <b>(459,878)</b>  | <b>0</b>   |
| <b>Net Change in Fund Balance</b>                  | <b>496,936</b>    | <b>90,263</b>     | <b>90,263</b>     | <b>0</b>   |
| <b>Fund Balance at Beginning of Fiscal Year</b>    | <b>204,185</b>    | <b>204,185</b>    | <b>204,185</b>    | <b>0</b>   |
| <b>Prior Fiscal Year Encumbrances Appropriated</b> | <b>169,024</b>    | <b>169,024</b>    | <b>169,024</b>    | <b>0</b>   |
| <b>Fund Balance at End of Fiscal Year</b>          | <b>\$870,145</b>  | <b>\$463,472</b>  | <b>\$463,472</b>  | <b>\$0</b>                                       |

See accompanying notes to the basic financial statements.



**Beaver Local School District**  
**Columbiana County, Ohio**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2003**

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|  | <u>Agency</u>          |
|--|------------------------|
| <b>Assets</b>                              |                        |
| Equity in Pooled Cash and Cash Equivalents | \$48,667               |
| Accounts Receivable                        | 432                    |
|  | <hr/>                  |
| Total Assets                               | 49,099                 |
|  | <hr/>                  |
| <b>Liabilities</b>                         |                        |
| Accounts Payable                           | 1,424                  |
| Due to Students                            | 47,675                 |
|  | <hr/>                  |
| <i>Total Liabilities</i>                   | <u><u>\$49,099</u></u> |

See accompanying notes to the basic financial statements.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

The Beaver Local School District operates under a locally elected, five-member Board of Education form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the School District’s six instructional/support facilities staffed by 74 noncertificated employees, 149 certificated full-time teaching personnel, and 20 administrators/confidential employees who provide services to 2,489 students and other community members.

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

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

***Financial Reporting Entity***

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

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER**

The County Educational Service Center Board of Education is a separate body politic and corporate. A County Educational Service Center Board of Education is elected independent of any school district relationships, and administers the provision of traditional county board services. The County Educational Service Center Board of Education provides curriculum consulting services, special education services, and other services to the county schools. The County Educational Service Center Board of Education acts as the budgeting authority for its services.

**ST. CLAIR TOWNSHIP**

The St. Clair Township is a separate body politic and corporate. A clerk and Board of Trustees are elected independent of any school district relationships, and administer the provision of traditional township services. The Board of Trustees acts as the taxing and budgeting authority for these township services.

**MADISON TOWNSHIP**

The Madison Township is a separate body politic and corporate. A clerk and Board of Trustees are elected independent of any school district relationships, and administer the provision of traditional township services. The Board of Trustees acts as the taxing and budgeting authority for these township services.

**ELKRUN TOWNSHIP**

The Elkrun Township is a separate body politic and corporate. A clerk and Board of Trustees are elected independent of any school district relationships, and administer the provision of traditional township services. The Board of Trustees acts as the taxing and budgeting authority for these township services.

**MIDDLETON TOWNSHIP**

The Middleton Township is a separate body politic and corporate. A clerk and Board of Trustees are elected independent of any school district relationships, and administer the provision of traditional township services. The Board of Trustees acts as the taxing and budgeting authority for these township services.

**BEAVER LOCAL EDUCATION ASSOCIATION**

The Beaver Local Education Association (BLEA) is a separate body politic and corporate. The BLEA is affiliated with the Ohio Education Association. A Board of Officers is elected independent of any school district relationships, and administers the provision of an association. The BLEA acts as its budgeting authority for these services.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

**OHIO ASSOCIATION OF PUBLIC SCHOOL EMPLOYEES CHAPTER #564**

The Ohio Association of Public School Employees Chapter #564 (OAPSE) is a separate body politic and corporate. The OAPSE is affiliated with AFSCME, AFL-CIO. A Board of Officers is elected independent of any school district relationships, and administers the provision of an association. The OAPSE acts as its budgeting authority for these services.

