

Black River Local School District

Medina County

Single Audit

July 1, 2006 Through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, INC.  
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Piketon, Ohio 45661

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Mary Taylor, CPA  
Auditor of State

Board of Education  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

We have reviewed the *Independent Auditor's Report* of the Black River Local School District, Medina County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA  
Chief Deputy Auditor

April 15, 2008

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**Black River Local School District**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

Members of the Board  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District, Medina County, Ohio, (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

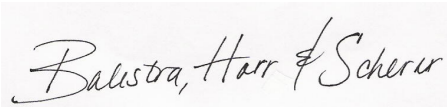
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Members of the Board  
Black River Local School District  
Independent Auditor's Report  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 3, 2008

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The management's discussion and analysis of the Black River 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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$311,957 which represents a 3.40% decrease from 2006.
- General revenues accounted for \$13,038,766 in revenue or 84.74% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$2,348,250 or 15.26% of total revenues of \$15,387,016.
- The District had \$15,698,973 in expenses related to governmental activities; only \$2,348,250 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,038,766 were not adequate to provide for these programs.
- The District's major governmental funds are the general, debt service, and permanent improvement funds. The general fund had \$12,961,711 in revenues and \$12,893,189 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance increased \$68,522 from a balance of \$2,055,331 to \$2,123,853.
- One of the District's other major governmental funds is the debt service fund. The debt service fund had \$677,043 in revenues and \$802,789 in expenditures. During fiscal year 2007, the debt service fund's fund balance decreased \$125,746 from \$1,417,115 to \$1,291,369.
- One of the District's other major governmental funds is the permanent improvement fund. The permanent improvement fund had \$198,256 in expenditures. During fiscal year 2007, the permanent improvement fund's fund balance decreased \$198,256 from \$1,488,867 to \$1,290,611.

**Using the Basic Financial Statements**

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.



**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities 2007	Governmental Activities 2006
<b><u>Assets</u></b>		
Current and other assets	\$ 10,065,461	\$ 11,127,453
Capital assets	<u>9,412,855</u>	<u>9,781,937</u>
Total assets	<u>19,478,316</u>	<u>20,909,390</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,940,491	5,827,738
Long-term liabilities	<u>5,669,092</u>	<u>5,900,962</u>
Total liabilities	<u>10,609,583</u>	<u>11,728,700</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	5,822,772	5,766,001
Restricted	2,878,374	3,238,949
Unrestricted	<u>167,587</u>	<u>175,740</u>
Total net assets	<u>\$ 8,868,733</u>	<u>\$ 9,180,690</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$8,868,733.

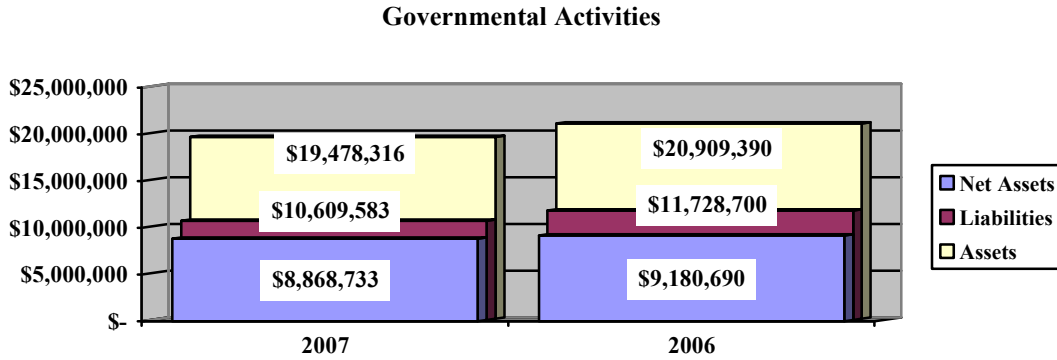
At year-end, capital assets represented 48.32% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$5,822,772. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,878,374, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$167,587 may be used to meet the District's ongoing obligations to the students and creditors.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2007 and 2006:



The table below shows the change in net assets for fiscal years 2007 and 2006.

**Change in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 784,134	\$ 879,847
Operating grants and contributions	1,546,943	1,214,877
Capital grants and contributions	17,173	18,560
General revenues:		
Property taxes	5,083,204	4,517,924
Grants and entitlements	7,631,813	7,625,515
Investment earnings	294,239	197,191
Miscellaneous	29,510	32,572
Total revenues	\$ 15,387,016	\$ 14,486,486

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,774,325	\$ 6,584,604
Special	2,299,740	2,274,786
Vocational	105,513	85,143
Other	334	-
Support services:		
Pupil	733,386	640,688
Instructional staff	649,012	693,377
Board of education	55,394	35,822
Administration	1,026,668	1,197,220
Fiscal	424,120	409,753
Business	-	4,230
Operations and maintenance	1,075,494	1,012,529
Pupil transportation	1,053,603	1,076,544
Central	17,120	6,082
Operations of non-instructional services		
Non-instructional	20,536	86,559
Food service operations	490,251	419,410
Extracurricular activities	560,633	584,441
Interest and fiscal charges	<u>412,844</u>	<u>429,870</u>
Total expenses	<u>15,698,973</u>	<u>15,541,058</u>
Change in net assets	(311,957)	(1,054,572)
Net assets at beginning of year	<u>9,180,690</u>	<u>10,235,262</u>
Net assets at end of year	<u>\$ 8,868,733</u>	<u>\$ 9,180,690</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$311,957. Total governmental expenses of \$15,698,973 were offset by program revenues of \$2,348,250 and general revenues of \$13,038,766. Program revenues supported 14.96% of the total governmental expenses.