**OUTSIDE SUPPORT/BOOSTER CLUBS**

The officers act as the budgeting authority for these services. The School District is not involved in the budgeting or management, is not responsible for any debt, and has no influence over these organizations:

- Calcutta Mothers Club
- Calcutta Parent-Teacher Organization
- Rogers Parent-Teacher Organization
- West Point School Association
- Beaver Local Track Booster Club
- Beaver Touchdown Booster Club
- Lady Beaver Hoop Club
- Big Team Basketball Club
- Beaver Local Wrestling Club
- Marine Corps Junior Reserve Officer Training Corps Booster Club
- VISIBLE
- Beaver Local Music Boosters
- Beaver Local High School Junior Parents Club
- Cheertime Boosters
- Gifted Children Association

The School District is associated with two organizations, which are defined as jointly governed organizations. These organizations are presented in Note 11 to the basic financial statements. These organizations are:

- Columbiana County Career Center
- Area Cooperative Computerized Education Service System (ACCESS)

The School District is also associated with an insurance purchasing pool – the Ohio Association of School Business Official Workers' Compensation Group Rating Program. It is presented in Note 10.

***Basis Of Presentation***

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***Government-wide Financial Statements***

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

***Fund Financial Statements***

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

***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***Governmental Funds***

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

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

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are restricted to a particular purpose.

***Proprietary Fund***

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise fund or internal service funds.

***Fiduciary Funds***

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***Measurement Focus***

*Government-wide Financial Statements* The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment and for each function or program of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the 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, which are not classified as program revenues, are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements* 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.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

***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, while, Fiduciary funds use the full accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Deferred Revenue***

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

Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenditures/Expenses***

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on long term debt which is reported only when due and the costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by the employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.



**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Budgetary Data***

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Columbiana County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Appropriations:

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of control. On the fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

Lapsing of Appropriations:

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

***Cash and Cash Equivalents and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2003, investments were limited to overnight repurchase agreements, a money market fund, and the State Treasurer's Investment Pool.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Except for nonparticipating investment contracts, investments such as the money market fund are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2003.

As authorized by Ohio statutes, the Board of Education has, by resolution, specified the funds to receive on allocation of interest earnings. Interest was distributed to the general fund and the food service fund, an enterprise fund. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$15,915, which includes \$9,991 assigned from other School District funds.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash with Fiscal Agent" and represents deposits.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they were purchased by the School District are considered to be cash equivalents. During the fiscal year, all investments of the School District had a maturity of three months or less.

***Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of the Food Service enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories in the enterprise fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**BEAVER LOCAL SCHOOL DISTRICT  
 COLUMBIANA COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District increased its capitalized threshold from five hundred to one thousand dollars for its general fixed assets during fiscal year 2003. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

| Description                          | Estimated Lives |
|--------------------------------------|-----------------|
| Land Improvements                    | 15 - 30 years   |
| Buildings and Buildings Improvements | 15 - 30 years   |
| Furniture and Fixtures               | 5 - 20 years    |
| Vehicles                             | 5 - 15 years    |
| Equipment                            | 5 – 20 years    |

***Revenues – Exchange and Non-Exchange Transactions***

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: extracurricular activities, entitlements, tuition and student fees.

The School District currently participates in several State and Federal programs, categorized as follows:

**Grants and Entitlements**

**Entitlements**

***General Fund***

- State Foundation Program
- State Property Tax Relief (Homestead and Rollback)

***Special Revenue Funds***

- Education Management and Information System (EMIS)
- Disadvantaged Pupil Impact Aid (DPIA)

***Capital Projects Funds***

- State School Bus Purchase Reimbursement
- SchoolNet

**Non-Reimbursable Grants**

***General Fund***

- FCC E-Rate Grant

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***Special Revenue Funds***

|   |                         |
|---|-------------------------|
| Local Professional Development Block Grant          | Title I                 |
| Educational Excellence Grant                        | OhioReads Grant         |
| SchoolNet Professional Development Grant            | Safe Schools Grant      |
| Eisenhower Grant                                    | Title VI                |
| National Endowment of the Humanities (NEH) Grant    | Title VI-R              |
| Summer Institute Reading Interventions (SIRI) Grant | Extended Learning Grant |
| Drug-Free Schools Grant                             | Summer School Grant     |
| Special Education Expenditure Program (SEEP) Grant  | YSU Project Grant       |
| ATIP Grant  | K-Star Grant            |

**Reimbursable Grants**

***General Fund***

- Drivers Education Reimbursement
- Marine Corps JROTC Program

***Food Service Funds***

- National and State School Lunch Program
- National and State School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to 58.9 percent of the School District’s operating revenue during the 2003 fiscal year.

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities columns of the statement of net assets.

***Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16 “Accounting for Compensated Absences”. Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees’ right to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The School District has accrued a liability for these compensated absences using the vested method. The liability for severance payments is based upon the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive severance termination payments, as well as those employees, who have at least 10 years of service at 50 years of age or older and 20 years of service at any age.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

***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 contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases, bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***Interfund Transactions***

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

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

***Fund Balance Reserves***

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved, undesignated fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances and inventory.

***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. During fiscal year 2003, the School District incurred a transaction that would be classified as a special item. This special item relates to proceeds on a sale of capital assets.

***Estimates***

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



**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

Changes in Accounting Principles

For fiscal year 2003, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”; GASB No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”, GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting. Except for the restatement explained below.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2002.

***Restatement of Fund Balance***

The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (continued)**

|   | <u>General</u>     | <u>Nonmajor or<br/>Government<br/>Funds</u> | <u>Total<br/>Governmental<br/>Activities</u> |
|---|--------------------|---|--|
| Fund Balance June 30, 2002                          | (\$512,347)        | \$258,436                                   | (\$253,911)                                  |
| GASB 34 Adjustments:                                |                    |   |  |
| Change in Fund Structure                            | 0                  | 7,596                                       | 7,596  |
| Correction of an Error                              | 0                  | (74,759)                                    | (74,759)                                     |
| Adjusted Fund Balance                               | <u>(\$512,347)</u> | <u>\$191,273</u>                            | <u>(321,074)</u>                             |
| <br>GASB 34 Adjustments:                            |                    |   |  |
| Long-Term (Deferred) Assets                         |                    |   | (321,074)                                    |
| Capital Assets                                      |                    |   | 4,355,523                                    |
| Accrued Interest Payable                            |                    |   | 3,315,019                                    |
| Long-Term Liabilities                               |                    |   | <u>(1,983,764)</u>                           |
| Governmental Activities Net Assets at June 30, 2002 |                    |   | <u>\$5,365,704</u>                           |

At June 30, 2002, capital assets were adjusted due to a change in threshold by the School District in the Food Service enterprise fund. This restatement had the following effect on fund equity as it was previously reported:

|                                      | <u>Business-Type<br/>Activities</u> |
|--------------------------------------|-------------------------------------|
| Fund Equity June 30, 2002            | \$7,596                             |
| GASB 34 Adjustments:                 |                                     |
| Change in Fund Structure             | <u>(7,596)</u>                      |
| Adjusted Net Assets at June 30, 2002 | <u>\$0</u>                          |

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operation and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual 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 and the GAAP basis are that:

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

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

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

|   | General Fund |
|---|--------------|
| GAAP Basis                              | \$258,760    |
| Net Adjustment for Revenue Accruals     | 301,611      |
| Net Adjustment for Expenditure Accruals | (873,045)    |
| Encumbrances                            | 402,937      |
| Budget Basis                            | \$90,263     |

**NOTE 5 – COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Equity**

Fund equity at June 30, 2003, included the following individual fund deficits:

| Major Funds                                 | Fund Equity |
|---|-------------|
| General Fund                                | (\$253,587) |
| Nonmajor Funds:                             |             |
| Title I                                     | (45,989)    |
| Education Management and Information System | (1,590)     |
| DPIA  | (103)       |
| Title VI-R                                  | (560)       |
| Drug Free Schools                           | (996)       |
| Title VI                                    | (2,017)     |
| Food Service                                | (10,121)    |

These funds complied with Ohio state law, which does not permit cash basis deficits. 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. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

Deposits and investments are restricted by provisions of the Ohio Revised Code. State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or as 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 monies 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 or 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, Governmental 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

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

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

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

Cash on Hand

At fiscal year end, the School District had \$25 in undeposited cash on hand which is included on the Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$166,258, and the bank balance was \$1,442,987. FDIC and pledged collateral cover the entire bank balance.

Investments

The School District's investments are categorized below to give an indication of the level of credit risk assumed by the School District at year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

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**NOTE 6 - DEPOSITS AND INVESTMENTS (continued)**

|                                 | 1               | Category<br>2 | 3                | Carrying<br>Value  | Fair Value         |
|---------------------------------|-----------------|---------------|------------------|--------------------|--------------------|
| Overnight Repurchase Agreements | \$0             | \$0           | \$437,590        | \$437,590          | \$437,590          |
| Bond and Coupon Account         | 513             | 0             | 0                | 513                | 513                |
| Money Market Fund               | 29,448          | 0             | 0                | 29,448             | 29,448             |
| Subtotal                        | <u>\$29,961</u> | <u>\$0</u>    | <u>\$437,590</u> |                    |                    |
| STAR Ohio                       |                 |               |                  | <u>809,153</u>     | <u>809,153</u>     |
| Total Investments               |                 |               |                  | <u>\$1,276,704</u> | <u>\$1,276,704</u> |