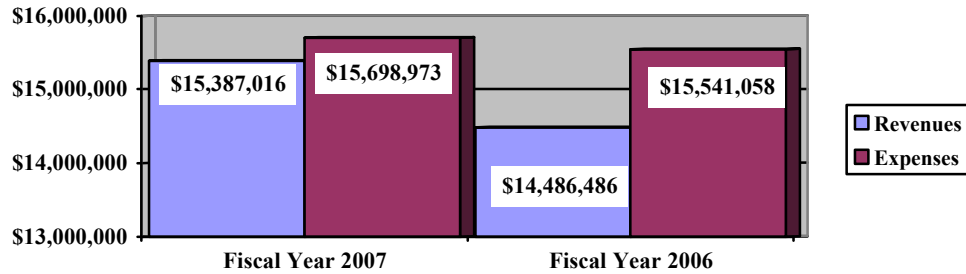
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.63% of total governmental revenue. Real estate property is reappraised every six years.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities for fiscal years 2007 and 2006.

**Governmental Activities - Revenues and Expenses**



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.

**Governmental Activities**

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,774,325	\$ 6,446,224	\$ 6,584,604	\$ 6,123,013
Special	2,299,740	1,305,396	2,274,786	1,604,833
Vocational	105,513	99,566	85,143	85,143
Other	334	334	-	-
Support services:				
Pupil	733,386	591,280	640,688	537,827
Instructional staff	649,012	622,469	693,377	667,965
Board of education	55,394	51,874	35,822	35,666
Administration	1,026,668	1,020,433	1,197,220	1,190,167
Fiscal	424,120	424,120	409,753	394,880
Business	-	-	4,230	4,230
Operations and maintenance	1,075,494	1,068,734	1,012,529	1,012,529
Pupil transportation	1,053,603	990,612	1,076,544	1,076,544
Central	17,120	1,969	6,082	6,082
Operations of non-instructional services				
Non-instructional services	20,536	18,417	86,559	6,119
Food service operations	490,251	19,518	419,410	(23,390)
Extracurricular activities	560,633	276,933	584,441	276,296
Interest and fiscal charges	412,844	412,844	429,870	429,870
<b>Total expenses</b>	<b><u>\$ 15,698,973</u></b>	<b><u>\$ 13,350,723</u></b>	<b><u>\$ 15,541,058</u></b>	<b><u>\$ 13,427,774</u></b>

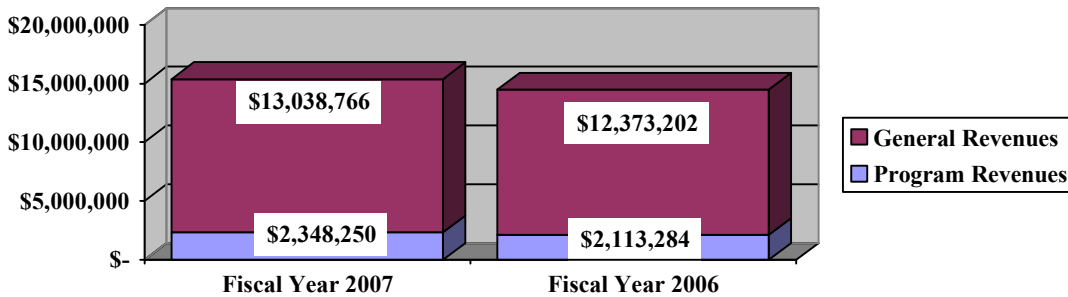
**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The dependence upon tax and other general revenues for governmental activities is apparent, 85.53% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.04%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$4,575,893, which is lower than last year's balance of \$4,801,055. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance/(deficit) <u>June 30, 2007</u>	Fund Balance/(deficit) <u>June 30, 2006</u>	Increase/ (Decrease)
General	\$ 2,123,853	\$ 2,055,331	\$ 68,522
Debt Service	1,291,369	1,417,115	(125,746)
Permanent Improvement	1,290,611	1,488,867	(198,256)
Other Governmental	<u>(129,940)</u>	<u>(160,258)</u>	<u>30,318</u>
Total	<u>\$ 4,575,893</u>	<u>\$ 4,801,055</u>	<u>\$ (225,162)</u>

**General Fund**

The District's general fund's fund balance increased by \$68,522.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,403,514	\$ 3,895,597	\$ 507,917	13.04 %
Tuition	131,675	164,775	(33,100)	(20.09) %
Earnings on investments	288,787	123,705	165,082	133.45 %
Intergovernmental	8,001,995	7,553,746	448,249	5.93 %
Other revenues	<u>135,740</u>	<u>172,297</u>	<u>(36,557)</u>	<u>(21.22) %</u>
Total	<u>\$ 12,961,711</u>	<u>\$ 11,910,120</u>	<u>\$ 1,051,591</u>	<u>8.83 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 8,106,832	\$ 7,856,807	\$ 250,025	3.18 %
Support services	4,494,061	4,746,836	(252,775)	(5.33) %
Operation of non-instructional services	3,477	23,472	(19,995)	(85.19) %
Extracurricular activities	15,107	207,170	(192,063)	(92.71) %
Facilities acquisition and construction	-	7,500	(7,500)	(100.00) %
Debt service	<u>46,335</u>	<u>46,334</u>	<u>1</u>	<u>0.00 %</u>
Total	<u>\$ 12,665,812</u>	<u>\$ 12,888,119</u>	<u>\$ (222,307)</u>	<u>(1.72) %</u>

Revenues of the general fund increased \$1,051,591 or 8.83%. The most significant increase was in the area of tax revenue. Tax revenues increased \$507,917 or 13.04%. This increase can be attributed to an increase in the amount of taxes available for advance by the County at year end. Intergovernmental revenues increased \$448,249 or 5.93% due to an increase in the State Foundation. Earnings on investments increased \$165,082 due mainly to diversification of investments. The decrease of \$33,100 in tuition is the result of a decrease in open enrolled students.