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

|  | Cash and Cash<br>Equivalents/Deposits | Investments        |
|--|---------------------------------------|--------------------|
| GASB Statement No. 9                     | \$1,442,987                           | \$0                |
| Investments of the Cash Management Pool: |                                       |                    |
| Money Market Fund                        | (29,448)                              | 29,448             |
| Overnight Repurchase Agreements          | (437,590)                             | 437,590            |
| Bond and Coupon                          | (513)                                 | 513                |
| STAR Ohio                                | (809,153)                             | 809,153            |
| Cash on Hand                             | (25)                                  | 0                  |
| GASB Statement No. 3                     | <u>\$166,258</u>                      | <u>\$1,276,704</u> |

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**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second half tax distribution are received in the first half of the following fiscal year. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. All property is required to be revalued every six years with a triennial update (triennial update was in 2001). The public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2003 taxes were collected are:

|                              |                      |                |                      |                |
|------------------------------|----------------------|----------------|----------------------|----------------|
| Real Property Valuation:     |                      |                |                      |                |
| Agricultural/Residential and |                      |                |                      |                |
| Other Real Estate            | \$172,373,570        | 87.27%         | \$148,416,550        | 72.71%         |
| Public Utilities Personal    | 10,872,290           | 5.50%          | 31,070,860           | 15.22%         |
| Tangible Personal            | 14,263,030           | 7.22%          | 24,636,690           | 12.07%         |
| Total Valuation              | <u>\$197,508,890</u> | <u>100.00%</u> | <u>\$204,124,100</u> | <u>100.00%</u> |

|  |         |         |
|--|---------|---------|
| Tax rate per \$1,000 of Assessed Valuation | \$31.80 | \$31.80 |
|--|---------|---------|

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, the entire amount measurable is not intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue.

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of taxes, accounts (tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principles items of receivables follows:

|                              | <u>Amount</u>      |
|------------------------------|--------------------|
| Governmental Activities      |                    |
| Taxes-Current and Delinquent | \$4,851,695        |
| Accounts                     | 13,222             |
| Intergovernmental            | 276,948            |
| Accrued Interest             | 762                |
| Receivables                  | <u>\$5,142,627</u> |

**NOTE 9 - CAPITAL ASSETS**

The capital asset balances of the governmental activities and business-type activities have been restated due to errors and omissions in the amount previously reported as capital assets and due to changes in the School District's capital asset policy. See Note 2 for detail.

|   | <u>Balance<br/>07/01/2002</u> | <u>Additions/<br/>Deductions</u> | <u>Restated<br/>Balance<br/>07/01/2002</u> |
|---|-------------------------------|----------------------------------|--|
| <b>Governmental Activities</b>              |                               |                                  |  |
| Capital Assets, Not Being Depreciated       |                               |                                  |  |
| Land  | \$269,627                     | \$104,863                        | \$374,490                                  |
| Total Capital Assets, Not Being Depreciated | <u>269,627</u>                | <u>104,863</u>                   | <u>374,490</u>                             |
| Capital Assets, Being Depreciated           |                               |                                  |  |
| Land Improvements                           | 0                             | 1,053,905                        | 1,053,905                                  |
| Buildings/Improvements                      | 4,429,218                     | 545,534                          | 4,974,752                                  |
| Furniture and Equipment                     | 2,420,907                     | (502,445)                        | 1,918,462                                  |
| Vehicles                                    | 1,182,128                     | 0                                | 1,182,128                                  |
| Total Capital Assets, Being Depreciated     | <u>8,032,253</u>              | <u>1,096,994</u>                 | <u>9,129,247</u>                           |
| Less: Accumulated Depreciation              | <u>0</u>                      | <u>(6,188,718)</u>               | <u>(6,188,718)</u>                         |
| Governmental Activities Capital Assets, Net | <u>\$8,301,880</u>            | <u>(\$4,986,861)</u>             | <u>\$3,315,019</u>                         |



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**NOTE 9 - CAPITAL ASSETS (continued)**