Expenditures of the general fund decreased \$222,307 or 1.72%. The most significant decreases were in the areas of support services and extracurricular. These decreases were the result of a conscious effort to reduce spending in these areas.

***Debt Service Fund***

The District's debt service fund's fund balance decreased by \$125,746. The debt service fund had \$677,043 in revenues and \$802,789 in expenditures.

***Permanent Improvement Fund***

The District's permanent improvement fund's fund balance decreased by \$198,256. This fund only had expenditures of \$198,256 resulting in an ending balance of \$1,290,611.

***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.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

During the course of fiscal year 2007, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$12,445,561, which was higher than the original budgeted revenues estimate of \$12,360,972. Actual revenues and other financing sources for fiscal year 2007 were \$12,445,560.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$13,447,019 which were not changed throughout the fiscal year. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$13,341,986, which was \$105,033 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2007, the District had \$9,412,855 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2007 balances compared to 2006:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 363,000	\$ 363,000
Land improvements	455,446	432,846
Building and improvements	7,853,466	8,113,999
Furniture and equipment	408,726	466,897
Vehicles	<u>332,217</u>	<u>405,195</u>
<b>Total</b>	<b><u>\$ 9,412,855</u></b>	<b><u>\$ 9,781,937</u></b>

The overall decrease in capital assets of \$369,082 is due to depreciation expense of \$449,207 and disposals of \$13,575 (net of accumulated depreciation) exceeding capital outlays of \$93,700 for fiscal year 2007.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2007, the District had \$4,833,716 in general obligation bonds outstanding. Of this total, \$650,000 is due within one year and \$4,183,716 is due within greater than one year. The following table summarizes the bonds outstanding.

	<b>Outstanding Debt, at Year End</b>	
	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
General obligation bonds and capital appreciation bonds		
1994 improvement bonds	\$ 935,009	\$ 1,188,697
2001 refunding bonds	3,898,707	4,025,086
Capital lease obligation	<u>-</u>	<u>44,495</u>
<b>Total</b>	<b><u>\$ 4,833,716</u></b>	<b><u>\$ 5,258,278</u></b>



**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The improvement bonds were received in 1994. These bonds consist of capital appreciation bonds and are scheduled to mature in fiscal year 2009, bearing interest rates ranging from 4.40% to 10.96%. Payment of principal and interest on the 1994 improvement bonds are being made from the debt service fund.

The refunding bonds were received in 2001. These bonds are scheduled to mature in fiscal year 2020 and bear interest rates ranging from 4.67% to 25.815%. Payment of principal and interest on the 2001 refunding bonds are being made from the debt service fund.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

**Funding**

Black River Local School District is a rural school district that encompasses 125 square miles in southwestern Medina, southern Lorain and northern Ashland counties. The State Foundation Formula is the primary funding source of education to the District and represents approximately 60% of revenue. This funding calculation is affected by local property valuation changes and as valuations increase, the state funding is decreased. Since 1997, local property valuations have increased 81% or \$78 million, from \$96 million to \$174 million in 2007. Another significant factor in this calculation is student enrollment, which has increased 72% or 746 students, from 1,033 students in fiscal year 1998 to 1,779 students in fiscal year 2007. The cumulative increase in basic aid for the District from fiscal year 1998 to fiscal year 2007 is 64% or \$2.5 million. Tax collections have increased 33% or approximately \$1 million from \$3.0 million to \$4.0 million. Voters last approved a new operating levy in 1997.

**Budget**

Approximately 83% of the general fund budget is expended for employee wages and fringe benefits. These costs, including health benefits, have been increasing at a rate almost double to that of recent revenue growth. In the past three years, major renovations made to the high school heating system and the addition of an eight classroom modular complex were paid for from the general fund. Going forward, additional work to the high school heating system, the heating and cooling system in the Black River Education Center, as well as other permanent improvements will be paid for from monies that have been transferred out of the general fund into a permanent improvement fund. As expenditures continue to increase at rates exceeding revenue growth, the District is challenged to monitor its budget so as to continue to strive for academic excellence while remaining financially sound. The State has cut funding to schools as legislators continue to struggle to balance that budget. At the same time, The Governor's Blue Ribbon Task Force on Financing Student Success has yet to provide any solutions. Forecasting beyond one year is uncertain at best.

**Facilities**

The District had chosen to participate in the Ohio School Facilities Commission Expedited Local Partnership Program. A comprehensive facilities plan is in progress. The first stage of this facilities plan is the construction of a new high school, for which voters rejected a 6.88 mill bond issue in November 2004 and a 6.46 mill bond issue in February 2006. As the District continues to grow and the learning environment continues to change, there is a real need to expand and update our buildings. However, due to voter response, no definitive plan is in place.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Connie I. Hange, Treasurer, Black River Local School District, 257-A County Road 40, Sullivan, Ohio 44880.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,749,823
Receivables:	
Taxes . . . . .	4,849,014
Accounts . . . . .	5,043
Intergovernmental . . . . .	374,075
Accrued interest . . . . .	32,858
Prepayments . . . . .	48,126
Materials and supplies inventory . . . . .	6,522
Capital assets:	
Land . . . . .	363,000
Depreciable capital assets, net. . . . .	9,049,855
Capital assets, net . . . . .	9,412,855
 Total assets. . . . .	 19,478,316
 <b>Liabilities:</b>	
Accounts payable. . . . .	35,045
Accrued wages and benefits . . . . .	1,359,122
Pension obligation payable. . . . .	325,727
Intergovernmental payable . . . . .	46,335
Unearned revenue. . . . .	3,150,912
Accrued interest payable . . . . .	23,350
Long-term liabilities:	
Due within one year. . . . .	773,659
Due within more than one year . . . . .	4,895,433
 Total liabilities . . . . .	 10,609,583
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	5,822,772
Restricted for:	
Capital projects . . . . .	1,290,611
Debt service. . . . .	1,318,571
Locally funded programs. . . . .	1,258
State funded programs. . . . .	21,154
Federally funded programs. . . . .	70,976
Other purposes . . . . .	38,225
Unrestricted. . . . .	305,166
 Total net assets . . . . .	 \$ 8,868,733