**Business-Type Activities**

|                                |                 |                   |            |
|--------------------------------|-----------------|-------------------|------------|
| Furniture and Equipment        | \$184,897       | (\$184,897)       | \$0        |
| Less: Accumulated Depreciation | (110,139)       | 110,139           | 0          |
| Total                          | <u>\$74,758</u> | <u>(\$74,758)</u> | <u>\$0</u> |

|   | Restated<br>Balance<br>07/01/2002 | Additions        | Deductions       | Balance<br>06/30/2003 |
|---|-----------------------------------|------------------|------------------|-----------------------|
| <b>Governmental Activities</b>              |                                   |                  |                  |                       |
| Capital Assets, Not Being Depreciated       |                                   |                  |                  |                       |
| Land  | \$374,490                         | \$0              | \$0              | \$374,490             |
| Total Capital Assets, Not Being Depreciated | <u>374,490</u>                    | <u>0</u>         | <u>0</u>         | <u>374,490</u>        |
| Capital Assets, Being Depreciated           |                                   |                  |                  |                       |
| Land Improvements                           | 1,053,905                         | 0                | 0                | 1,053,905             |
| Buildings/Improvements                      | 4,974,752                         | 0                | 0                | 4,974,752             |
| Furniture and Equipment                     | 1,918,462                         | 47,941           | (17,501)         | 1,948,902             |
| Vehicles                                    | 1,182,128                         | 424,271          | (139,152)        | 1,467,247             |
| Total Capital Assets, Being Depreciated     | <u>9,129,247</u>                  | <u>472,212</u>   | <u>(156,653)</u> | <u>9,444,806</u>      |
| Less: Accumulated Depreciation              | <u>(6,188,718)</u>                | <u>(438,236)</u> | <u>155,237</u>   | <u>(6,471,717)</u>    |
| Governmental Activities Capital Assets, Net | <u>\$3,315,019</u>                | <u>\$33,976</u>  | <u>(\$1,416)</u> | <u>\$3,347,579</u>    |

Depreciation expense was charged to governmental functions as follows:

|   |                    |
|---|--------------------|
| Instruction:                            |                    |
| Regular                                 | (\$256,624)        |
| Special                                 | (7,824)            |
| Vocational                              | (3,170)            |
| Support Services:                       |                    |
| Pupils                                  | (2,693)            |
| Instructional Staff                     | (27,560)           |
| Administration                          | (24,906)           |
| Fiscal                                  | (2,009)            |
| Operation and Maintenance of Plant      | (1,628)            |
| Pupil Transportation                    | (84,781)           |
| Operation of Non-Instructional Services | (5,195)            |
| Extracurricular Activities              | (21,608)           |
| Facilities Acquisition and Construction | (238)              |
| Total Depreciation Expense              | <u>(\$438,236)</u> |

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**NOTE 10- RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the School District had a \$500 deductible per occurrence. The Nationwide Mutual Insurance Company provides liability insurance with a \$5,000,000 aggregate limit.

The Schools of Ohio Risk Sharing Authority with a \$500 deductible also provides fleet insurance collision coverage and a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

A \$20,000 performance bond is maintained for the Treasurer, Superintendent and Board President through the Harcutt-Hyre Insurance Agency.

For fiscal year 2003, the School District participated in the Ohio Association of School Business Official (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its Workers' Compensation premium to the State based on the rate 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 the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

Area Cooperative Computerized Education Service System (ACCESS) is a jointly governed organization among Mahoning County Educational Service Center, Columbiana Educational Service Center, Austintown Local School District, Boardman Local School District, East Liverpool City School District, Salem City School District, West Branch Local School District, Beaver Local School District, Poland Local School District, Canfield Local School District, Struthers City School District, Campbell City School District, United Local School District, Springfield Local School District, Jackson-Milton Local School District, South Range Local School District, Columbiana Exempted Village School District, Leetonia Exempted Village School District, Sebring Local School District, Western Reserve Local School District, Mahoning County Career & Technical Center, Lowellville Local School District, Youngstown City District, East Palestine City School District, Crestview Local School District and Columbiana County Career Center. 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 among member districts. The seven member board of governors consists of the two superintendents and one treasurer from each county (Columbiana and Mahoning). The degree of control exercised by any participating school district is limited to its representation on the board. Mahoning County Educational Service Center is the fiscal agent for ACCESS. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained by writing to: Mahoning County Educational Service Center, Treasurer's Office, 100 DeBartolo Place, Suite 104, Youngstown, Ohio 44512-7019.