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

		<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 6,774,325	\$ 213,654	\$ 114,447	\$ -	\$ (6,446,224)
Special . . . . .	2,299,740	17,491	976,853	-	(1,305,396)
Vocational . . . . .	105,513	-	5,947	-	(99,566)
Other . . . . .	334	-	-	-	(334)
Support services:					
Pupil . . . . .	733,386	-	142,106	-	(591,280)
Instructional staff . . . . .	649,012	-	26,543	-	(622,469)
Board of education . . . . .	55,394	-	3,520	-	(51,874)
Administration . . . . .	1,026,668	-	6,235	-	(1,020,433)
Fiscal . . . . .	424,120	-	-	-	(424,120)
Operations and maintenance . . . . .	1,075,494	6,760	-	-	(1,068,734)
Pupil transportation . . . . .	1,053,603	-	45,818	17,173	(990,612)
Central . . . . .	17,120	-	15,151	-	(1,969)
Operation of non-instructional services:					
Non-instructional services . . . . .	20,536	1,018	1,101	-	(18,417)
Food service operations . . . . .	490,251	261,687	209,046	-	(19,518)
Extracurricular activities . . . . .	560,633	283,524	176	-	(276,933)
Interest and fiscal charges . . . . .	412,844	-	-	-	(412,844)
<b>Total governmental activities . . . . .</b>	<b><u>\$ 15,698,973</u></b>	<b><u>\$ 784,134</u></b>	<b><u>\$ 1,546,943</u></b>	<b><u>\$ 17,173</u></b>	<b><u>(13,350,723)</u></b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					4,462,034
Debt service . . . . .					621,170
Grants and entitlements not restricted					
to specific programs . . . . .					7,631,813
Investment earnings . . . . .					294,239
Miscellaneous . . . . .					29,510
<b>Total general revenues . . . . .</b>					<b><u>13,038,766</u></b>
Change in net assets . . . . .					(311,957)
<b>Net assets at beginning of year . . . . .</b>					<b><u>9,180,690</u></b>
<b>Net assets at end of year . . . . .</b>					<b><u>\$ 8,868,733</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 2,017,269	\$ 1,141,146	\$ 1,290,611	\$ 124,993	\$ 4,574,019
Receivables:					
Taxes . . . . .	4,257,960	591,054	-	-	4,849,014
Accounts . . . . .	3,529	-	-	1,514	5,043
Intergovernmental . . . . .	-	-	-	374,075	374,075
Accrued interest . . . . .	32,858	-	-	-	32,858
Interfund loans . . . . .	301,238	-	-	-	301,238
Prepayments . . . . .	48,126	-	-	-	48,126
Materials and supplies inventory . . . . .	-	-	-	6,522	6,522
Advances to other funds . . . . .	166,887	-	-	-	166,887
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	175,804	-	-	-	175,804
<b>Total assets . . . . .</b>	<b><u>\$ 7,003,671</u></b>	<b><u>\$ 1,732,200</u></b>	<b><u>\$ 1,290,611</u></b>	<b><u>\$ 507,104</u></b>	<b><u>\$ 10,533,586</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 22,401	\$ -	\$ -	\$ 12,644	\$ 35,045
Accrued wages and benefits . . . . .	1,247,125	-	-	111,997	1,359,122
Compensated absences payable . . . . .	102,173	-	-	-	102,173
Pension obligation payable . . . . .	304,334	-	-	21,393	325,727
Intergovernmental payable . . . . .	41,252	-	-	5,083	46,335
Advances from other funds . . . . .	-	-	-	166,887	166,887
Interfund loans payable . . . . .	-	-	-	301,238	301,238
Deferred revenue . . . . .	401,900	50,552	-	17,802	470,254
Unearned revenue . . . . .	2,760,633	390,279	-	-	3,150,912
<b>Total liabilities . . . . .</b>	<b><u>4,879,818</u></b>	<b><u>440,831</u></b>	<b><u>-</u></b>	<b><u>637,044</u></b>	<b><u>5,957,693</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	209,210	-	69,949	64,050	343,209
Reserved for materials and supplies inventory . . . . .	-	-	-	6,522	6,522
Reserved for prepayments . . . . .	48,126	-	-	-	48,126
Reserved for property tax unavailable for appropriation . . . . .	1,118,288	150,223	-	-	1,268,511
Reserved for advances . . . . .	166,887	-	-	-	166,887
Reserved for debt service . . . . .	-	1,141,146	-	-	1,141,146
Reserved for BWC Refunds . . . . .	38,225	-	-	-	38,225
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	543,117	-	-	-	543,117
Permanent improvement fund . . . . .	-	-	1,220,662	-	1,220,662
Special revenue funds . . . . .	-	-	-	(200,512)	(200,512)
<b>Total fund balances (deficit) . . . . .</b>	<b><u>2,123,853</u></b>	<b><u>1,291,369</u></b>	<b><u>1,290,611</u></b>	<b><u>(129,940)</u></b>	<b><u>4,575,893</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 7,003,671</u></b>	<b><u>\$ 1,732,200</u></b>	<b><u>\$ 1,290,611</u></b>	<b><u>\$ 507,104</u></b>	<b><u>\$ 10,533,586</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances</b>		\$	4,575,893
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,412,855
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	429,591	
Intergovernmental revenue		17,802	
Accrued interest		22,861	
		470,254	
Total			470,254
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(23,350)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported			
Compensated absences		(733,203)	
General obligation bonds payable		(4,833,716)	
		(5,566,919)	
Total			(5,566,919)
<b>Net assets of governmental activities</b>		\$	8,868,733

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 4,403,514	\$ 611,182	\$ -	\$ -	\$ 5,014,696
Tuition . . . . .	131,675	-	-	-	131,675
Charges for services . . . . .	-	-	-	250,698	250,698
Earnings on investments . . . . .	288,787	7,163	-	-	295,950
Classroom materials and fees . . . . .	99,470	-	-	-	99,470
Extracurricular . . . . .	-	-	-	283,524	283,524
Other local revenues . . . . .	36,270	-	-	16,602	52,872
Intergovernmental - Intermediate . . . . .	-	-	-	33,761	33,761
Intergovernmental - State . . . . .	8,001,995	58,698	-	52,287	8,112,980
Intergovernmental - Federal . . . . .	-	-	-	1,162,428	1,162,428
Total revenues . . . . .	<u>12,961,711</u>	<u>677,043</u>	<u>-</u>	<u>1,799,300</u>	<u>15,438,054</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	6,414,157	-	1,030	109,482	6,524,669
Special . . . . .	1,610,940	-	-	665,042	2,275,982
Vocational . . . . .	81,735	-	-	-	81,735
Other . . . . .	-	-	-	334	334
Support services:					
Pupil . . . . .	557,702	-	-	163,152	720,854
Instructional staff . . . . .	572,788	-	-	28,160	600,948
Board of education . . . . .	43,693	-	8,290	3,411	55,394
Administration . . . . .	980,534	-	-	6,042	986,576
Fiscal . . . . .	404,938	10,859	7,401	-	423,198
Operations and maintenance . . . . .	971,526	-	78,249	790	1,050,565
Pupil transportation . . . . .	961,032	-	28,086	14,133	1,003,251
Central . . . . .	1,848	-	-	15,272	17,120
Operation of non-instructional services:					
Non-instructional services . . . . .	3,477	-	-	16,711	20,188
Food service operations . . . . .	-	-	-	478,547	478,547
Extracurricular activities . . . . .	15,107	-	-	497,687	512,794
Facilities acquisition and construction . . . . .	-	-	75,200	-	75,200
Debt service:					
Principal retirement . . . . .	44,495	640,000	-	-	684,495
Interest and fiscal charges . . . . .	1,840	151,930	-	-	153,770
Total expenditures . . . . .	<u>12,665,812</u>	<u>802,789</u>	<u>198,256</u>	<u>1,998,763</u>	<u>15,665,620</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>295,899</u>	<u>(125,746)</u>	<u>(198,256)</u>	<u>(199,463)</u>	<u>(227,566)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	227,377	227,377
Transfers (out) . . . . .	<u>(227,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(227,377)</u>
Total other financing sources . . . . .	<u>(227,377)</u>	<u>-</u>	<u>-</u>	<u>227,377</u>	<u>-</u>
Net change in fund balances . . . . .	68,522	(125,746)	(198,256)	27,914	(227,566)
<b>Fund balance (deficit) at beginning of year . . . . .</b>					
	2,055,331	1,417,115	1,488,867	(160,258)	4,801,055
<b>Increase in reserve for inventory . . . . .</b>					
	-	-	-	2,404	2,404
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 2,123,853</u>	<u>\$ 1,291,369</u>	<u>\$ 1,290,611</u>	<u>\$ (129,940)</u>	<u>\$ 4,575,893</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA 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, 2007

**Net change in fund balances - total governmental funds** \$ (227,566)

*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. Depreciation expense exceeds capital outlays in the current period accordingly.

Capital asset additions	\$ 93,700	
Current year depreciation	(449,207)	
Total		(355,507)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (13,575)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 2,404

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

Taxes	68,508	
Intergovernmental	(117,835)	
Accrued interest	(1,711)	
Total		(51,038)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	640,000	
Capital lease	44,495	
Total		684,495

Governmental funds report expenditures for interest when it is due. On the statement of activities, interest expense is recognized as the interest accrues regardless of when it is due. The additional interest reported on the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.

Accrued interest	859	
Accreted interest on capital appreciation bonds	(259,933)	
Total		(259,074)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (92,096)