The Columbiana County Career Center is a jointly governed organization to provide for the vocational and special education needs of the students of eight participating school districts. The Board of Education members are appointed by the local boards of education from one of its elected members. The Career Center Board of Education exercises total control over the operations, including budgeting, appropriating, contracting, and designating management. All revenues are generated from tax levies, State funding, and fees. Financial information can be obtained by writing to: Columbiana County Career Center, Treasurer's Office, 9364 State Route 45, Lisbon, Ohio 44432.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

***Plan Description.*** The Beaver Local School District contributes to the School Employees Retirement System (SERSOhio), a cost-sharing multiple employer defined benefit pension plan. SERSOhio provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERSOhio, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)**

*Funding Policy.* Plan members are required to contribute nine percent of their annual covered salary and the Beaver Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERSOhio Retirement Board. The School District's required contributions for pension obligations to SERSOhio for the fiscal years ending June 30, 2003, 2002 and 2001 were \$138,035, \$70,330, and \$63,851, respectively; 99.4 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$775, representing the unpaid contributions for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of 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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)**

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among nine investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)**

The Defined Benefit and Combined Plans offer access to health care coverage to retirees who participate in the plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2003, were 9.3 percent of covered payroll for members and 14 percent for employers. The School District's required contributions to STRS Ohio for pension obligations for the fiscal years ended June 30, 2003, 2002 and 2001 were \$677,389, \$653,934 and \$635,722, respectively; 83.60 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$111,103 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2002 *Comprehensive Annual Financial Report* will be available after January 1, 2003, and can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling (614)227-4090.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

STRS Ohio provides access to health care benefits to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)**

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRSOHio were \$354,697,000. There were 105,300 eligible benefit recipients statewide. The portion of the School District's required contributions that were used to fund postemployment benefits was \$320,868 during the 2003 fiscal year.

School Employees Retirement System (SERSOHio) provides comprehensive health care benefits to retired non-certificated employees and their dependents.

For SERSOHio, the Ohio Revised Code gives SERSOHio the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2003, the healthcare allocation was 5.83 percent. In addition, SERSOHio levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002 (the latest information available), the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits was \$335.2 million. The number of participants statewide current receiving health care benefits in approximately 50,000. For the School District, the amount to fund health care benefits, including surcharge, equaled \$133,592 during the 2003 fiscal year.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Administrators, confidential employees, and classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of eighty days for certified employees, ninety days for administrative/confidential employees, and seventy days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRSOhio or SERSOhio.

**Life and Medical Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$50,000 per certificated, administration and confidential employees, and \$30,000 for classified employees. Life insurance is provided through the Sun Life Insurance Company.

The School District has contracted with the Anthem Blue Cross Blue Shield to provide employee medical/surgical benefits under a fully insured plan. The School District pays medical/surgical and prescription premiums of \$687.99 for family coverage and \$275.17 for single coverage per employee per month. The prescription plan utilizes a \$12.00 for brand name prescriptions and \$5.00 for generic.

Dental insurance is also provided the by Anthem Blue Cross Blue Shield. Premiums for dental coverage are \$26.94 for single coverage and \$73.35 for family coverage per employee per month.

Vision Service Plan provides vision insurance. Premiums for vision coverage are \$7.14 for single coverage and \$16.15 for family coverage per employee per month.



**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2003 were as follows:

|                                | Balance<br>07/01/2002 | Additions   | Deletions     | Balance<br>06/30/2003 | Amounts<br>Due in<br>One Year |
|--------------------------------|-----------------------|-------------|---------------|-----------------------|-------------------------------|
| <b>Governmental Activities</b> |                       |             |               |                       |                               |
| Energy Conservation Bond       | \$22,858              | \$0         | (\$22,858)    | \$0                   | \$0                           |
| Asbestos Removal Loan          | 52,680                | 0           | (12,347)      | 40,333                | 12,347                        |
| OWDA Loan Payable              | 267,000               | 0           | (11,280)      | 255,720               | 11,507                        |
| Note Payable                   | 0                     | 15,000      | (3,700)       | 11,300                | 2,485                         |
| Intergovernmental Payable      | 66,427                | 98,705      | (66,427)      | 98,705                | 98,705                        |
| Compensated Absences           | 1,401,978             | 1,343,667   | (1,401,978)   | 1,343,667             | 215,858                       |
| Capital Leases Payable         | 295,947               | 0           | (113,618)     | 182,329               | 112,495                       |
| Total Governmental Activities  |                       |             |               |                       |                               |
| Long-Term Liabilities          | \$2,106,890           | \$1,457,372 | (\$1,632,208) | \$1,932,054           | \$453,397                     |

The asbestos removal loan and OWDA loan will be paid from the debt service fund. Capital leases will be paid from the general fund (copier and computer equipment), the miscellaneous federal grants fund, a special revenue fund type (computer equipment), and the SchoolNet fund, a capital projects fund type (computer equipment). Compensated absences will be paid from the fund from which the person is paid. Intergovernmental payable represents pension obligations and will be paid from the fund from which the person is paid.