**Change in net assets of governmental activities** \$ (311,957)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA 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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,891,126	\$ 3,917,754	\$ 3,917,754	\$ -
Tuition. . . . .	130,780	131,675	131,675	-
Earnings on investments. . . . .	229,904	231,477	231,477	-
Classroom materials and fees . . . . .	102,984	103,689	103,689	-
Other local revenues . . . . .	34,529	34,765	34,765	-
Intergovernmental - State . . . . .	7,947,608	8,001,996	8,001,995	(1)
Total revenues . . . . .	<u>12,336,931</u>	<u>12,421,356</u>	<u>12,421,355</u>	<u>(1)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,369,077	6,369,077	6,319,328	49,749
Special. . . . .	1,607,609	1,607,609	1,595,052	12,557
Vocational. . . . .	81,802	81,802	81,163	639
Support services:				
Pupil. . . . .	563,483	563,483	559,082	4,401
Instructional staff . . . . .	645,902	645,902	640,857	5,045
Board of education . . . . .	51,273	51,273	50,873	400
Administration. . . . .	992,512	992,512	984,760	7,752
Fiscal . . . . .	431,338	431,338	427,969	3,369
Operations and maintenance. . . . .	1,081,648	1,081,648	1,073,199	8,449
Pupil transportation . . . . .	1,047,215	1,047,215	1,039,035	8,180
Central. . . . .	3,072	3,072	3,048	24
Operation of non-instructional services . . . . .	3,412	3,412	3,385	27
Extracurricular activities. . . . .	31,778	31,778	31,530	248
Total expenditures . . . . .	<u>12,910,121</u>	<u>12,910,121</u>	<u>12,809,281</u>	<u>100,840</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(573,190)</u>	<u>(488,765)</u>	<u>(387,926)</u>	<u>100,839</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures . . . . .	16,211	16,322	16,322	-
Transfers in. . . . .	177	178	178	-
Transfers (out) . . . . .	(233,289)	(233,289)	(231,467)	1,822
Advances in. . . . .	7,653	7,705	7,705	-
Advances (out) . . . . .	(303,609)	(303,609)	(301,238)	2,371
Total other financing sources (uses) . . . . .	<u>(512,857)</u>	<u>(512,693)</u>	<u>(508,500)</u>	<u>4,193</u>
Net change in fund balance . . . . .	(1,086,047)	(1,001,458)	(896,426)	105,032
<b>Fund balance at beginning of year . . . . .</b>	2,419,619	2,419,619	2,419,619	-
<b>Prior year encumbrances appropriated . . . . .</b>	468,269	468,269	468,269	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,801,841</u>	<u>\$ 1,886,430</u>	<u>\$ 1,991,462</u>	<u>\$ 105,032</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 27,135	\$ 31,492
Receivables:		
Accounts . . . . .	-	15
Accrued interest. . . . .	788	-
Total assets . . . . .	27,923	\$ 31,507
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 956
Due to students . . . . .	-	30,551
Total liabilities . . . . .	-	\$ 31,507
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	27,923	
Total net assets . . . . .	\$ 27,923	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,765
Gifts and contributions. . . . .	225
Total additions. . . . .	1,990
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,202
Change in net assets . . . . .	788
<b>Net assets at beginning of year . . . . .</b>	<b>27,135</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 27,923</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The Black River Local School District (the “District”) is located in portions of Medina County, Ashland County and Lorain County in Northeast Ohio. The District includes all of the villages of Sullivan, Spencer, Homerville and portions of surrounding townships, covering approximately 125 square miles.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 comprehensive school, serving grades K through 8, and 1 high school. The District employs 113 non-certified and 121 certified (including administrative) full-time and part-time employees to provide services to approximately 1,779 students in grades K through 12 and various community groups, which ranks it 322<sup>nd</sup> out of approximately 876 public and community school districts in Ohio.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39 “Determining Whether Certain Organizations are Component Units”. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, and student related activities of the District.

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Medina County Career Center

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

Tri-County Computer Services Association (TCCSA)

The Tri-County Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which is the fiscal agent, located at 741 Winkler Drive, Wooster, OH 44691.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*GOVERNMENTAL FUNDS*

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

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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service - A fund provided for the retirement of bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans shall be paid into this fund.

Permanent Improvement - A fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities, (b) for grants and other resources whose use is restricted to a particular purpose; and (c) for food service operations.

*FIDUCIARY FUNDS*

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

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Medina County Budget Commission for tax rate determination.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Certificate of Estimated Resources issued for fiscal year 2007.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2007. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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



**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

During fiscal year 2007, investments were limited to federal agency securities and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$288,787, which includes \$148,877 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months which are not purchased from the cash management pool are reported as investments. All of the Districts investments were included in the cash management pool during fiscal year 2007.

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

**G. Inventory**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The 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.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. Receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences 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. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies, prepayments, property taxes unavailable for appropriation, debt service, advances, capital acquisition and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in general fund represent cash and cash equivalents that are restricted in use by State statute. See Note 17 for details.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 46,118
Other Grants	4,365
District Managed Student Activity	71,364
Ohio Reads	988
Title VI-B	85,131
Title I, Disadvantaged Children/Targeted Assistance	74,159

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.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

**A. Cash on Hand**

At year-end, the District had \$125 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$1,540,475. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$793,972 of the District's bank balance of \$1,588,685 was exposed to custodial risk as discussed below, while \$794,713 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2007, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
FFCB	\$ 298,593	\$ 298,593	\$ -	\$ -	\$ -	\$ -
FHLB	1,732,047	347,266	-	-	-	1,384,781
FHLMC	838,490	-	-	490,695	347,795	-
FNMA	398,720	-	-	-	-	398,720
	<u>\$ 3,267,850</u>	<u>\$ 645,859</u>	<u>\$ -</u>	<u>\$ 490,695</u>	<u>\$ 347,795</u>	<u>\$ 1,783,501</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The weighted average maturity of investments is 1.14 years.

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

*Credit Risk:* The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 298,593	9.14
FNMA	398,720	12.20
FHLB	1,732,047	53.00
FHLMC	838,490	25.66
	<u>\$ 3,267,850</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 1,540,475
Investments	3,267,850
Cash on hand	125
Total	<u>\$ 4,808,450</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,749,823
Private-purpose trust fund	27,135
Agency fund	31,492
Total	<u>\$ 4,808,450</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 301,238

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

- B. Interfund transfers for the fiscal year ended June 30, 2007, consisted of the following, as reported on the fund statements:

Transfers from General fund to:	<u>Amount</u>
Nonmajor governmental funds	\$ 227,377

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

Transfers between governmental funds will be eliminated on the government-wide financials.

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

- C. Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 166,887

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The long-term interfund balances are not expected to be repaid within one year.

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



**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006 on the value as of December 31, 2005. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Medina, Ashland, and Lorain Counties. These County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The amount available as an advance at June 30, 2007 was \$1,118,288 in the general fund and \$150,223 in the debt service fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$632,528 in the general fund, and \$93,034 in the debt service fund.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 150,830,870	86.64	\$ 158,847,580	87.11
Commercial/industrial real estate	5,742,110	3.30	6,025,440	3.30
Public utility personal	12,813,490	7.36	12,865,550	7.05
Tangible personal property	<u>4,702,922</u>	<u>2.70</u>	<u>4,683,274</u>	<u>2.54</u>
Total assessed valuation	<u>\$ 174,089,392</u>	<u>100.00</u>	<u>\$ 182,421,844</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$55.83		\$55.83	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 4,849,014
Accounts	5,043
Accrued interest	32,858
Intergovernmental	<u>374,075</u>
Total	<u>\$ 5,260,990</u>

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

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 363,000	\$ -	\$ -	\$ 363,000
<i>Capital assets, being depreciated:</i>				
Land improvements	716,178	66,200	(40,780)	741,598
Building and improvements	11,742,051	-	-	11,742,051
Furniture and equipment	1,106,567	27,500	(9,585)	1,124,482
Vehicles	<u>1,199,806</u>	<u>-</u>	<u>(65,277)</u>	<u>1,134,529</u>
Total capital assets, being depreciated	<u>14,764,602</u>	<u>93,700</u>	<u>(115,642)</u>	<u>14,742,660</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(283,332)	(37,512)	34,692	(286,152)
Building and improvements	(3,628,052)	(260,533)	-	(3,888,585)
Furniture and equipment	(639,670)	(84,712)	8,626	(715,756)
Vehicles	<u>(794,611)</u>	<u>(66,450)</u>	<u>58,749</u>	<u>(802,312)</u>
Total accumulated depreciation	<u>(5,345,665)</u>	<u>(449,207)</u>	<u>102,067</u>	<u>(5,692,805)</u>
Governmental activities capital assets, net	<u>\$ 9,781,937</u>	<u>\$ (355,507)</u>	<u>\$ (13,575)</u>	<u>\$ 9,412,855</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 168,244
Special	39,495
Vocational	5,693
<u>Support Services:</u>	
Pupil	8,480
Instructional staff	45,828
Administration	36,365
Operations and maintenance	18,055
Pupil transportation	70,810
Non-instructional	348
Extracurricular activities	41,751
Food service operation	<u>14,138</u>
Total depreciation expense	<u>\$ 449,207</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of equipment have been capitalized in the amount of \$129,004. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$44,495 paid by the general fund. Accumulated depreciation at June 30, 2007 was \$107,503 leaving a book balance of \$21,501.

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2007, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/07</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds:					
Series 1994 capital appreciation bonds	\$ 366,441	\$ -	\$ (101,358)	\$ 265,083	\$ 94,457
Series 1994 accreted interest	822,256	106,312	(258,642)	669,926	265,543
Series 2001 refunding current interest bonds	3,410,000	-	(280,000)	3,130,000	-
Series 2001 capital appreciation bonds	195,000	-	-	195,000	65,000
Series 2001 accreted interest	<u>420,086</u>	<u>153,621</u>	<u>-</u>	<u>573,707</u>	<u>225,000</u>
Total general obligation bonds	<u>5,213,783</u>	<u>259,933</u>	<u>(640,000)</u>	<u>4,833,716</u>	<u>650,000</u>
Capital lease obligations	44,495	-	(44,495)	-	-
Compensated absences	<u>642,684</u>	<u>217,959</u>	<u>(25,267)</u>	<u>835,376</u>	<u>123,659</u>
Total long-term obligations, governmental activities	<u>\$ 5,900,962</u>	<u>\$ 477,892</u>	<u>\$ (709,762)</u>	<u>\$ 5,669,092</u>	<u>\$ 773,659</u>

Capital lease obligations - Capital lease obligations are paid from the general fund.

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund, the food service fund (a nonmajor governmental fund) and the title I fund ( a nonmajor governmental fund).

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- C. On April 1, 2001, the District issued general obligation bonds (Series 2001 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1994 School Improvement General Obligation Bonds (principal \$4,780,000; interest rate 4.40%; stated maturity December 1, 2019). \$5,225,581 of the issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt, which was called for redemption on December 1, 2004, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in-substance).

The refunding issue is comprised of both current interest bonds, par value \$4,585,000, and capital appreciation bonds, par value \$195,000. The average interest rate on the current interest bonds is 4.67%. The capital appreciation bonds mature each December 2007 through 2010 (effective interest ranging from 24.022% to 25.815%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,160,000. Total accreted interest of \$573,707 has been included in the statement of net assets at June 30, 2007.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2019.

- D. Excluding amounts defeased during 2003, \$2,780,000 remained an obligation of the District. This amount is comprised of both current interest bonds, par value \$980,000, and capital appreciation bonds, par value \$474,995. Interest accrues at rates ranging from 3.9% to 6.1%. The capital appreciation bonds have annual mandatory sinking fund redemption requirements and mature annually beginning December 1, 2005 through December 1, 2009 at a redemption price equal to 100% of the principal, plus accrued interest to date. The accreted value at maturity for the capital appreciation bonds is \$1,800,000. Total accreted interest of \$669,926 has been included in the statement of net assets at June 30, 2007.
- E. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 146,540	\$ 146,540	\$ 159,457	\$ 490,543	\$ 650,000
2009	-	146,540	146,540	138,463	511,537	650,000
2010	-	146,540	146,540	127,163	522,837	650,000
2011	-	146,540	146,540	35,000	255,000	290,000
2012	290,000	140,232	430,232	-	-	-
2013 - 2017	1,650,000	488,826	2,138,826	-	-	-
2018 - 2021	1,190,000	88,694	1,278,694	-	-	-
Total	<u>\$ 3,130,000</u>	<u>\$ 1,303,912</u>	<u>\$ 4,433,912</u>	<u>\$ 460,083</u>	<u>\$ 1,779,917</u>	<u>\$ 2,240,000</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$13,687,383 (including available funds of \$1,291,369) and an unvoted debt margin of \$175,671.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Vacation credit is earned one year and taken in the next. An employee may elect to carry over credit from one year to the next but may not schedule or accumulate more than five (5) weeks in any one (1) calendar year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of seventy-two days for both certificated and classified employees with ten (10) or more years of service with the District. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

**B. Health Insurance**

The District is a member of the Stark County Schools Council, a public entity risk pool that currently operates as a common risk management and health insurance program for member school districts. The District pays a monthly premium to the pool for health, prescription drug, dental, and vision coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool has purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 12 - RISK MANAGEMENT**

**A. Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2007, the District purchased from various insurance carriers general liability insurance, which carried a \$2 million per occurrence/\$4 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and are traditionally funded.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2006.