The annual requirements to amortize the asbestos removal loan, OWDA loan and the driver education car loan, are as follows:

| Fiscal Year Ending<br>June 30, | Principal | Interest | Total     |
|--------------------------------|-----------|----------|-----------|
| 2004                           | \$26,339  | \$5,099  | \$31,438  |
| 2005                           | 27,841    | 4,871    | 32,712    |
| 2006                           | 28,111    | 4,601    | 32,712    |
| 2007                           | 16,775    | 4,333    | 21,108    |
| 2008 - 2012                    | 64,854    | 17,871   | 82,725    |
| 2013 - 2017                    | 71,639    | 11,086   | 82,725    |
| 2018 - 2022                    | 71,794    | 3,590    | 75,384    |
| Total                          | \$307,353 | \$51,451 | \$358,804 |

The School District's overall legal debt margin was \$17,961,379 with an unvoted debt margin of \$199,571 at June 30, 2003.

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 16 - CAPITALIZED LEASES – LESSEE DISCLOSURE**

During a prior fiscal year, the School District entered into lease agreements as a lessee for financing the acquisition of certain fixed assets (phone and computer equipment) which was accounted for on a cash basis as an expenditure with an offset amount reported as an other financing source. These leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board (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 basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The assets acquired under the lease agreements have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability is recorded in the government-wide financial statements.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2003:

| Fiscal Year Ending<br>June 30,          | General Long-Term<br>Obligations |
|---|----------------------------------|
| 2004                                    | \$134,826                        |
| 2005                                    | 70,990                           |
| 2006                                    | 12,375                           |
| 2007                                    | 1,160                            |
| Total Minimum Lease Payment             | 219,351                          |
| Less Amount Representing Interest       | (37,022)                         |
| Present Value of Minimum Lease Payments | \$182,329                        |

**NOTE 17 - INTERFUND TRANSACTIONS**

A. Interfund loans receivable/payable consisted of the following at June 30, 2003, as reported on the fund statement:

| Receivable Fund | Payable Fund                | Amount |
|-----------------|-----------------------------|--------|
| General Fund    | Nonmajor Governmental Funds | \$840  |

B. Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund statements:

|  | Amount    |
|--|-----------|
| Transfers from General Fund to:<br>Nonmajor Governmental Funds | \$531,950 |

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 18- CONTINGENCIES**

**A. Grants:**

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

**B. Litigation:**

There are currently no matters in litigation with the School District as defendant.

**NOTE 19 – STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 20 – STATUTORY RESERVES**

The Beaver Local School District is required by State law to set aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presorted on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

|   | Textbook/<br>Instructional | Capital<br>Improvements |
|---|----------------------------|-------------------------|
| Set Aside Cash Balance as of June 30, 2002                                | (\$1,095,499)              | \$0                     |
| Current Fiscal Year Set Aside Requirement                                 | 314,165                    | 314,165                 |
| Qualifying Expenditures During the Fiscal Year                            | (551,869)                  | (841,159)               |
| Offsets for the Fiscal Year   | 0                          | (376,602)               |
| Total   | <u>(\$1,333,203)</u>       | <u>(\$903,596)</u>      |
| Balance of the Set Aside Carried Forward to<br>The Next Fiscal Year Total | <u>(\$1,333,203)</u>       | <u>\$0</u>              |

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**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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

| <b>Federal Grantor/<br/>Pass Through Grantor<br/>Program Title</b> | <b>Pass Through<br/>Entity<br/>Number</b>            | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>                                       | <b>Non-Cash<br/>Receipts</b> | <b>Disbursements</b>                                  | <b>Non-Cash<br/>Disbursements</b> |
|--|--|------------------------------------|---|------------------------------|---|-----------------------------------|
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                         |  |                                    |   |                              |   |                                   |
| Improvement of Education Earmarked Application                     |  | 84.215                             | 30,448  |                              | 38,272  |                                   |
| Total U.S. Department of Education                                 |  |                                    | <u>30,448</u>   |                              | <u>38,272</u>   |                                   |
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                       |  |                                    |   |                              |   |                                   |
| <i>Passed Through Ohio Department of Education:</i>                |  |                                    |   |                              |   |                                   |
| Nutrition Cluster:   |  |                                    |   |                              |   |                                   |
| Food Distribution Program  |  | 10.550                             |   | \$59,954                     |   | \$59,954                          |
| National School Breakfast Program                                  | 2002 05-PU<br>2003 05-PU                             | 10.553                             | 7,207<br><u>49,926</u><br>57,133                      |                              | 7,207<br><u>49,926</u><br>57,133                      |                                   |
| National School Lunch Program                                      | 2002 LL-P4<br>2003 LL-P4                             | 10.555                             | 35,888<br><u>215,223</u><br>251,111                   |                              | 35,888<br><u>215,223</u><br>251,111                   |                                   |
| Total National School Lunch Program                                |  |                                    |   |                              |   |                                   |
| Total U.S. Department of Agriculture - Nutrition Cluster           |  |                                    | <u>308,244</u>  | <u>59,954</u>                | <u>308,244</u>  | <u>59,954</u>                     |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                         |  |                                    |   |                              |   |                                   |
| <i>Passed Through Ohio Department of Education:</i>                |  |                                    |   |                              |   |                                   |
| Title I Grants to Local Educational Agencies                       | C1-S1 2002<br>C1-S1 2003<br>C1-SD 2002<br>C1-SD 2003 | 84.010                             | 56,236<br>386,168<br>6,643<br><u>9,544</u><br>458,591 |                              | 56,047<br>377,517<br>6,643<br><u>7,983</u><br>448,190 |                                   |
| Total Title I Grants to Local Educational Agencies                 |  |                                    |   |                              |   |                                   |
| Drug Free School Grant   | DR-S1 2002<br>DR-S1 2003                             | 84.186                             | 1,092<br><u>9,922</u><br>11,014                       |                              | 2,017<br><u>9,417</u><br>11,434                       |                                   |
| Total Drug Free School Grant                                       |  |                                    |   |                              |   |                                   |
| Eisenhower Professional Development Grant                          | MS-S1 2001<br>MS-S1 2002                             | 84.281                             | 0<br><u>0</u><br>0                                    |                              | 5,491<br><u>9,822</u><br>15,313                       |                                   |
| Total Eisenhower Professional Development Grant                    |  |                                    |   |                              |   |                                   |
| Innovative Education Program Strategies                            | C2-S1 2002<br>C2-S1 2003                             | 84.298                             | 2,719<br><u>13,451</u><br>16,170                      |                              | 5,252<br><u>13,328</u><br>18,580                      |                                   |
| Total Innovative Education Program Strategies                      |  |                                    |   |                              |   |                                   |
| Class Size Reduction Program                                       | CR-S1 2002   | 84.340                             | 15,237  |                              | 15,237  |                                   |
| Title II - D   | TJ-S1-2003   | 84.318                             | 9,323   |                              | 8,263   |                                   |
| Title II - A   | TR-S1-2003   | 84.367                             | 82,790  |                              | 71,240  |                                   |
| Total Department of Education                                      |  |                                    | <u>593,125</u>  |                              | <u>588,257</u>  |                                   |
| <b>Totals</b>  |  |                                    | <u>\$931,817</u>                                      | <u>\$59,954</u>              | <u>\$934,773</u>                                      | <u>\$59,954</u>                   |

*The accompanying notes to this schedule are an integral part of this schedule.*

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first.



## Auditor of State Betty Montgomery

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

Beaver Local School District  
Columbiana County  
13093 State Route 7  
Lisbon, Ohio 44432

We have audited the financial statements of the Beaver Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 29, 2004 wherein we noted the District adopted GASB Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 29, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Beaver Local School District  
Columbiana County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

January 29, 2004





## Auditor of State Betty Montgomery

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

Beaver Local School District  
Columbiana County  
13093 State Route 7  
Lisbon, Ohio 44432

#### Compliance

We have audited the compliance of the Beaver Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

January 29, 2004

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

**BEAVER LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2003**

**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 weakness conditions reported at the financial statement level (GAGAS)?</b>         | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>                       | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions 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?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Nutrition Cluster (CFDA# 10.550, 10.553 and 10.555) |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>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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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**BEAVER LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 27, 2004**