**B. OSBO Workers' Compensation Group Rating Plan**

The District is a member of the OSBO Workers' Compensation Group Rating Plan, a public entity risk pool. The plan was created by the Ohio Association of School Business of Officials as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to join together in order to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$176,238, \$184,902, and \$181,497; 37.66 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$109,861 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$845,705, \$815,628, and \$761,531; 82.84 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$145,151 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$8,180 made by the District and \$24,092 made by plan members.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$65,054 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$90,350 to fund health care benefits, including the surcharge.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing sources are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).
- (e) Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (896,426)
Net adjustment for revenue accruals	540,356
Net adjustment for expenditure accruals	(88,267)
Net adjustment for other sources/uses	281,123
Adjustment for encumbrances	<u>231,736</u>
GAAP basis	<u>\$ 68,522</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner of the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$307,629 per year. A portion of the refund may be recovered from additional State entitlement payments.

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

**NOTE 17 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for BWC refunds. At June 30, 2007, the unspent portions of Bureau of Workers' Compensation refunds continue to be a set-aside for budget stabilization.

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

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside balance as of June 30, 2006	\$ (431,265)	\$ 6,897	\$ 38,225
Current year set-aside requirement	251,937	251,937	-
Qualifying disbursements	<u>(311,247)</u>	<u>(286,615)</u>	<u>-</u>
Total	<u>\$ (490,575)</u>	<u>\$ (27,781)</u>	<u>\$ 38,225</u>
Balance carried forward to FY 2008	<u>\$ (490,575)</u>	<u>\$ (27,781)</u>	<u>\$ 38,225</u>

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 17 - STATUTORY RESERVES (Continued)**

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

The District had qualifying disbursements during the year that reduced the set-aside amount below zero in the textbooks reserve. This extra amount may only be used to reduce the set-aside requirement of future years.

A schedule of the governmental fund restricted assets at June 30, 2007 follows:

Amount restricted for capital acquisition	\$ 137,579
Amount restricted for BWC refunds	<u>38,225</u>
Total restricted assets	<u><u>\$ 175,804</u></u>

**NOTE 18 – SIGNIFICANT SUBSEQUENT EVENT**

On August 9, 2007, the District sustained damage from a tornado. The preliminary estimates suggest that this claim may exceed the liability coverages of the District.

Black River Local School District  
Medina County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	\$ 38,809	\$ -	\$ 38,809	\$ -
National School Lunch Program	LLP4	10.555	152,918	-	152,918	-
Total Nutrition Cluster			191,727	-	191,727	-
Food Donation	NA	10.550	\$ -	\$ 30,111	\$ -	\$ 30,111
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			191,727	30,111	191,727	30,111
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Special Education Grants to States	6BSF	84.027	219,536	-	387,855	-
Special Education Preschool Grants	PGS1	84.173	3,887	-	4,708	-
Total Special Education Cluster			223,423	-	392,563	-
Title I Grants to Local Educational Agencies	C1S1	84.010	338,457	-	419,956	-
Safe and Drug-Free Schools and Communities State Grants	DRS1	84.186	4,813	-	8,406	-
State Grants for Innovative Programs	C2S1	84.298	855	-	972	-
Education Technology State Grants	TJS1	84.318	2,786	-	6,332	-
Improving Teacher Quality State Grants	TRS1	84.367	83,821	-	114,775	-
<b>Total United States Department of Education</b>			654,155	-	943,004	-
<b>Total Federal Financial Assistance</b>			<b>\$ 845,882</b>	<b>\$ 30,111</b>	<b>\$ 1,134,731</b>	<b>\$ 30,111</b>

NA - Pass Through Entity Number is Not Available  
See Notes to the Schedule of Federal Awards Expenditures.

**BLACK RIVER LOCAL SCHOOL DISTRICT  
MEDINA COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DONATION**

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

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Ohio Society of Certified Public Accountants

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

Members of the Board  
Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Black River Local School District (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

Members of the Board

Black River Local School District

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


Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the district in a separate letter dated March 3, 2008.

This report is intended solely for the information and use of the management, the audit committee, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.

March 3, 2007



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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Black River Local School District  
257-A County Road 40  
Sullivan, Ohio 44880

### **Compliance**

We have audited the compliance of the Black River Local School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### **Internal Control Over Compliance**

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

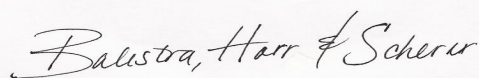
**Internal Control Over Compliance (Continued)**

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

March 3, 2008

**Black River Local School District**  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 Section .505  
 For the Fiscal Year Ended June 30, 2007

**SUMMARY OF AUDITOR'S RESULTS**

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

**Black River Local School District**  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 Section .505  
For the Fiscal Year Ended June 30, 2007

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

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



Mary Taylor, CPA  
Auditor of State

**BLACK RIVER LOCAL SCHOOL DISTRICT**

**MEDINA 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 29, 2008**